HANBO ENTERPRISES HOLDINGS LIMITED
恒寶企業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1367

2016
Annual Report

CONTENTS

CORPORATE INFORMATION

Board of Directors

EXECUTIVE DIRECTORS

Mr. Jia Bowei *(Chairman)*	*(Note 1)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*	*(Note 2)*
Mr. Wong Nga Leung	*(Note 2)*
Mr. Hon Ming Sang	*(Note 3)*
Mr. Cheng Lap Yin	*(Chairman, Note 4)*
Mr. Liu Chung Tong	*(Deputy Chairman and Managing Director, Note 4)*
Mr. Liu Ying Yin, James	*(Note 4)*
Mr. Kao Lap Shing	*(Financial Controller, Note 4)*
Mr. Yu Yuen Mau, Banny	*(Note 4)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fok Ho Yin, Thomas	*(Note 2)*
Mr. Chan Wai Cheung, Admiral	*(Note 2)*
Mr. Lam Ho Pong	*(Note 5)*
Mr. Chung Kwok Pan	*(Note 4)*
Mr. Lai Kin Keung	*(Note 4)*
Mr. Lau Chart Chou	*(Note 6)*
Mr. Ng Ming Yuen, John	*(Note 7)*

Audit Committee

Mr. Fok Ho Yin, Thomas *(Chairman)*	*(Note 2)*
Mr. Chan Wai Cheung, Admiral	*(Note 2)*
Mr. Lam Ho Pong	*(Note 5)*
Mr. Hon Ming Sang	*(Note 8)*
Mr. Lau Chart Chou	*(Chairman, Note 6)*
Mr. Ng Ming Yuen, John	*(Chairman, Note 7)*
Mr. Chung Kwok Pan	*(Note 4)*
Mr. Lai Kin Keung	*(Note 4)*

Remuneration Committee

Mr. Fok Ho Yin, Thomas *(Chairman)*	*(Note 2)*
Mr. Chan Wai Cheung, Admiral	*(Note 2)*
Mr. Lam Ho Pong	*(Note 5)*
Mr. Hon Ming Sang	*(Note 8)*
Mr. Lai Kin Keung	*(Chairman, Note 4)*
Mr. Cheng Lap Yin	*(Note 4)*
Mr. Chung Kwok Pan	*(Note 4)*

Nomination Committee

Mr. Fok Ho Yin, Thomas *(Chairman)*	*(Note 2)*
Mr. Chan Wai Cheung, Admiral	*(Note 2)*
Mr. Lam Ho Pong	*(Note 5)*
Mr. Hon Ming Sang	*(Note 8)*
Mr. Cheng Lap Yin	*(Chairman, Note 4)*
Mr. Liu Ying Yin, James	*(Note 4)*
Mr. Chung Kwok Pan	*(Note 4)*
Mr. Lai Kin Keung	*(Note 4)*
Mr. Lau Chart Chou	*(Note 6)*
Mr. Ng Ming Yuen, John	*(Note 7)*

Compliance Committee

Mr. Lam Kwan Sing *(Chairman)*	*(Note 2)*
Mr. Jia Bowei	*(Note 1)*
Mr. Wong Nga Leung	*(Note 2)*
Mr. Hon Ming Sang	*(Note 2)*
Mr. Fok Ho Yin, Thomas	*(Note 2)*
Mr. Chan Wai Cheung, Admiral	*(Note 2)*
Mr. Lam Ho Pong	*(Note 5)*
Mr. Liu Chung Tong	*(Chairman, Note 4)*
Mr. Kao Lap Shing	*(Note 4)*
Mr. Chung Kwok Pan	*(Note 4)*
Mr. Lai Kin Keung	*(Note 4)*
Mr. Lau Chart Chou	*(Note 6)*
Mr. Ng Ming Yuen, John	*(Note 7)*

Company Secretary

Ms. Man Tsz Sai, Lavender	*(Note 2)*
Mr. Kao Lap Shing	*(Note 4)*

Authorised Representatives

Mr. Lam Kwan Sing	*(Note 2)*
Ms. Man Tsz Sai, Lavender	*(Note 2)*
Mr. Cheng Lap Yin	*(Note 4)*
Mr. Liu Chung Tong	*(Note 4)*

Notes:

1. Appointed with effect from 6 December 2016.
2. Appointed with effect from 29 November 2016.
3. Appointed as Independent Non-executive Director with effect from 29 November 2016 and re-designated as Executive Director with effect from 7 February 2017.
4. Resigned with effect from 29 November 2016.
5. Appointed with effect from 7 February 2017.
6. Appointed with effect from 14 July 2016 and resigned with effect from 29 November 2016.
7. Resigned with effect from 15 April 2016.
8. Appointed with effect from 29 November 2016 and resigned with effect from 7 February 2017.

Registered Office

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

Principal Place of Business in Hong Kong

Suites 904–5
9/F., Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301–04
33/F., Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Principal Bankers

China CITIC Bank International Limited
Standard Chartered Bank (Hong Kong) Limited

Auditor

Ernst & Young
Certified Public Accountants
22/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Website

www.hanbo.com

Stock Code

1367

FINANCIAL SUMMARY

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**365,750**	355,952	334,819	554,589	463,568
Gross profit	**60,447**	59,449	54,408	84,608	73,202
Profit/(loss) before tax	**(3,438)**	(4,378)	(16,803)	26,985	31,120
Income tax	**(2,089)**	(989)	(1,036)	(2,172)	(2,548)
Profit/(loss) for the year	**(5,527)**	(5,367)	(17,839)	24,813	28,572

	31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**184,824**	184,516	193,111	168,372	254,302
Total liabilities	**54,285**	48,087	51,010	63,630	118,310
Net assets	**130,539**	136,429	142,101	104,742	135,992

The results and summary of assets and liabilities for the years ended 31 December 2012 and 2013 were extracted from the Company's prospectus dated 30 June 2014.

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Hanbo Enterprises Holdings Limited (the "Company"), I am pleased to present to you the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

Results of the Group

During the financial year under review, the Group recorded a revenue of approximately HK$365.8 million (2015: HK$356.0 million), representing an increase by 2.8% as compared to last year. The increase was mainly due to (i) an increase in revenue derived from supply chain management services business to approximately HK$363.2 million (2015: HK$356.0 million); and (ii) an unrealised gain on an investment in listed equity investment at fair value through profit and loss of approximately HK$2.4 million (2015: nil), which is arising from the Group's new business segment on securities investment.

The net loss attributed to shareholders of the Company (the "Shareholders") for the year amounted to HK$5.5 million (2015: HK$5.4 million), resulted in a basic loss per share for the year of HK1.15 cents (2015: basic loss per share of HK1.12 cents), representing an increase in loss by 3.0%. The increase in loss was resulted from the net effect of (i) decrease in other income and gains of approximately HK$4.7 million, which was mainly attributable from the decrease in compensation income from an insurance company of approximately HK$2.7 million; (ii) increase in gross profit of approximately HK$1.0 million; and (iii) decrease in staff costs from approximately HK$41.3 million to approximately HK$37.7 million.

Business Overview and Prospect

The Group provides apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and accessories. This includes sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers to meet their needs along the apparel supply chain. Revenue is derived primarily from the sale of apparel products it procures for its customers.

During the year, we have restructured and streamlined our operations, as well as reassessed the current portfolio of customers and geared our resources to the most profitable customers. These business improvements led to positive observable results to the Group.

In view of the challenging situation in development of the European market, we decided to terminate the service contract with an European marketing consultant during the year, but we are still exploring other alternatives to develop this market so as to diversify our customer base.

During 2016, the Board had determined that the Group can benefit from exploring diversification of its operations into the financial sector which includes but not limited to the provision of financing, brokerage, asset management and investment management services, and securities investments. In December 2016, the Group had acquired Capital Strategic Partners Limited ("Capital Strategic"), which is incorporated in Hong Kong and holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the "Money Lenders Ordinance") to carry out money lending business in Hong Kong. Besides, the Group had also set up a subsidiary, which is principally engaged in securities investment and started its operation in December 2016. The Group had also entered into conditional sale and purchase agreements for the acquisition of companies which are licensed corporations to carry out Type 1 (Dealing in securities) and Type 9 (Asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The Group continues to look into possible acquisitions of relevant licences and recruitments of qualified persons to carry out the corresponding financial services activities accordingly. We believe that the development of such services can complement the one-stop solutions that the Group can offer to its customers while creating independent business segments that can bring values to our Shareholders through better deployment of available resources.

We are confident with the future development of the Hong Kong stock market and our financial services business, including but not limited to money lending, asset management, fund management, financial advisory and brokerage service, and we plan to further increase in the scale of our financial services business and will actively invest in the capital market with a dynamic portfolio according to the changing market conditions. We will also look into potential investees in the financial service platform to diversify our financial services business and achieve synergy effect.

Appreciation

Finally, on behalf of the Board, I would like to express my sincere gratitude to all Shareholders, investors, bankers, business associates and customers for their great support and trust, and to our Directors, management and staff for their invaluable contributions to the Group over the past year. The Group will also actively develop its own businesses to achieve fabulous returns for our Shareholders.

Jia Bowei
Chairman & Executive Director

Hong Kong, 30 March 2017

BUSINESS REVIEW

APPAREL TRADING AND SUPPLY CHAIN MANAGEMENT SERVICES BUSINESS

The Group provides apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and accessories. Our major customers in apparel supply chain management services business are mainly department and specialty stores in the United States of America ("USA"), and their businesses remained challenging due to weak consumer spending in apparels. Hence we have restructured and streamlined our operations during the year. We also reassessed the current portfolio of customers and geared our resources to the most profitable customers. The result has been encouraging. Revenue of this segment increased by about 2% from about HK$356.0 million in the previous year to HK$363.2 million in the year. Gross profit margin decreased by 0.8 percentage point from 16.7% to 15.9%, the combined effect led to a decrease in gross profit by about 2.6% to HK$57.9 million in the year.

Development of European market was not smooth. We decided to terminate the service contract with a marketing consultant during the year, but are still exploring other alternatives to develop this market so as to diversify our customer base. Besides, total sales of handbags during the year was about HK$1.4 million which was also below our expectation.

The manufacturing environment remained to be concentrated in Cambodia, Bangladesh, and China. We have shifted more orders to Bangladesh and this has helped us to reduce cost pressure. Besides, the strengthening of United States dollars ("US$") against Renminbi ("RMB") also helped to stabilise the material prices.

During the year, the Group recorded a profit on apparel operation amounting to about HK$8.3 million due to improved sales and significant reduction in overheads due to restructuring.

MONEY LENDING BUSINESS

In December 2016, the Group entered into the money lending business through the acquisition of Capital Strategic from a third party independent of the Company and its connected persons (as defined under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")). Capital Strategic holds a money lenders licence under the Money Lenders Ordinance to carry out money lending business in Hong Kong. During the year, the money lending operation had been commenced and the interest income and operating profit generated in this segment during the year ended 31 December 2016 were approximately HK$93,000 (2015: nil) and approximately HK$93,000 (2015: nil), respectively. Due to the short period of operation of money lending business in 2016, only one transaction of loan advanced to a customer occurred, which was disclosed in the announcement issued by the Company on 19 December 2016 and note 19 to the consolidated financial statements. The management had formulated a fundamental policy to establish its internal control systems. The Group would adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer in order to maximise the return of the money lending business as well as diversify the credit risk.

FINANCIAL SERVICES BUSINESS

On 16 December 2016, the Group had acquired 665,000 ordinary shares, representing 9.5% of the issued share capital of Tak Yun Wealth Management Company Limited ("Tak Yun") at a total consideration of approximately HK$926,000 from a third party independent of the Company and its connected persons (as defined under the Listing Rules). Tak Yun is a corporation licensed for Type 1 (Dealing in securities) regulated activity under the SFO. Subsequently, in January 2017, the Group entered into a conditional sale and purchase agreement for the acquisition of the remaining 90.5% of the issued share capital of Tak Yun at a total cash consideration of approximately HK$14,622,000 (subject to adjustment with reference to the net asset value of Tak Yun as at the date of completion of the acquisition).

On 20 December 2016, an indirect wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding with a third party independent of the Company and its connected persons (as defined under the Listing Rules) (the "Seller") in relation to the possible acquisition of the entire issued share capital of a company which is licensed to carry out Type 9 (Asset management) regulated activity under the SFO (the "Target Company"). Subsequently, in February 2017, the Group entered into a conditional sale and purchase agreement with the Seller for the acquisition of the Target Company at a total consideration of approximately HK$6,600,000 (subject to adjustment with reference to the net asset value of the Target Company as at the date of completion).

Upon completion of the above acquisitions, the Group would further expand and diversify its financial services business and achieve synergy effect.

The Group is also looking into other financial service platforms such as fund management companies and plans to further expand this segment via business combination.

SECURITIES INVESTMENT

During the year, the Group carried out the Group's investment business in securities investment.

As investment in securities is one of the operating businesses of the Group, the net realised and unrealised gain or loss on financial assets at fair value through profit or loss is recognised as a component of the revenue of the Group.

During the year, the securities investment business had been commenced and the revenue arising from this segment was approximately HK$2.4 million (2015: nil). Revenue was attributable to the net unrealised gain on securities investment of approximately HK$2.4 million (2015: nil). No realised gain or loss on securities investment was noted during the year.

The overall performance of the securities investment business recorded a profit of approximately HK$2.4 million for the year ended 31 December 2016 (2015: nil), which was primarily attributable to the unrealised gain on securities investment stated above, net of administrative expenses of approximately HK$9,000 (2015: nil) incurred during the year as a result of commencement of business. As at 31 December 2016, the market value of the Group's listed securities portfolio was approximately HK$10.5 million (2015: nil).

The Group is currently looking into other investment opportunities including private equities, debt securities, derivatives and funds. The management plans to revise its investment strategies and formulate new investment policies in the near future.

FINANCIAL REVIEW

During the year under review, the Group has diversified its operations into four segments, being

(a) trading of apparel products and provision of the apparel supply chain management services;

(b) financial services;

(c) money lending; and

(d) securities investment.

Financial results from the Group's operations are summarised as follows:

REVENUE

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the year ended 31 December 2016 is as follows:

- Supply chain management services business: approximately HK$363,234,000, 99.31% of revenue (2015: HK$355,952,000, 100.00%)

- Money lending business: approximately HK$93,000, 0.03% of revenue (2015: nil)

- Securities investment: approximately HK$2,423,000, 0.66% of revenue (2015: nil)

Revenue by Geographical Region

During the year, approximately 97.7% (2015: 92.6%) of the Group's total revenue from external customers, based on the locations of the products shipped to, were attributed to the USA.

The Group's revenue for the year was approximately HK$365,750,000, being an increase of approximately HK$9,798,000 when compared to the previous year of approximately HK$355,952,000. The increase was mainly due to (i) an increase in revenue derived from supply chain management services business to approximately HK$363,234,000 (2015: HK$355,952,000); (ii) an unrealised gain on an investment in listed equity investment at fair value through profit and loss of approximately HK$2,423,000 (2015: nil), which was arising from the Group's new business segment on securities investment; and (iii) an interest income from a loan advanced to an independent third party of approximately HK$93,000 (2015: nil).

COST OF SALES

Cost of sales of the Group relates to its supply chain management services business and includes raw materials, subcontracting fees, and other costs. Raw materials were fabrics and ancillary raw materials, including buttons, zippers and threads that the Group purchased and supplied to the third-party manufacturers for their production. Subcontracting fees represented fees paid to the third-party manufacturers for production of apparel products. Other costs include miscellaneous costs such as freight charges, inspection charges, declaration fees, depreciation and insurance.

Subcontracting fees continues to be the major component of the Group's total cost of sales and accounted for approximately 98.5% of the total cost of sales for the year (2015: 97.4%).

GROSS PROFIT AND MARGIN

The Group's gross profit for the year was approximately HK$60,447,000, representing an increase of approximately 1.7% from approximately HK$59,449,000 in the previous year.

The Group's gross profit margin for its supply chain management services business remained relatively stable that it slightly decreased from approximately 16.7% for the previous year to approximately 15.9% for the year.

OTHER INCOME AND GAINS

Other income and gains for the year was approximately HK$1,633,000, representing a decrease of approximately 74.2% from the previous year of approximately HK$6,327,000. The decrease was mainly due to the effect of (i) decrease in write-back of impairment of trade receivables of approximately HK$1,415,000; and (ii) decrease in compensation income from an insurance company of approximately HK$2,712,000.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs primarily consist of (i) sample cost; (ii) travelling expenses; (iii) electronic data interchange charges; (iv) entertainment expenses; (v) air freight charges; and (vi) other selling and distribution expenses. Selling and distribution costs decreased by approximately 31.7% from approximately HK$1,863,000 to approximately HK$1,272,000, which was mainly due to the decrease in transportation fees.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly represented employee benefit expenses for the Group's management, finance and administrative personnel, entertainment expenses, rental expenses for the Group's office premises and travelling expenses. Administrative expenses increased by approximately 2.4% from approximately HK$62,198,000 to approximately HK$63,703,000, which was mainly due to the increase in legal and professional fees and entertainment expenses.

OTHER EXPENSES, NET

Other expenses, net mainly represented the rework costs paid to customer and the provision for doubtful debts. Other expenses, net for the year was approximately HK$459,000, representing a decrease of approximately 92.1% from approximately HK$5,781,000 in the previous year. The decrease was mainly due to decrease in provision for slow moving inventories and decrease in impairment of other receivables.

FINANCE COSTS

Finance costs decreased by approximately 66.8% from approximately HK$253,000 to approximately HK$84,000. The decrease was mainly due to decrease in making trust receipt loan during the year.

LOSS FOR THE YEAR

The net loss attributed to Shareholders of the Company for the year amounted to HK$5,527,000 (2015: HK$5,367,000), resulted in a basic loss per share for the year of HK1.15 cents (2015: basic loss per share of HK1.12 cents), representing an increase in loss by 3.0%. The increase in loss was resulted from the net effect of (i) decrease in other income and gains of approximately HK$4,694,000, which was mainly attributable from the decrease in compensation income from an insurance company of approximately HK$2,712,000; (ii) increase in gross profit of HK$998,000; and (iii) decrease in staff costs from approximately HK$41,332,000 to approximately HK$37,729,000.

PROSPECTS

APPAREL TRADING AND SUPPLY CHAIN MANAGEMENT SERVICES BUSINESS

The Board remains prudent about the apparel business environment in 2017. We are still waiting to see apparent sign of recovery for our customers in the USA. Fortunately, our strong production development support, production flexibility and scalability continued to be our selling points to our customers. We also realise that the future supply chain business needs to be transformed to exploit IT in the process. We keep on enhancing our ERP system to further strengthen our relationship with supply chain partners and improve efficiency. New module of mobile quality inspection is being developed to streamline the quality inspection work. Dashboards have been built and extensively used by management to monitor the order status and performance. Other projects in progress include use of radio-frequency identification and electronic data interchange (EDI) to facilitate sharing of data with our supply chain partners so as to reduce duplicate data entry work.

The Group has actively participated in sustainability and social responsibility which are increasingly valued by our customers in making their sourcing decisions. We are a member of the Sustainable Apparel Coalition (SAC) and have adopted sustainability measurements in factory evaluation to gauge environmental sustainability. The Company is also recognised as Hong Kong Green Organisation by Environmental Campaign Committee and Caring Company awarded by the Hong Kong Council of Social Service.

MONEY LENDING AND FINANCIAL SERVICES BUSINESSES

The management expects that the money lending business segment will become one of the Group's stable income sources. In the coming year, the management is going to put more effort to develop the money lending operation and aims to gain a higher level of loan advance balance with significant returns. It is believed that expansion of money lending operation will help the Group to lay a solid capital foundation for the development of financial sector and maintain a healthy cash flow.

As disclosed in the Company's announcement dated 6 December 2016, the Board intended to explore diversification of its operations into the financial services sector which includes but not limited to the provision of financing, brokerage, asset management and investment management services, and securities investments. Apart from the acquisitions of the licensed corporations mentioned in section headed "Material Acquisitions and Disposals of Subsidiaries" below, the management continues looking into possible acquisitions of relevant licensed corporations, asset management companies and other financial service platforms located in both Hong Kong and the People's Republic of China ("PRC"), in order to build a strong, growing and diversified financial services sector.

The management will go on paying close attention to the development of this business segment and to promptly react to the demand in the market.

SECURITIES INVESTMENT

During the year, the Hong Kong economy was facing different challenges, including social instability, black swan events from worldwide and global economic downturn. It is expected that the Hong Kong stock market will still be highly volatile in 2017 due to the events such as inauguration of Donald Trump as the 45th United States President, possible start of interest rate hike cycle and Hong Kong Chief Executive election. To cope with such situations, the Group will closely monitor the market conditions and may consider to change its investment portfolio from time to time. We will also explore other investment opportunities including but not limited to investment in private equities, debt securities, derivatives and funds. With the introduction of the new management to the Group, the management plans to revise its investment strategies and formulate new investment policies in the near future.

Capital Structure

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including interest-bearing bank and other borrowings, and equity attributable to owners of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Liquidity and Financial Resources

During the year, the Group's working capital was financed by both internal resources and bank borrowings.

As at 31 December 2016, cash and cash equivalents amounted to approximately HK$49,286,000, which decreased by approximately 39.7% as compared to approximately HK$81,689,000 as at 31 December 2015.

As at 31 December 2016, the Group's total borrowings amounted to approximately HK$12,316,000 (2015: HK$706,000), mainly consist of finance lease liabilities amounting to approximately HK$228,000 (2015: HK$318,000) and bank borrowings amounting to approximately HK$12,088,000 (2015: HK$388,000). The bank borrowings of the Group as at 31 December 2016 and 31 December 2015 were incurred for trade finance purposes.

The current ratio of the Group as at 31 December 2016 was approximately 3.0 (2015: 3.6). The gearing ratio (being the finance leases liabilities divided by the equity attributable to the owners of the Company) of the Group as at 31 December 2016 was approximately 0.2% (2015: 0.2%).

The Group's net current assets and net assets of approximately HK$107,376,000 (2015: HK$125,374,000) and HK$130,539,000 (2015: HK$136,429,000), respectively.

Treasury Policies

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign Exchange Exposure

The Group's foreign currency transactions are mainly denominated in RMB and US$. The Group has currency exposure as certain subcontracting fees incurred in the PRC were denominated in RMB. The Group is subjected to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital Expenditures

During the year, the Group's capital expenditures consisted of additions to property, plant and equipment amounting to approximately HK$195,000 (2015: HK$1,502,000).

Capital Commitment

As at 31 December 2016, the Group had a capital commitment of HK$790,000 (2015: nil) in relation to an acquisition of a motor vehicle.

Employees and Remuneration Policies

As at 31 December 2016, the Group had a total of 153 employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK$37,729,000 for the year, as compared to approximately HK$41,332,000 for the previous year.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of the basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other major staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and the provision of social insurances for employees who are employed by the Group pursuant to the applicable PRC rules and regulations.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 20 June 2014 where options to subscribe for shares of the Company may be granted to the Directors and employees of the Group.

Change in Controlling Shareholder

On 17 October 2016, the Company and Plus Value International Limited ("Plus Value" or the "Offeror") jointly announced that Happy Zone Limited (wholly-owned by Mr. Liu Ying Yin, James), Mr. Cheng Lap Yin, Capital Oasis Holdings Limited (wholly-owned by Mr. Liu Chung Tong), Mr. Yu Yuen Mau, Banny and Mr. Kao Lap Shing (collectively, as the vendors), Mr. Liu Ying Yin, James (as the guarantor to Happy Zone Limited), Mr. Liu Chung Tong (as the guarantor to Capital Oasis Holdings Limited, Plus Value and Mr. Lai Leong (as the guarantor to Plus Value) entered into a sale and purchase agreement on 17 October 2016 to dispose of an aggregate of 360,000,000 ordinary shares of the Company, representing 75% of the entire issued share capital of the Company, to the Offeror. The transaction took place on 20 October 2016 and the Offeror had subsequently completed a mandatory unconditional cash offer in November 2016 pursuant to Rule 26.1 of the Code on Takeovers and Mergers for all the issued shares of the Company other than those already owned by the Offeror and parties acting in concert with it. As a consequence, Plus Value became the controlling Shareholder. The composition of the Board and the Board committees has also been changed in November 2016 as a result of the change of control of the Company.

Future Plans For Material Investments

Save as disclosed in the section headed "Material Acquisitions and Disposals of Subsidiaries" below, the Group did not have any plans for material investments during the year.

The Group will finance the future acquisitions through internally generated funds and other fund raising activities, including but not limited to issue of new debts or equity instruments.

Significant Investment

The Board would like to inform the Shareholders that all financial assets at fair value through profit or loss held as at 31 December 2016 represented shares listed in Hong Kong and the relevant information of the Group's significant investment held at 31 December 2016 is summarised below:

		% of shareholding in the listed securities held by the Group at 31 December 2016	**Unrealised gain for the year ended 31 December 2016**	**Fair value of the investment in listed securities at 31 December 2016**
			HK$'000	HK$'000
Financial assets at fair value through profit or loss				
Stock Code	**Name of Security**			
767	Pacific Plywood Holdings Limited ("PPHL")	0.49	2,423	10,528

Information published by PPHL regarding its performance and prospects can be found at the HKEXnews website. According to PPHL's announcement of final results for the year ended 31 December 2016, the PPHL group was principally engaged in the business of operation of peer-to-peer ("P2P") financing platform and other loan facilitation services, money lending and provision of credit, securities investments, provision of corporate secretarial and consultancy services and forestry business.

The Company expects that the future performance of the Group's investment portfolio (including the significant investment described above) will be affected by the following external factors:

1) Market risk arising from fluctuations in Hong Kong stock market and changes in the domestic and global economy.

2) Policy risks in the PRC that may materially and adversely affect the outlook for companies in its portfolio.

3) The market price of each stock will be affected by the financial performance and development plans of the relevant company, as well as the outlook of the industry in which such company operates.

In order to mitigate possible financial risks related to the equities, the management will further review the Group's investment portfolio and closely monitor the performance of the listed securities from time to time.

Details of the significant investments in subsidiaries held by the Group as at 31 December 2016 are set out in note 1 to the consolidated financial statements.

Material Acquisitions and Disposals of Subsidiaries

On 13 December 2016, the Group acquired the entire issued share capital of Capital Strategic at a total consideration of approximately HK$981,000 from a third party independent of the Company and its connected persons (as defined under the Listing Rules). Capital Strategic holds a money lenders licence under the Money Lenders Ordinance to carry out money lending business in Hong Kong.

As disclosed in the announcement of the Company dated 16 December 2016, the Group acquired 665,000 ordinary shares, representing 9.5% of the issued share capital of Tak Yun at a total consideration of approximately HK$926,000 from a third party independent of the Company and its connected persons (as defined under the Listing Rules). Tak Yun is a corporation licensed for Type 1 (Dealing in securities) regulated activity under the SFO. Subsequently, in January 2017, a wholly-owned subsidiary of the Group entered into a conditional sale and purchase agreement for the acquisition of the remaining 90.5% of the issued share capital of Tak Yun (the "Acquisition") at a total cash consideration of approximately HK$14,622,000 (subject to adjustment with reference to the net asset value of Tak Yun as at the date of completion of the Acquisition). Completion of the Acquisition is conditional upon the necessary approval(s) from the Securities and Futures Commission (the "SFC") being obtained. Upon completion of the Acquisition, Tak Yun will become a wholly-owned subsidiary of the Company and the financial information of Tak Yun will be consolidated into the financial information of the Group.

As disclosed in the announcement of the Company dated 20 December 2016, the Group entered into a non-legally binding memorandum of understanding with a third party independent of the Company and its connected persons (as defined under the Listing Rules) in relation to the possible acquisition of the Target Company, which is licensed to carry out Type 9 (Asset management) regulated activity under the SFO. Subsequently, in February 2017, the Group entered into a conditional sale and purchase agreement for the acquisition of the Target Company at a total consideration of approximately HK$6,600,000 (subject to adjustment with reference to the net asset value of the Target Company as at the date of completion). Completion of this acquisition is conditional upon (i) completion of legal, business and financial due diligence to the satisfaction of the Group; (ii) approval being obtained from the SFC for change of substantial shareholder of the Target Company under section 132 of the SFO (the "Approval for Change of Substantial Shareholder"); (iii) the active status with the SFC being maintained; and (iv) the Target Company having obtained the licence for carry out Type 4 (Advising on securities) regulated activity under the SFO. Completion of this acquisition is to take place within 15 days upon the Approval for Change of Substantial Shareholder being obtained from the SFC. Upon completion of this acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the financial information of the Group.

The Group has not disposed of any of its subsidiaries during the year.

Risk Management

The Group adopts the following risk management policies and monitoring system to mitigate the risks associated with interest rate, foreign currency, credit, liquidity and equity price in its major operation.

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as certain subcontracting fees incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

CREDIT RISK

The trade and bills receivable balances included in the consolidated statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's trade and bills receivables. Concentrations of credit risk are managed by customer.

The Group performs ongoing credit evaluations of its debtors' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based on a review of the expected collectability of all trade and bills receivables.

The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by management.

LIQUIDITY RISK

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period. Management manages this exposure by assessing the risk associated with each individual investment and maintaining a portfolio of investments with different risks in the future if necessary.

Contingent Liabilities

There were no contingent liabilities as at 31 December 2016.

Charge on the Group's Assets

As at 31 December 2015, the Group's property with a net carrying value of approximately HK$1,847,000 was pledged to banks to secure general banking facilities granted to the Group. The charge was released during the year.

No charges on the Group's assets was noted as at 31 December 2016.

Dividend

The Board does not recommend the distribution of any dividends for the year ended 31 December 2016 (2015: nil).

Fund Raising Activities in the Past Twelve Months

There had not been any equity fund raising activity conducted by the Group in the past twelve months.

Provision of Financial Assistance and Advance to an Entity

On 19 December 2016, Capital Strategic (the "Lender"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with a third party independent of the Company and its connected person (as defined under the Listing Rules) (the "Borrower"), pursuant to which the Lender agreed to provide a loan to the Borrower in the principal amount of HK$20,000,000 (the "Loan") for a period of 6 months following the date of the first drawdown at an interest rate of 13% per annum payable on the date falling 6 months from the first drawing of the Loan (the "Provision of the Loan"). The grant of the Loan under the Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Provision of the Loan constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Provision of the Loan are set out in the announcement of the Company dated 19 December 2016.

Directors

EXECUTIVE DIRECTORS

Mr. Jia Bowei, aged 50, was appointed as an Executive Director, the Chairman of the Board and a member of the Compliance Committee of the Company with effect from 6 December 2016. He is also a director of a subsidiary of the Company. Mr. Jia has obtained a Master degree in Business Administration from Guanghua School of Management, Peking University. He has extensive experience in finance and management and possesses over 27 years of working experience. Mr. Jia was an executive director of Enterprise Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1808) ("EDHL") since 23 November 2011 and was subsequently appointed as the chairman of EDHL from 8 May 2013. He resigned as an executive director and ceased to act as the chairman of EDHL with effect from 3 July 2015.

Mr. Lam Kwan Sing, aged 47, was appointed as Executive Director, the Chief Executive Officer, the chairman of the Compliance Committee of the Company and an authorized representative under rule 3.05 of the Listing Rules with effect from 29 November 2016. He is also a director of certain subsidiaries of the Company. Mr. Lam has obtained a Bachelor of Arts in Accountancy degree from the City University of Hong Kong. He has over 18 years of experience in the commercial and corporate finance field. In addition, Mr. Lam is a director of China Natural Resources Inc., a company listed on NASDAQ, since 2003, an executive director of China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) and an independent non-executive director of Hao Tian Development Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 474). He was an executive director and chief executive officer of Enterprise Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1808) from 13 February 2012 to 31 May 2015 and from 8 May 2013 to 31 May 2015 respectively.

Mr. Wong Nga Leung, aged 38, was appointed as Executive Director and a member of the Compliance Committee of the Company with effect from 29 November 2016. He is also a director of certain subsidiaries of the Company. Mr. Wong has obtained a Master of Commerce and Bachelor of Commerce degrees from The University of New South Wales, Sydney. He is a Chartered Financial Analyst. Mr. Wong was an executive director of China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) from 26 October 2011 to 31 October 2016.

Mr. Hon Ming Sang, aged 38, was appointed as an Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee of the Company with effect from 29 November 2016. He subsequently resigned as Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee but remains as a member of the Compliance Committee of the Company and re-designated as Executive Director with effect from 7 February 2017. Mr. Hon is also a director of a subsidiary of the Company. He graduated with an honor degree of Professional Accountancy in the School of Accountancy from The Chinese University of Hong Kong. Mr. Hon is a CFA charter. He is also a member of The Hong Kong Society of Financial Analysts, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Hon is an executive director of China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) ("China Smarter Energy") and an independent non-executive director of Runway Global Holdings Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1520). He was an executive director, financial controller and qualified accountant of Carnival Group International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 996) from January 2010 to January 2014. He was the company secretary of China Smarter Energy from 31 December 2012 to 9 February 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fok Ho Yin, Thomas, aged 45, was appointed as Independent Non-executive Director of the Company, the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company and a member of the Compliance Committee of the Company with effect from 29 November 2016. He is members of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Fok is also a Chartered Financial Analyst. He is an independent non-executive director of each of Landing International Development Limited (a company listed on the Main Board of the Stock Exchange, stock code: 582) and China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004). Mr. Fok was an executive director and the company secretary of Jian ePayment Systems Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8165) from 1 September 2007 to 31 July 2016 and from 5 February 2008 to 5 July 2016 respectively.

Mr. Chan Wai Cheung, Admiral, aged 43, was appointed as Independent Non-executive Director, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and Compliance Committee of the Company with effect from 29 November 2016. He holds a Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has extensive experience in accounting and auditing field. Mr. Chan is an executive director of Energy International Investments Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 353), an independent non-executive director of Carnival Group International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 996) and a non-executive director of China Nonferrous Metals Company Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8306). He was an independent non-executive director of Jia Meng Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8101) from 26 September 2013 to 22 May 2016.

Mr. Lam Ho Pong, aged 31, was appointed as Independent Non-executive Director of the Company, a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee of the Company with effect from 7 February 2017. He graduated from the City University of Hong Kong with a degree in Bachelor of Business Administration (Honours) in Accountancy. Mr. Lam is a member of the Hong Kong Institute of Certified Public Accountants. He is a financial controller of an organization in the metals service centers industry in Hong Kong. Mr. Lam is responsible for overseeing a full spectrum of financial, accounting and regulatory compliance functions for the group. Prior to joining the company, he worked for a global international accounting firm for five years.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The Company has adopted the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

The Company has complied with all the Code Provisions of the CG Code during the year, except for the deviations from the Code Provisions A.2.1 to A.2.9 and A.5.1 of the CG Code as more fully explained hereinafter.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Listing Rules as its own code of conduct regarding the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director has confirmed that he has complied with the required standard set out in the Model Code during the year.

BOARD OF DIRECTORS

THE BOARD

The Board, led by the Chairman, is responsible for leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The Board has delegated to the management of the Company the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board reserved its decision for all major matters of the Company, including approving and monitoring all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Daily management and administration functions were delegated to the management. The Board has delegated various responsibilities to the management of the Company. These responsibilities include implementing decisions of the Board, directing and co-ordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operation and production plans and budgets, and supervising and monitoring the internal control systems.

The Chairman held one meeting with the Independent Non-executive Directors without the Executive Directors present during the year.

At least 14 days' notice for all regular Board meetings will be given to all Directors and they must be given the opportunity to include items or businesses for discussion in the agenda. For all other Board meetings, reasonable notice will be given. Relevant agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting.

BOARD COMPOSITION

During the year, the composition of the Board has been changed as a result of the change of control of the Company in November 2016. The composition of the Board as at the date of this report is as follows:

Executive Directors

Mr. Jia Bowei	*(Chairman)*	*(Note 1)*
Mr. Lam Kwan Sing	*(Chief Executive Officer)*	*(Note 2)*
Mr. Wong Nga Leung		*(Note 2)*
Mr. Hon Ming Sang		*(Note 3)*
Mr. Cheng Lap Yin		*(Chairman, Note 4)*
Mr. Liu Chung Tong		*(Deputy Chairman and Managing Director, Note 4)*
Mr. Liu Ying Yin, James		*(Note 4)*
Mr. Kao Lap Shing		*(Financial Controller, Note 4)*
Mr. Yu Yuen Mau, Banny		*(Note 4)*

Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas	*(Note 2)*
Mr. Chan Wai Cheung, Admiral	*(Note 2)*
Mr. Lam Ho Pong	*(Note 5)*
Mr. Chung Kwok Pan	*(Note 4)*
Mr. Lai Kin Keung	*(Note 4)*
Mr. Lau Chart Chou	*(Note 6)*
Mr. Ng Ming Yuen, John	*(Note 7)*

Notes:

1. Appointed with effect from 6 December 2016.
2. Appointed with effect from 29 November 2016.
3. Appointed as Independent Non-Executive Director with effect from 29 November 2016 and re-designated as Executive Director with effect from 7 February 2017.
4. Resigned with effect from 29 November 2016.
5. Appointed with effect from 7 February 2017.
6. Appointed with effect from 14 July 2016 and resigned with effect from 29 November 2016.
7. Resigned with effect from 15 April 2016.

An updated list of Directors identifying their roles and functions has been published on the websites of the Company and the Stock Exchange, and the Independent Non-Executive Directors have been identified in all corporate communications that disclose the names of Directors. The biographies of the Directors are set out on pages 17 to 18 of this annual report. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between Board members and in particular, the Chairman and the Chief Executive Officer.

DIRECTORS' ATTENDANCE RECORD

The attendance of each Director at the Board meetings, the Audit Committee meetings, the Remuneration Committee meetings, the Nomination Committee meetings and the annual general meeting (the "AGM") of the Company held during the year is set out in the following table:

Meetings held during the year

	Number of meetings attended/Eligible to attend				
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM**
Executive Directors					
Mr. Jia Bowei *(Note 1)*	2/3	N/A	N/A	N/A	N/A
Mr. Lam Kwan Sing *(Note 2)*	5/5	N/A	N/A	N/A	N/A
Mr. Wong Nga Leung *(Note 2)*	5/5	N/A	N/A	N/A	N/A
Mr. Hon Ming Sang *(Note 3)*	3/5	0/0	1/1	1/1	N/A
Mr. Cheng Lap Yin *(Note 4)*	7/7	N/A	1/1	1/1	1/1
Mr. Liu Chung Tong *(Note 4)*	7/7	N/A	N/A	N/A	1/1
Mr. Liu Ying Yin, James *(Note 4)*	6/7	N/A	N/A	1/1	1/1
Mr. Kao Lap Shing *(Note 4)*	7/7	N/A	N/A	N/A	1/1
Mr. Yu Yuen Mau, Banny *(Note 4)*	7/7	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Fok Ho Yin, Thomas *(Note 2)*	3/5	0/0	1/1	1/1	N/A
Mr. Chan Wai Cheung, Admiral *(Note 2)*	3/5	0/0	1/1	1/1	N/A
Mr. Lam Ho Pong *(Note 5)*	N/A	N/A	N/A	N/A	N/A
Mr. Chung Kwok Pan *(Note 4)*	5/7	2/2	1/1	1/1	1/1
Mr. Lai Kin Keung *(Note 4)*	5/7	2/2	1/1	1/1	1/1
Mr. Lau Chart Chou *(Note 6)*	2/4	1/1	N/A	1/1	N/A
Mr. Ng Ming Yuen, John *(Note 7)*	3/3	1/1	N/A	N/A	N/A
Total number of meetings held during the year:	12	2	2	2	1

Notes:

1. Appointed with effect from 6 December 2016.

2. Appointed with effect from 29 November 2016.

3. Appointed as Independent Non-Executive Director with effect from 29 November 2016 and re-designated as Executive Director with effect from 7 February 2017.

4. Resigned with effect from 29 November 2016.

5. Appointed with effect from 7 February 2017.

6. Appointed with effect from 14 July 2016 and resigned with effect from 29 November 2016.

7. Resigned with effect from 15 April 2016.

Regular Board meetings were held at approximately quarterly intervals. Minutes of the Board meetings and the meetings of the Board committees are recorded in sufficient details. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director. Directors may obtain independent professional advice under appropriate circumstances and as and when necessary at the Company's expense, ensuring that Board procedures and all applicable rules and regulations are followed. If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter must be dealt with by a physical Board meeting with the independent non-executive directors present at the meeting rather than by written resolutions. Apart from the meetings of the Board, approval from the Board had also been obtained by written resolutions on a number of matters during the year.

CHAIRMAN AND CHIEF EXECUTIVE

During the year, there have been changes of the Chairman and chief executive as follows:

— Mr. Liu Ying Yin, James resigned as the Managing Director with effect from 20 January 2016
— Mr. Liu Chung Tong was appointed as the Managing Director with effect from 20 January 2016
— Mr. Cheng Lap Yin resigned as the Chairman with effect from 29 November 2016
— Mr. Liu Chung Tong resigned as the Managing Director with effect from 29 November 2016
— Mr. Lam Kwan Sing was appointed as the Chief Executive Officer with effect from 29 November 2016
— There was no Chairman for the period from 29 November 2016 to 5 December 2016
— Mr. Jia Bowei was appointed as the Chairman with effect from 6 December 2016

The Company did not appoint any individual to take up the post of the Chairman following the resignation of Mr. Cheng Lap Yin with effect from 29 November 2016 as the new composition of the Board was formed on 29 November 2016 and therefore the new management of the Group would need more time to identify a suitable and qualified candidate to be the Chairman. Accordingly, the Company has not been in strict compliance with the Code Provisions A.2.1 to A.2.9, though the functions of the Chairman have been performed by all the Executive Directors. The Company has re-complied with the Code Provisions A.2.1 to A.2.9 after Mr. Jia Bowei was appointed as the Chairman with effect from 6 December 2016.

As at the date of this report, Mr. Jia Bowei acted as the Chairman of the Board while Mr. Lam Kwan Sing acted as Chief Executive Officer of the Company. The roles of Chairman and chief executive are separated and exercised by different individuals.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company (the "Articles").

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules from (i) each of Mr. Fok Ho Yin, Thomas and Mr. Chan Wai Cheung, Admiral, being the current Independent Non-executive Directors, and as at the date of this annual report, the Company still considers them to be independent; (ii) Mr. Hon Ming Sang, who has been re-designated as Executive Director with effect from 7 February 2017; and (iii) each of Mr. Chung Kwok Pan, Mr. Lai Kin Keung and Mr. Lau Chart Chou, being the former Independent Non-executive Directors who resigned with effect from 29 November 2016.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each Director has entered into a letter of appointment with the Company with an initial term of three years commencing from the date of appointment and is subject to the re-appointment in accordance with the Articles.

In accordance with the Articles, the Directors appointed to fill a casual vacancy on the Board shall be subject to re-election by Shareholders at the first general meeting after their appointments and any Directors appointed by the Board as an addition to the existing Board shall then be eligible for re-election at the next following AGM. The Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

In compliance with the Code Provision A.6.5, the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge, skills and understanding of the Group and its business or to update their skills and knowledge on the latest development or changes in the relevant regulations, the Listing Rules and corporate governance practices. The Company will also update the Directors of any material changes in the rules and regulations from time to time.

According to the confirmation/records provided by the Directors, all the Directors have participated in the continuous professional developments in the following manners during the year:

	Attending Seminars/Class Trainings/ Courses	**Reading Materials**	**Giving Talks**
Executive Directors:			
Mr. Jia Bowei *(Note 1)*		x	
Mr. Lam Kwan Sing *(Note 2)*		x	
Mr. Wong Nga Leung *(Note 2)*		x	
Mr. Hon Ming Sang *(Note 3)*		x	
Mr. Cheng Lap Yin *(Note 4)*	x		
Mr. Liu Chung Tong *(Note 4)*	x		
Mr. Liu Ying Yin, James *(Note 4)*		x	
Mr. Kao Lap Shing *(Note 4)*	x		
Mr. Yu Yuen Mau, Banny *(Note 4)*	x		
Independent Non-executive Directors:			
Mr. Fok Ho Yin, Thomas *(Note 2)*		x	
Mr. Chan Wai Cheung, Admiral *(Note 2)*	x		
Mr. Lam Ho Pong *(Note 5)*		x	
Mr. Chung Kwok Pan *(Note 4)*			x
Mr. Lai Kin Keung *(Note 4)*		x	
Mr. Lau Chart Chou *(Note 6)*	x		
Mr. Ng Ming Yuen, John *(Note 7)*	N/A	N/A	N/A

Notes:

1. Appointed with effect from 6 December 2016.

2. Appointed with effect from 29 November 2016.

3. Appointed as Independent Non-Executive Director with effect from 29 November 2016 and re-designated as Executive Director with effect from 7 February 2017.

4. Appointed with effect from 7 February 2017.

5. Resigned with effect from 29 November 2016.

6. Appointed with effect from 14 July 2016 and resigned with effect from 29 November 2016.

7. Resigned with effect from 15 April 2016.

Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

BOARD COMMITTEES

Audit Committee

The Audit Committee was established on 20 June 2014 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. The duties of the Audit Committee are as follows:

(a). to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b). to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c). to develop and implement policies on engaging of an external auditor to supply non-audit services. For this purpose,"external auditor"includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(d). to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:

- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards; and
- compliance with the Listing Rules and legal requirements in relation to financial reporting.

(e). to liaise with the Board and senior management of the Company and meet at least twice a year, with the external auditor, and to consider any significant or unusual items that are, or may need to be, reflected in the annual reports and accounts, and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor of the Company;

(f). to review the financial controls, internal control and risk management systems of the Company;

(g). to discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

(h). to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;

(i). to review the group's financial and accounting policies and practices;

(j). to review the management letter of the external auditor, any material queries raised by the auditor to management of the Company about the accounting records, financial accounts or systems of control and the response of management of the Company;

(k). to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor;

(l). to report to the Board on the matters set out in the CG Code;

(m). to review arrangements for employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(n). to act as the key representative body for overseeing the Company's relation with the external auditor;

(o). to review ongoing connected transactions of the Company and ensure compliance with terms of approval by Shareholders; and

(p). to consider such other matters as the Board may from time to time determine.

The composition of the Audit Committee during the year and up to the date of this report is as follow:

Independent Non-executive Directors:
Mr. Fok Ho Yin, Thomas *(Chairman of the Audit Committee) (Note 1)*
Mr. Chan Wai Cheung, Admiral *(Note 1)*
Mr. Lam Ho Pong *(Note 2)*
Mr. Lau Chart Chou *(Former Chairman of the Audit Committee) (Note 4)*
Mr. Chung Kwok Pan *(Note 5)*
Mr. Lai Kin Keung *(Note 5)*
Mr. Ng Ming Yuen, John *(Note 6)*

Executive Director:
Mr. Hon Ming Sang *(Note 3)*

Notes:

1. appointed with effect from 29 November 2016

2. appointed with effect from 7 February 2017

3. appointed as Independent Non-executive Director and a member of the Audit Committee with effect from 29 November 2016 and re-designated as Executive Director and resigned as a member of the Audit Committee with effect from 7 February 2017

4. appointed with effect from 14 July 2016 and resigned with effect from 29 November 2016

5. resigned with effect from 29 November 2016

6. resigned with effect from 15 April 2016

During the year, two Audit Committee meetings were held (i) to review with the management of the Company the principles and practices adopted by the Group; (ii) to review and discuss risk management and internal control systems and financial reporting matters, including a review of the unaudited financial statements and results of the Group for the six months ended 30 June 2016 and the audited financial statements and results of the Group for the year ended 31 December 2016 and the effectiveness of the Company's internal audit function; (iii) to discuss and recommend to the Board on the re-appointment of external auditor; and (iv) to approve the revised terms of reference of the Audit Committee. Individual attendance of the members of the Audit Committee can be found on page 21 of this report.

This annual report has been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee was established on 20 June 2014 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. The duties of the Nomination Committee are as follows:

(a). to review the structure, size, composition and diversity of the Board and to make recommendation on any proposed changes to the Board to complement the Company's corporate strategy;

(b). to identify suitable individuals qualified to become Board members;

(c). to review the effectiveness of the Board Diversity Policy and the measurable objectives;

(d). to assess the independence of independent non-executive directors of the Company;

(e). to make recommendations to the Board on the appointment or re-appointment of directors of the Company and succession planning for directors of the Company, in particular, the Chairman and the Chief Executive Officer;

(f). to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive of the Company.

The composition of the Nomination Committee during the year and up to the date of this annual report is as follow:

Independent Non-executive Directors:
Mr. Fok Ho Yin, Thomas *(Chairman of the Nomination Committee) (Note 1)*
Mr. Chan Wai Cheung, Admiral *(Note 1)*
Mr. Lam Ho Pong *(Note 2)*
Mr. Chung Kwok Pan *(Note 4)*
Mr. Lai Kin Keung *(Note 4)*
Mr. Lau Chart Chou *(Note 5)*
Mr. Ng Ming Yuen, John *(Note 6)*

Executive Directors:
Mr. Hon Ming Sang *(Note 3)*
Mr. Cheng Lap Yin *(Former Chairman of the Nomination Committee) (Note 4)*
Mr. Liu Ying Yin, James *(Note 4)*

Notes:

1. appointed with effect from 29 November 2016

2. appointed with effect from 7 February 2017

3. appointed as Independent Non-executive Director and a member of the Nomination Committee with effect from 29 November 2016 and re-designated as Executive Director and resigned as a member of the Nomination Committee with effect from 7 February 2017

4. resigned with effect from 29 November 2016

5. appointed with effect from 14 July 2016 and resigned with effect from 29 November 2016

6. resigned with effect from 15 April 2016

The Nomination Committee may obtain independent professional advice to perform its responsibilities, where necessary, at the Company's expense.

During the year, two Nomination Committee meetings were held to select and recommend candidates for directorship and to review the appropriateness of management appointment. Individual attendance of the members of the Nomination Committee can be found on page 21 of this report.

Board Diversity Policy

The Company continuously seeks to enhance the effectiveness of the Board and to maintain a high standard of corporate governance and recognises and embraces the benefits of diversity in the composition of the Board.

The Company has formulated and adopted a board diversity policy (the "Board Diversity Policy") for compliance with the Code Provision of the Listing Rules concerning the diversity of Board members. A summary of the Board Diversity Policy, together with the measureable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. In forming its perspective on diversity, the Company will also take into account of factors based on its own business model and specific needs from time to time.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the Corporate Governance Report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises seven Directors. Three of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by diversity, whether considered in terms of age, experience, cultural, skills and knowledge and educational background.

The Nomination Committee will continue to review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Remuneration Committee

The Remuneration Committee was established on 20 June 2014 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. The functions of this committee are as follows:

(a). to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policies;

(b). to review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c). to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management of the Company. The remuneration package should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d). to make recommendations to the Board on the remuneration of Non-executive Directors;

(e). to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions of the group;

(f). to review and approve the compensation payable to Executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g). to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h). to ensure that no Director or any of his associates is involved in deciding his or her own remuneration.

The composition of the Remuneration Committee during the year and up to the date of this annual report is as follow:

Independent Non-executive Directors:
Mr. Fok Ho Yin, Thomas *(Chairman of the Remuneration Committee) (Note 1)*
Mr. Chan Wai Cheung, Admiral *(Note 1)*
Mr. Lam Ho Pong *(Note 2)*
Mr. Lai Kin Keung *(Former Chairman of the Remuneration Committee) (Note 4)*
Mr. Chung Kwok Pan *(Note 4)*

Executive Directors:
Mr. Hon Ming Sang *(Note 3)*
Mr. Cheng Lap Yin *(Note 4)*

Notes:

1. appointed with effect from 29 November 2016

2. appointed with effect from 7 February 2017

3. appointed as Independent Non-executive Director and a member of the Remuneration Committee with effect from 29 November 2016 and re-designated as Executive Director and resigned as a member of the Remuneration Committee with effect from 7 February 2017

4. resigned with effect from 29 November 2016

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Executive Directors and management of the Company.

The Remuneration Committee may obtain independent professional advice to perform its responsibilities, where necessary, at the Company's expense.

During the year, two Remuneration Committee meetings were held to determine the remuneration package of the newly appointed Directors and management of the Company and to approve the terms of his/her letters of appointment. Individual attendance of the members of the Remuneration Committee can be found on page 21 of this report.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for ensuring that the Company shall establish comprehensive corporate governance practices and procedures during the year. The Compliance Committee, with the members of the full Board, was established on 20 June 2014 with specific written terms of reference to implement the corporate governance function.

The duties of the Compliance Committee are as follows:

(a). to develop and review the Company's policies and practices on compliance with any requirement, direction or regulation that may be prescribed by the Board, contained in any constitutional documents of the Company or any of its subsidiaries, or imposed by the Listing Rules or other applicable laws, regulations, rules or codes and corporate governance and make recommendations to the Board;

(b). to ensure the appropriateness of the monitoring systems are in place to ensure compliance with the relevant internal control systems, processes and policies;

(c). to monitor the implementation of the Company's plan to maintain high standards of compliance with the Company's own risk management standards;

(d). to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(e). to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(f). to review the Company's compliance with the CG Code of the Listing Rules and disclosure in the Corporate Governance Report.

The composition of the Compliance Committee during the year and up to the date of this annual report is as follow:

Executive Directors:
Mr. Lam Kwan Sing *(Chairman of the Compliance Committee) (Note 1)*
Mr. Jia Bowei *(Note 2)*
Mr. Wong Nga Leung *(Note 1)*
Mr. Hon Ming Sang *(Note 3)*
Mr. Liu Chung Tong *(Former Chairman of the Compliance Committee) (Note 5)*
Mr. Kao Lap Shing *(Note 5)*

Independent Non-executive Directors:
Mr. Fok Ho Yin, Thomas *(Note 1)*
Mr. Chan Wai Cheung, Admiral *(Note 1)*
Mr. Lam Ho Pong *(Note 4)*
Mr. Chung Kwok Pan *(Note 5)*
Mr. Lai Kin Keung *(Note 5)*
Mr. Lau Chart Chou *(Note 6)*
Mr. Ng Ming Yuen, John *(Note 7)*

Notes:

1. appointed with effect from 29 November 2016

2. appointed with effect from 6 December 2016

3. appointed as Independent Non-executive Director and a member of the Compliance Committee with effect from 29 November 2016 and re-designated as Executive Director with effect from 7 February 2017

4. appointed with effect from 7 February 2017

5. resigned with effect from 29 November 2016

6. appointed with effect from 14 July 2016 and resigned with effect from 29 November 2016

7. resigned with effect from 15 April 2016

During the year, the Board has discussed the corporate governance matters.

This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

REMUNERATION OF THE SENIOR MANAGEMENT

Pursuant to Code Provision B.1.5 of the CG code, the remuneration of the senior management by band for the year is set out as below:

Band of remuneration (HK$)	Number of person	
	2016	2015
HK$1,000,000 and below	**10**	4
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**3**	1
Over HK$2,000,000	**1**	0

Further details of the remuneration of Directors and five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9 respectively to the financial statements.

Following the resignation of Mr. Ng Ming Yuen, John as Independent Non-executive Director, the chairman of the Audit Committee and a member of each of the Nomination Committee and the Compliance Committee with effect from 15 April 2016, the Company was not in compliance with (i) Rule 3.10(1) of the Listing Rules, which stipulates that the board shall comprise of at least three independent non-executive directors; (ii) Rule 3.10(2) of the Listing Rules, which stipulates that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; (iii) Rule 3.10A of the Listing Rules, which stipulates that the number of independent non-executive directors shall represent at least one-third of the board; (iv) Rule 3.21 of the Listing Rules, which stipulates that the audit committee shall comprise of at least three members and shall be chaired by an independent non-executive director; and (v) the Code Provision A.5.1 of the CG Code, which stipulates that the nomination committee shall comprise a majority of independent non-executive directors. After the appointment of Mr. Lau Chart Chou as Independent Non-executive Director, the chairman of the Audit Committee, a member of each of the Nomination Committee and the Compliance Committee with effect from 14 July 2016, the Company has fully complied with Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules and the Code Provision A.5.1 of the CG Code.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

All Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2016. Currently, the Company's external auditor is Ernst & Young (the "Auditor").

The Directors' responsibilities in preparing the financial statements and the auditor's responsibilities are set out in the Independent Auditor's Report on pages 55 to 59 of this annual report.

The Board is also responsible for presenting a balanced and clear assessment of the Group's performance and prospects. management of the Company provides all relevant information to the Board, giving its members sufficient explanation and information that it needs to discharge its responsibilities.

AUDITOR'S REMUNERATION

The fees paid or payable to the auditor of the Company for the year ended 31 December 2016 are set out as follows:

	Fees paid/ payable HK$'000
Audit services	1,350
Non-audit services	
Agreed-upon procedures	415
Tax compliance	55
Total	1,820

RISK MANAGEMENT AND INTERNAL CONTROLS

A sound and effective risk management and internal control systems is important to safeguard the Shareholders' investment and the Group's assets. The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk associated in failing to achieve certain business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

An external accounting firm was engaged to perform an internal audit function which generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems.

The Audit Committee assists the Board in leading the management to oversee the formation, implementation and monitoring of the risk management and internal control systems.

The "top-down approach" and the "bottom-up approach" were adopted by the Group in order to measure the risks facing to the Group. The internal processes of risk assessment and measurement involve the participation of management in assessing the risk exposure such as identifying the risks and their impact. The Board, as supported by the Audit Committee, has reviewed and assessed the effectiveness of the risk management and internal control systems by reviewing the reports prepared by the external accounting firm and the internal audit findings at each regularly scheduled meeting and considered that the risk management and internal control systems of the Group are effective and adequate for the year.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2016, including financial, operational and compliance controls and risk management function.

The management shall report to the Board as soon as practicable for any event which may constitute inside information, and the Board shall decide to make relevant disclosure in a timely manner, if required.

DELEGATION BY THE BOARD

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

COMPANY SECRETARY

As a result of the change of control of the Company in November 2016, Mr. Kao Lap Shing resigned as the Company Secretary and Ms. Man Tsz Sai, Lavender, who is an employee of the Company, was appointed as the Company Secretary by the Board with effect from 29 November 2016. Both of them have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Board recognised the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognised that effective communication with the Company's investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the Shareholders and the investors of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the website of the Company.

In respect of each matter to be considered at the annual general meetings and extraordinary general meetings, including the re-election of Directors, a separate resolution will be proposed by the Chairman of the Board. Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

Members of the Board and Chairmen of various Board Committees will attend the forthcoming AGM to be held on Friday, 19 May 2017 at 3:00 p.m. to answer questions raised by the Shareholders. Pursuant to Code Provision E.1.2, the Company will invite representatives of the auditor to attend the AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, various rights of Shareholders, including the right to propose resolutions, are contained in the Articles.

The summary of certain rights of the Shareholders are disclosed below:

PROCEDURES FOR CONVENING EXTRAORDINARY GENERAL MEETINGS AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. According to Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the Secretary of the Company at the Company's principal place of business in Hong Kong at Suites 904–5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The requisitionist(s) must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionist(s). Upon receipt, the Company will verify the particulars of requisitionist(s) and if the request is in order, the Company will convene the extraordinary general meeting in accordance with the Articles.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD AND COMPANY'S CONTACT DETAILS

Shareholders and other stakeholders may send their enquiries, concerns and requisitions to the Board by addressing them to the Secretary of the Company at the Company's principal place of business in Hong Kong at Suites 904–5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, or by email to ir@hanbo.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

The Group is mainly engaged in provision of apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets). During the year, the Group expanded its business to financial services, money lending and securities investment, resulting in a diversified business operation of the Group and the potential to create more value to Shareholders.

The Group is committed to becoming an enterprise with high level of social responsibility. For years, the Group has constantly delivered positive information to the major stakeholders and take into account their interests. For instance, it pursues rewarding Shareholders with better value, provision of high quality products and services to customers and provision of adequate and competitive benefits for employees. All of these make the Group an open, transparent and fair enterprise with due performance of social responsibility, which enables the public to have a more profound understanding on the Group.

This is the first time for the Company to issue the environment, social and governance report of the Group which is made as of 31 December 2016 covering the Company and its subsidiaries. This report, prepared under the Environment, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, is issued for inclusion in this annual report.

ENVIRONMENTAL PROTECTION

The Group has implemented environmental protection policies in order to reduce the possible pollution resulted from our business activities on the environment. We may produce certain emissions and disposal of waste materials during our operation process. Through the implementation of the Group's environmental protection policies, we believe that the greenhouse gas emission, materials waste and use of energy will be significantly reduced during our operations. We also actively implemented eco-friendly measures to reduce carbon emission and water consumption in our business operations.

The Group continues to review the environmental impact of our operations and make use of best practices across their function and to develop monitoring of resources consumption data and implementing better performance strategies as to enhance the contributions to environmental sustainability through good environmental practices.

The Group is subject to a number of laws and regulations in the PRC and other jurisdictions concerning overall environmental protection, impact to the environment, noise pollution and environmental protection.

We place high emphasis on complying with relevant environmental laws and regulations. We require our own staff and our suppliers to comply with the relevant laws and regulations relating to environmental, labor, social and safety, as well as our own standards and specifications

We believe that we are in compliance in all material respects with applicable environmental laws and regulations in the PRC and other jurisdiction we are operating.

SOCIAL

I. WORKING ENVIRONMENT

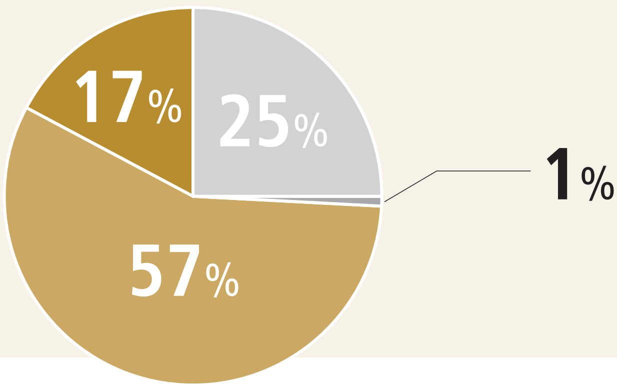
As an enterprise with social responsibility, the Group shall not only be liable for customers, but also its employees. When seeking for accomplishment of economic targets, the Group also assumes responsibility to the society, which in turn enables it to achieve sustainable development. A great importance has been attached to employee management by the Group, and that's why it has established the staff manual and made its best to provide good working environment for employees, which effectively minimizes the Group's risks related to labor force.

The Group adopts a working system based on 5 workings days per week and 8 working hours per day. Employees of the Group are entitled to all the holidays as required by the national and local governments, and have the right to enjoy paid leave which is generally 5 to 17 days depending on the employee's specific service life in the Group. Our employees are also entitled to the legal retirement benefits scheme/pension scheme/social insurance scheme established by the national or regional governments and other benefits. In addition, the Group has made available other benefits such as enterprise annuity system to provide better protection for employees.

The Group implements staff remuneration budget management on an aggregate basis. It has formed the remuneration system which is related to an individual's work performance, thereby to inspire employees' working enthusiasm. Besides, the Group also adopts an incentive system under which management's remuneration is related to the Group's operating results, providing the Group a reasonable base to adjust its management's remuneration upward or downward.

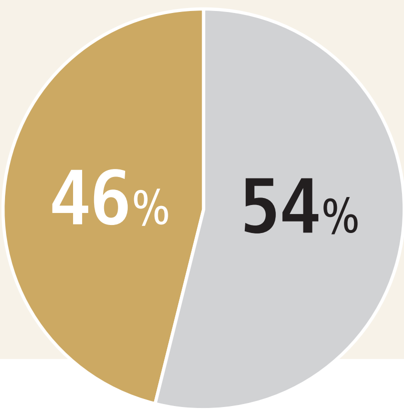
In 2016, the Group owns a total of 153 existing employees. The breakdown of the total number of employees is set out below by gender and age group, respectively:

TOTAL NUMBER OF EMPLOYEES BY AGE GROUPS



Age group	Percentage of number of employees	Turnover rate for the year
Under 30	**17%**	**23%**
31–45	**57%**	**21%**
46–60	**25%**	**9%**
Over 61	**1%**	**2%**

TOTAL NUMBER OF EMPLOYEES BY GENDER



Age group	Percentage of number of employees	Turnover rate for the year
Male	**46%**	**23%**
Female	**54%**	**31%**

To the best knowledge of the Group, there is no material violation of relevant standards, rules and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, holidays, fair opportunity, diversity and other remuneration package and benefits during the reporting period.

II. HEALTH AND SAFETY

To indicate its care for employee's health and safety, the Group establishes a system of rules governing safety production and prevention of occupational disease while setting up special department to manage safety production, making its best to provide a safe working environment for employees and protect them from damage arising from occupational diseases.

The Group has effectively implemented the occupational health safety management system and environment management system, continued to further reinforce the responsibility (as principal) for safety production, organized various propaganda, study and trainings on safety production to the largest extent, and constantly facilitated compliance with relevant safety production standards. Major inspections are carried out regularly to promptly eliminate any hidden danger that may threaten safety. In addition, the Group has made available regular physical examination for employees, and for those who are exposed to a relatively poor working environment, more times of physical examinations would be arranged with more specific items to check. Moreover, the Company arranges regular recuperation to minimize the occupational damage to health. All of these efforts enable the Group to improve its performance in management of occupational health and safety and working environment.

In 2016, the Group had no record of any material safety production accident that leads to death or major injuries, with safety production maintained at a stable level. During the reporting period, the percentage ratio of working days lost by the Group due to work related injury was 0% in general. To the best knowledge of the Group, there is no material violation of relevant standards, rules and regulations regarding provision of safe working environment and protecting employees from occupational damage during the reporting period.

III. DEVELOPMENT AND TRAINING

The Group pays much attention to occupational development of employees. As such, it has made a series of systems to provide system guarantee for employee's occupational development and corporate growth. Our staff may pursue, depending on their working capabilities, personal development by two different means, including promotion to management position or promotion of professional technical position.

The Group is liable for providing a harmonious environment which can make the employees feel a part of it and feel cared. In addition to providing in-service training and English study, the Group also organizes lots of social activities to build work team spirit and deliver a balance between work and personal life, including (among others) regular organization of entertainment activities within the Group, children's parties, outdoor experiential training, annual dinner, Miss Hanbo competition and paper wedding dress exhibition. Besides, the Group also sets 10-years service awards, trying to increase the employee's sense of belonging. Our monthly journal Voice of Hanbo enables our staff to understand the latest development, strategy and targets of the Group, and also serves as a platform to share corporate culture of Hanbo and personal life of staff.

The Group mainly provides in-service trainings for the new employees serving the basic positions. In particular, employees with adequate experiences are designated to guide the new ones to process their works, aiming to improve new employees' expertise and skills as required for works and also assist them to adapt to the operation and culture of the Company as soon as possible.

Type of employees	Percentage of employees who receive relevant trainings	Average training hours per employee
Frontline	55%	57 hours
Back office	70%	14.5 hours

IV. RULES OF LABOR FORCE

The Group is strictly forbidden to use child labor force, and its business partners are also not allowed to engage any employee who is under the legal employment age. In case that any child labor is noted in a business partner, Hanbo will immediately terminate the cooperation with the partner. If any subsidiary of the Group needs to employ underage labors (subject to the legal age as permitted by local governments), it shall promise to completely comply with the applicable national and local laws, regulations and requirements.

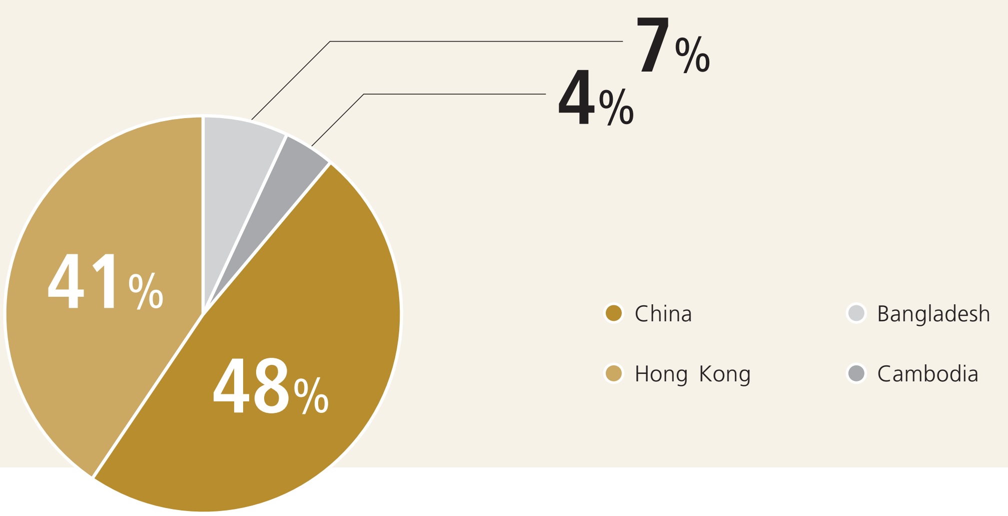
The Group regularly reviews the recruitment measures to make sure that it is in complete compliance with national or regional employment rules and other regulations relating to child labor and forced labor.

In 2016, to the best knowledge of the Group, there is no material violation of relevant standards, rules and regulations regarding prevention of child labor or forced labor during the reporting period.

V. SUPPLY CHAIN MANAGEMENT

The Group strives to reduce the loopholes in every link of the apparel supply chain to achieve sustainable development, so as to replace the importers, agents and exporters with streamlined structure, effectively simplify the supply chain, centralize demand information, minimize the resistance to the production process and shorten the delivery time. The Group sets standards and goals and provides data analysis to measure the performance of supply chain. In addition, the Group closely cooperates with factories, suppliers and customers to ensure providing the latest information on customer demand at every stage of supply chain, and pays attention to the signal of market demand and makes corresponding improvements. The Group coordinates the process of product development, production and procurement in order to achieve optimal efficiency. The Group combines the production mechanism with the cost of supply chain to reduce the total cost, and demonstrates the flexibility to respond to market changes in order to gain or maintain a competitive advantage. Meanwhile, the Group enhances the transparency of the cost for the entire supply chain, shares information with suppliers and customers to plan together, so as to improve the efficiency and competitiveness of the supply chain.

NUMBER OF SUPPLIERS BY GEOGRAPHICAL AREA



VI. PRODUCT LIABILITY

To provide better service to customers, the Group has increased its investment in R&D and design, which is the key to maintaining its competitive strength. The design and development team located in Hong Kong and the USA provides the Group with more market intelligence, explores for new materials and suppliers and improves the production technology; launches new fashion series in each season meet customers' demand for quality and time.

The mission of the Group is to provide customers with safe and high quality products, for which the members of quality management team frequently check, and even settle into suppliers' factories. The Group promotes guidelines and objectives for quality through the following: commodity inspection, factory evaluation and education on standards of product safety and quality.

Furthermore, the Group regularly reviews internal policies and systems to ensure compliance and protection of intellectual property rights, as well as regular review of internal policies and systems to ensure the protection of customers' data and privacy and maintaining a solid and sound structure for existing infrastructure.

In 2016, the Group did not find any serious violation of the relevant standards, rules and regulations relating to the health and safety, advertising, labeling and private matters of the products and services provided during the reporting period. During the reporting period, the Group did not recover products for safety and health reasons or find any significant complaints on products and services.

VII. ANTI-CORRUPTION

The Group is a listed company with social responsibility and consistently strives to maintain a corporate culture with high-level ethics. The Group has established a sound risk management code and internal control code in order to ensure that every employee can comply with the Group's rules in the day-to-day operation to avoid them falling into the net of justice. The Group's existing excellent organizational structure and appropriate policies can ensure that the Group maintains a high level of corporate governance and a corporate culture with ethics.

In a form of high profile, the Group requires every employee to comply with the code of employees and delegates appropriate authority to employees in every post of job to avoid abuse of his or her duties for profiteering or suspected conflicts of interest. As the Group's businesses involve the customers' personal data, the Group has established confidentiality codes and relevant guidelines for the employees to reduce the risk of information leakage.

During the reporting period, there was no litigation occurred charging against the Group or its employees for corruption. The Group's provided a clear guidance to employees and business partners for whistle-blowing and investigation regulations of misconduct to ensure that employees are able to report their concerned issues through different channels in an absolutely confidential manner. The Group ensures that all reported matters with real concerns have been investigated and processed as required.

VIII. COMMUNITY INVESTMENT

The Group encourages and supports the colleagues to participate in volunteer services such as environmental protection and school visits.

Since 2013, the Group has been participating in the annual "ENGAGE" program of the non-profit organization — Community Business. In order to help local youths in Hong Kong to better understand the corporate life, the Group has developed a relevant summer internship program, hoping that this internship program can bring them some inspiration to discover their advantages to achieve their own goals in their future career.

Since 2012, the foundation established by the Group has funded one primary school in China, four primary schools in Cambodia and one primary school in Bangladesh by donating books, stationery, desks and chairs, sports equipments, school uniforms, computers, printers and other materials as well as constructing libraries, solar water supply systems, security doors and windows, toilets and so on. In addition to providing materials, the foundation attaches more importance to the growth of students, and organizes volunteers to visit students every year. The foundation also sets up scholarships for poor and outstanding students.

The mission of the foundation is to provide educational and financial assistance to poor children and youths in Mainland China, Hong Kong, Cambodia, Bangladesh and other areas of Asia to alleviate poverty and improve education. The foundation has been granted the qualification of tax exemption from the Hong Kong Inland Revenue Department.

REPORT OF THE DIRECTORS

The Directors present this 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 holding. The principal activities of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

Business Review

A fair business review of the Group as well as discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 6 and pages 7 to 16 respectively of this annual report.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The risk management policies and practices of the Group are shown in note 36 to the consolidated financial statements.

Environmental Policies and Performance

The Group has actively participated in sustainability and social responsibility and recognises its responsibility to protect the environment from its business activities. The Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

Compliance with the Relevant Laws and Regulations

As far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group during the year.

Financial Results

The results of the Group for the year ended 31 December 2016 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 60 to 120 of this annual report.

Dividend

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

Distributable Reserves

As at 31 December 2016, the Company's reserve available for distribution, in accordance with the Companies Law of the Cayman Islands, amounted to HK$43,491,000. Such amount includes the Company's share premium and capital reserve, net of accumulated losses which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, if any, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Five Year Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report. This summary does not form part of the audited financial statements for the year ended 31 December 2016.

Share Capital

There were no movements in the Company's share capital during the year. Details of the share capital of the Company for the year are set out in note 27 to the consolidated financial statements.

Pre-Emptive Rights

There is no provision for the pre-emptive rights under the Articles and there is no restriction against such rights under the laws of the Cayman Islands.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Donations

The Group made charitable donations totaling HK$13,000 (2015: HK$70,000) during the year.

Use of Proceeds

On 11 July 2014, the Company was successfully listed on the Main Board of the Stock Exchange. As stated in the section headed "Future Plans and Use of Proceeds" in the prospectus, the Group intends to use the proceeds for (i) enhancement of the Group's design and development capability; (ii) expansion of the Group's network of third-party manufacturers; (iii) product type expansion; (iv) enhancement of the information technology system and upgrading of the Group's enterprise resource planning system; and (v) working capital and other general corporate purposes.

As disclosed in the Company's announcement dated 19 December 2016, in order to be in line with the Group's strategy to diversify its operations into the financial services sector, the Board has resolved to change the intended use of part of the unutilised proceeds towards the business expansion into the financial services sector for the purpose of development of the financial services business of the Group.

The highlights of the use of proceeds during the year is as follows:

(i) Approximately HK$0.2 million was incurred in operating Vietnam office for expansion of network of third-party manufacturers. The Vietnam office was closed and its operation has been consolidated into Cambodia office since May 2016 to improve efficiency.

(ii) Approximately HK$0.5 million was used for enhancement of design and development capability.

(iii) Approximately HK$0.3 million was incurred for the production type and market expansion, including set-up cost and working capital for the new operation of the handbag/accessories team, as well as marketing consulting fee paid to marketing consultants to develop the European, South American and Russian markets.

(iv) Approximately HK$1.5 million was used for enhancement of our IT system and upgrade of ERP system, including relocation of our email servers and enterprise resource planning system have been to the cloud. In addition, new module of mobile quality inspection was being developed to streamline the quality inspection work. Dashboards have been built and extensively used by management to monitor the order status and performance.

(v) Approximately HK$4.4 million was used for general working capital and corporate expenses.

(vi) Approximately HK$22.1 million was used for development of the financial services business of the Group, including the investments in licensed corporations to carry out financial service activities under SFO and cash outflow for loan granted to borrowers in our money lending business.

The unutilised proceeds as at 31 December 2016 is approximately HK$9.8 million and will be used in accordance with the proposed applications set out in the Company's announcement dated 19 December 2016.

Major Customers and Suppliers

For the year ended 31 December 2016, sales to the Group's largest customer and five largest customers accounted for approximately 38.6% and 89.5% respectively of the total revenue of the Group for the year. Purchases from the Group's largest supplier and five largest suppliers, which comprise third-party manufacturers, accounted for approximately 15.9% and 58.4% respectively of the total purchases of the Group for the year.

To the best knowledge of the Directors, none of the Directors, any of their close associates (within the meaning of the Listing Rules) or any Shareholders who or which owns more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

Relationship with Suppliers, Customers and Other Stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group maintains a good relationship with suppliers and customers. During the year, there were no material and significant dispute between the Group and its suppliers and/or customers.

Directors

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

EXECUTIVE DIRECTORS

Mr. Jia Bowei *(Chairman)*	*(Note 1)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*	*(Note 2)*
Mr. Wong Nga Leung	*(Note 2)*
Mr. Hon Ming Sang	*(Note 3)*
Mr. Cheng Lap Yin	*(Former Chairman, Note 4)*
Mr. Liu Chung Tong	*(Former Deputy Chairman and Managing Director, Note 4)*
Mr. Liu Ying Yin, James	*(Note 4)*
Mr. Kao Lap Shing	*(Former Financial Controller, Note 4)*
Mr. Yu Yuen Mau, Banny	*(Note 4)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fok Ho Yin, Thomas	*(Note 2)*
Mr. Chan Wai Cheung, Admiral	*(Note 2)*
Mr. Lam Ho Pong	*(Note 5)*
Mr. Chung Kwok Pan	*(Note 4)*
Mr. Lai Kin Keung	*(Note 4)*
Mr. Lau Chart Chou	*(Note 6)*
Mr. Ng Ming Yuen, John	*(Note 7)*

Notes:

1. Appointed with effect from 6 December 2016.

2. Appointed with effect from 29 November 2016.

3. Appointed as Independent Non-Executive Director with effect from 29 November 2016 and re-designated as Executive Director with effect from 7 February 2017.

4. Resigned with effect from 29 November 2016.

5. Appointed with effect from 7 February 2017.

6. Appointed with effect from 14 July 2016 and resigned with effect from 29 November 2016.

7. Resigned with effect from 15 April 2016.

Pursuant to Article 83(3) of the Articles, (i) Mr. Lam Kwan Sing, Mr. Wong Nga Leung, Mr. Fok Ho Yin, Thomas and Mr. Chan Wai Cheung, Admiral are subject to re-election at the first general meeting of the Company after their appointments, being the AGM; and (ii) each of Mr. Jia Bowei. Mr. Hon Ming Sang and Mr. Lam Ho Pong are eligible for re-election at the AGM.

Biographies of Directors

Biographical details of the Directors are set out on pages 17 to 18 of this annual report.

Independency of Independent Non-executive Directors

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules from (i) each of Mr. Fok Ho Yin, Thomas and Mr. Chan Wai Cheung, Admiral, being the current Independent Non-executive Directors, and as at the date of this annual report, the Company still considers them to be independent; (ii) Mr. Hon Ming Sang, who has been re-designated as Executive Director with effect from 7 February 2017; and (iii) each of Mr. Chung Kwok Pan, Mr. Lai Kin Keung and Mr. Lau Chart Chou, being the former Independent Non-executive Directors who resigned with effect from 29 November 2016.

Directors' Service Contracts

Each Director has entered into a letter of appointment with the Company for a term of three years commencing from his date of appointment which term will continue, and such letter of appointment may be terminated by either party by serving not less than one-month's prior written notice to the other party. Each Director will be re-elected at the AGM in accordance with the Articles.

Save as disclosed above, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of the Directors' remuneration are set forth in note 8 to the consolidated financial statements.

Remuneration Policy

The Directors' remuneration including the Directors' fees is subject to the Shareholders' approval at general meeting. Other emoluments are recommended by the Remuneration Committee of the Company for the Board approval, having regard to the operating results of the Group, individual performance and comparable market statistics.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in notes 24 and 33 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company's holding company or any of the Company's subsidiaries was a party during the year.

Directors' Interests in Competing Business

During the year, no Director was interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business which is required to be disclosed pursuant to the Listing Rules.

Deed of Non-Competition

The Company has received the written confirmations from Mr. Liu Ying Yin, James, Happy Zone Limited and Mr. Cheng Lap Yin (collectively, the "Controlling Shareholders") for the period from 1 January 2016 to 20 October 2016, the cessation date of being the Controlling Shareholders, in respect of their compliance with the provisions of the deed of non-competition (the "Deed of Non-competition") entered into between the Controlling Shareholders and the Company as set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" of the prospectus dated 30 June 2014.

The Independent Non-executive Directors had reviewed the written confirmation made by the Controlling Shareholders in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed of Non-Competition for the period from 1 January 2016 to 20 October 2016 given by the Controlling Shareholders.

Management Contracts

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

Related Party Transactions/Exempted Continuing Connected Transactions

Details of the related party transactions of the Group are set out in note 33 to the consolidated financial statements which constituted exempted continuing connected transactions under Chapter 14A of the Listing Rules.

During the year, the Group had the following continuing connected transactions which are exempted from the reporting, announcement or independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules and are included herein for information only.

(1) TENANCY AGREEMENTS WITH ACTION WIN INDUSTRIAL LIMITED ("ACTION WIN")

Action Win has agreed to lease to the Group the properties at Workshop B, 9/F., Tontex Industrial Building, Nos. 2–4 Sheung Hei Street, Kowloon, Hong Kong and 12/F., Block C & D and roof, Lee Ka Industrial Building, San Po Kong, Kowloon, Hong Kong, with a gross floor area of approximately 4,290 sq. ft. and saleable area 4,491 sq. ft. (plus roof area 4,400 sq. ft.), respectively, for terms of five years for storage use. Action Win (which is beneficially owned as to 98.3% by Mr. Liu Ying Yin, James through Othello Group Limited) is an associate of Mr. Liu Ying Yin, James (an Executive Director and resigned with effect from 29 November 2016) under the Listing Rules and is therefore a connected person of the Company as defined under the Listing Rules. For the year ended 31 December 2016, the annual rental paid by the Group to Action Win was approximately HK$864,000.

(2) TENANCY AGREEMENT WITH LIU & CHENG (CAMBODIA) LTD. ("LIU & CHENG")

Liu & Cheng has agreed to lease to the Group the property at No. 45 A7A8A9, Russian Boulevard, Prey Tea Village, Sangkat Choam Chau, Khan Porsenchey, Phnom Penh, Cambodia with gross floor area of approximately 10,785.43 sq. ft. for a term of three years for office use. Liu & Cheng (which is owned as to 51.0% by Mr. Liu Ying Yin, James and as to 49.0% by Mr. Cheng Lap Yin) is an associate of each of Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin (both were Executive Directors and resigned with effect from 29 November 2016) under the Listing Rules and is therefore a connected person of our Company as defined under the Listing Rules. For the year ended 31 December 2016, the rental paid by the Group to Liu & Cheng was approximately HK$233,000.

(3) AGREEMENT GRANTING THE RIGHT OF USE OF PROPERTY WITH HEROTIME CLOTHING (SHENZHEN) CO. LIMITED ("HEROTIME SHENZHEN") (AS GRANTOR)

Herotime Shenzhen granted to the Group the right to use approximately 75.0% of Floor 5 Guangming Furniture Industrial Building, Industry Road, Shatoujiao, Yantian District, Shenzhen, the PRC with a gross floor area of approximately 1,250 sq. m (the "SZ Facilities") as office and sample room for nil consideration. The reason for nil consideration is that further sub-letting by Herotime Shenzhen is not permitted under the relevant PRC leasing regulations and any payment of rent for use of the SZ Facilities may deem the grant of the right to use a property as further sub-letting. As advised by the PRC legal advisers, the arrangement to grant the right to use the SZ Facilities for nil consideration by Herotime Shenzhen is permitted under the PRC law. Herotime Shenzhen (which is wholly owned by Herotime Holdings (HK) Limited, which is wholly owned by Herotime Holdings Limited, which in turn is owned as to 51.0% by Mr. Liu Ying Yin, James and as to 49.0% by Mr. Cheng Lap Yin) is an associate of each of Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin (both were Executive Directors and resigned with effect form 29 November 2016) under the Listing Rules and is therefore a connected person of our Company as defined under the Listing Rules. For the year ended 31 December 2016, no rental amounts were paid to Herotime Shenzhen in relation to the right to use of SZ Facilities granted by Herotime Shenzhen.

As a result of the change of control of the Company and the change of composition of the Board in November 2016, both of Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin are no longer the Executive Directors and connected persons of the Company since 29 November 2016.

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have entered into: (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the year which should be disclosed pursuant to the requirements under the Listing Rules.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company

As at 31 December 2016, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares of the Company in or debentures of the Company granted to any of the Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Share Option Scheme

The Company adopted a share option scheme on 20 June 2014 (the "Share Option Scheme") which became effective on 11 July 2014. The purpose of the Share Option Scheme is to motivate certain eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Eligible persons of the Share Option Scheme, amongst others, include any executives, any employee (including proposed, full-time or part-time employee), a director or proposed director (including an Independent Non-executive Director) of any member of the Group, a direct or indirect shareholder of any member of the Group and an associate of any of the aforementioned persons.

The maximum number of shares which may be issued under the Share Option Scheme and any other schemes of the Group must not exceed 48,000,000 shares, representing 10% of the total number of shares in issue as at the date of listing of the shares of the Company on the Stock Exchange.

The maximum number of shares issued and to be issued upon exercise of the options granted to any one eligible person (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued shares from time to time unless approved in advance by the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) (if such eligible person is a connected person) abstaining from voting.

Any offer of an option under the Share Option Scheme proposed to be made to a Director, Chief Executive or substantial Shareholder or to any of their respective associates must first be approved by the Independent Non-executive Directors (excluding Independent Non-executive Director who or whose associate is the grantee of the option). In addition, where any grant of options to a substantial Shareholder (as defined in the Listing Rules) or an Independent Non-executive Director or to any of their respective associates which would result in the relevant class of securities in issue and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) in excess of 0.1% of the relevant class of securities in issue; and (ii) with an aggregate value (based on the closing price of the securities at the date of each grant) in excess of HK$5,000,000, such further grant of options is subject to approval by the Shareholders in general meeting, with such person, his associates and all core connected persons (as defined in the Listing Rules) of the Company abstaining from voting.

The offer of a grant of options under the Share Option Scheme may be accepted by the eligible person for a period of 28 days from the date of the offer and by payment received by the Company of HK$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance with the Share Option Scheme.

The Share Option Scheme will be valid and effective for a period of ten years from 20 June 2014.

The exercise price is determined by the Board and shall be at least the highest of: (i) the nominal value of a share; (ii) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

As at 31 December 2016, no share options were granted, cancelled, lapsed or forfeited under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 31 December 2016.

Equity-linked Agreements

For the year, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2016.

Contracts of Significance

Save as disclosed in note 33 to the consolidated financial statements, the Company neither has any contract of significance between the Company, or any of its subsidiaries, and a controlling Shareholder or any of its subsidiaries nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries. The Group's business in which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2016, so far as is known to the Directors or Chief Executive of the Company, the following persons (other than Directors or Chief Executive of the Company), who had interests or short positions in the shares and the underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO were as follows.

LONG POSITIONS IN THE ORDINARY SHARES OF HK$0.01 EACH OF THE COMPANY

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Shareholding Percentage
Plus Value *(Note 1)*	Beneficial owner	360,000,000 *(Note 2)*	75.00%
Mr. Lai Leong *(Note 1)*	Interest in a controlled corporation	360,000,000 *(Note 2)*	75.00%
Haitong International New Energy VIII Limited	Security interest in Shares	360,000,000 *(Note 2)*	75.00%
Haitong International Securities Group Limited	Interest in a controlled corporation	360,000,000 *(Note 2)*	75.00%
Haitong Securities Co., Ltd.	Interest in a controlled corporation	360,000,000 *(Note 2)*	75.00%

Notes:

1. Plus Value is wholly-owned by Mr. Lai Leong. By virtue of the SFO, Mr. Lai Leong is deemed to be interested in the shares held by Plus Value.

2. These Shares are charged in favour of Haitong International Securities Company Limited ("Haitong International Securities") pursuant to the loan facility and in favour of Haitong International New Energy VIII Limited to secure the bonds issued by Plus Value. Haitong International New Energy VIII Limited is an associated corporation of Haitong International Securities and is wholly-owned subsidiary of Haitong International Securities Group Limited which is indirectly owned by Haitong Securities Co., Ltd..

Save as disclosed above, as at 31 December 2016, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in shares and Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CHANGE OF DIRECTORS' INFORMATION

During the year and up to the date of this annual report, the updated information on Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follow:

Mr. Jia Bowei, an Executive Director — Appointed as a director of a subsidiary of the Company with effect from 27 February 2017.

Mr. Hon Ming Sang, an Executive Director
- — Re-designated from Independent Non-executive Director to Executive Director with effect from 7 February 2017. Following his re-designation, he also resigned as members of the Audit Committee, Remuneration Committee and Nomination Committee but remains as a member of the Compliance Committee.
- — The terms of his letter of appointment as Executive Director (the "Letter") have been revised as follow:

Director's remuneration	:	HK$100,000 per month
Term	:	3 years commencing on 7 February 2017 which term will continue. He will hold office until the next following annual general meeting of the Company after his appointment and will be subject to the re-election and retirement by rotation requirements under the Articles

Save as disclosed above, the terms of the Letter are the same as his letter of appointed as Independent Non-executive Director. Details of the terms have been disclosed in the announcement of the Company dated 7 February 2017.

- — Appointed as a director of a subsidiary of the Company with effect from 27 February 2017; and
- — Resigned as the company secretary of China Smarter Energy Group Holdings Limited (Stock Code: 1004) with effect from 9 February 2017.

PROVISION OF FINANCE ASSISTANCE AND ADVANCE TO ANY ENTITY

On 19 December 2016, Capital Strategic (the "Lender"), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with a third party independent of the Company and its connected person (as defined under the Listing Rules) (the "Borrower"), pursuant to which the Lender agreed to provide a loan to the Borrower in the principal amount of HK$20,000,000 (the "Loan") for a period of 6 months following the date of the first drawdown at an interest rate of 13% per annum payable on the date falling 6 months from the first drawing of the Loan (the "Provision of the Loan"). The grant of the Loan under the Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Provision of the Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Provision of the Loan are set out in the announcement of the Company dated 19 December 2016.

SUBSEQUENT EVENTS

Termination of placing of new shares under general mandate

On 22 December 2016 (after trading hours), the Company and Win Wind Securities Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement"), pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, the placees to subscribe for a maximum number of 96,000,000 placing shares, representing 20% of the then issued share capital of the Company, at the placing price of HK$2.05 per placing share during the placing period (the "Placing"). As disclosed in the announcement of the Company dated 10 January 2017, the Company and the Placing Agent agreed to terminate the Placing Agreement on 10 January 2017 as the conditions precedent stipulated in the Placing Agreement cannot be fulfilled on or prior to the 21st day after the date of the Placing Agreement. All obligations of the Company and the Placing Agent to effect and complete the Placing under the Placing Agreement have ceased and determined. The Directors expected that the termination of the Placing Agreement would have no material adverse effect on the business operation and the financial position of the Group. Details of the Placing and the termination of the Placing are disclosed in the announcements of the Company dated 22 December 2016 and 10 January 2017 respectively.

Further acquisition of Tak Yun

As disclosed in the announcement of the Company dated 16 December 2016, an indirect wholly-owned subsidiary of the Company (the "Purchaser") acquired 665,000 ordinary shares, representing 9.5% of the issued share capital of Tak Yun at a total consideration of HK$926,000 from a third party independent of the Company and its connected person (as defined under the Listing Rules) (the "Vendor"). On 20 January 2017, a conditional sale and purchase agreement was entered into between the Purchaser and the Vendor for the acquisition of the remaining 90.5% of the issued share capital of Tak Yun at a total cash consideration of approximately HK$14,622,000 (subject to adjustment with reference to the net asset value of Tak Yun as at the date of completion of the acquisition). Completion of the acquisition is conditional upon the necessary approval(s) from the SFC being obtained. Upon completion of the acquisition, Tak Yun will become a wholly-owned subsidiary of the Company and the financial information of Tak Yun will be consolidated into the financial information of the Group. Details of the acquisition of Tak Yun are disclosed in the announcements of the Company dated 16 December 2016 and 20 January 2017.

Disposal of shares of the Company by controlling shareholder

On 25 January 2017, the Board was informed by Plus Value, the controlling Shareholder (as defined under the Listing Rules) that 90,000,000 shares of the Company, representing 18.75% of the then issued share capital of the Company, were disposed to a third party independent of and not connected with Company and its connected person (as defined under the Listing Rules) at HK$2.739 per share (the "Disposal") of the Company. Immediately upon completion of the Disposal and as at the date of this annual report, Plus Value holds 270,000,000 shares of the Company, representing 56.25% of the issued share capital of the Company and remains the controlling Shareholder. Details of the Disposal are disclosed in the announcement of the Company dated 26 January 2017.

Change of principal place of business in Hong Kong

On 3 February 2017, the principal place of business of the Company in Hong Kong has been changed to Suites 904-5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong (the "Change"). Details of the Change are disclosed in the announcement of the Company dated 3 February 2017.

Re-designation of Director, appointment of Independent Non-executive Director and change of composition of the Board committees

Mr. Hon Ming Sang has been re-designated from an Independent Non-executive Director to an Executive Director with effect from 7 February 2017 (the "Re-designation"). Following the Re-designation, he resigned as members of the Audit Committee, the Nomination Committee and the Remuneration Committee but remains as a member of the Compliance Committee.

Mr. Lam Ho Pong was appointed as Independent Non-executive Director and members of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Compliance Committee with effect from 7 February 2017 (the "Appointment").

Following the Re-designation and the Appointment, the composition of the Board committees has also been changed. The current composition of the Board committees can be found in the section headed "Corporate Information" in this annual report.

Details of the above are disclosed in the announcement of the Company dated 7 February 2017.

Acquisition of a licensed corporation

As disclosed in the announcement of the Company dated 20 December 2016, a non-legally binding memorandum of understanding was entered into between Smart Fantasy, an indirect wholly-owned subsidiary of the Company and as the purchaser, and a third party independent of and not connected with the Company and its connected person (as defined under the Listing Rules), as the vendor, for the possible acquisition of the entire issued share capital of the Target Company which is licensed to carry out Type 9 (Asset management) regulated activity under the SFO.

On 15 February 2017 (after trading hours), a conditional sale and purchase agreement was entered into between the purchaser and the vendor for the acquisition of the Target Company at a total consideration of approximately HK$6.6 million (subject to adjustment with reference to the net asset value of the Target Company as at the date of completion). Completion of the acquisition is conditional upon (i) the completion of legal, business and financial due diligence to the satisfaction of the purchaser; (ii) approval being obtained from the SFC for change of substantial shareholder of the Target Company under section 132 of the SFO; (iii) the active status with the SFC being maintained; and (iv) the Target Company having obtained the licence for carry out Type 4 (Advising on securities) regulated activity under the SFO. Upon completion of the acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the financial information of the Group. Details of the MOU and the acquisition of the Target Company are disclosed in the announcements of the Company dated 20 December 2016 and 15 February 2017 respectively.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this annual report.

Permitted Indemnity Provisions

Pursuant to Code Provision A.1.8 of the CG Code set out under Appendix 14 to the Listing Rules and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of any losses or liabilities incurred, or any legal actions brought against the Directors and management of the Group which may arise out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance.

Closure of Register of Members

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM to be held on Friday, 19 May 2017, the register of members of the Company will be closed from Monday, 15 May 2017 to Friday, 19 May 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 12 May 2017 (Hong Kong time).

Corporate Governance

The principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 19 to 35 of this annual report.

Audit Committee and Review of Consolidated Financial Statements

The Company established the Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, risk management and internal controls systems of the Group. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk management and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2016 with the management and the Company's external auditor, Ernst & Young.

Auditor

Ernst & Young will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
Jia Bowei
Chairman

Hong Kong, 30 March 2017

EY 安永

To the shareholders of Hanbo Enterprises Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hanbo Enterprises Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 120, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of 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 property prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
Impairment of receivables from/loan to third-party manufacturers	
As at 31 December 2016, the Group recorded receivables from third-party manufacturers, who are the suppliers of the Group, of HK$35,358,000 and a loan to a third-party manufacturer of HK$5,936,000, representing in aggregate approximately 22.3% of the Group's total assets at the end of the reporting period, which were included in prepayments, deposits and other receivables. Significant management judgement and estimation was required in assessing whether there was any objective evidence that such receivables were impaired, and whether the provision against these receivables, if any, was adequate, with reference to the ageing profile of balances with third-party manufacturers, status of the job orders, background of third-party manufacturers and value of collateral. The relevant disclosures are included in notes 3 and 20 to the consolidated financial statements.	In evaluating management's assessment, our procedures included obtaining direct confirmations for major receivables and loan balances, evaluating the inputs and assumptions used by management in their assessments, evaluating management's procedures over ageing profile of balances with third-party manufacturers and amounts in dispute, and assessing the value of the collateral. For receivables from third-party manufacturers, we also evaluated the status of the relevant job orders and whether the relevant sub-contracting fees payable to the third-party manufacturers were sufficient to cover the outstanding receivables.
Impairment of trade and bills receivables	
As at 31 December 2016, the Group recorded net trade and bills receivables of HK$51,811,000 after provision for impairment of HK$305,000, representing approximately 28.0% of the Group's total assets at the end of the reporting period. Management assessed whether a provision for impairment was required in respect of those receivables that might not be fully recovered. This assessment required the use of judgement and highly subjective assumptions. The relevant disclosures are included in notes 3 and 18 to the consolidated financial statements.	We assessed the Group's processes and controls relating to the monitoring of trade and bills receivables. In evaluating management's impairment assessment on trade and bills receivables, our procedures included obtaining direct confirmations from selected debtors, evaluating management's procedures over aged receivables and amounts in dispute, evaluating management's assessment over creditworthiness of the debtors and obtaining debtors' repayment histories and subsequent settlements.

Key audit matters *(continued)*

Key audit matters	How our audit addressed the key audit matters
Accounting for income taxes	
The Group operates in various jurisdictions/countries. The tax provision assessment was complex and involved significant management judgement to determine whether the Group's transactions were subject to tax, taking into consideration tax regulations, interpretations and practices prevailing in the jurisdictions/countries in which the Group operates. The relevant disclosures are included in notes 3 and 10 to the consolidated financial statements.	In evaluating management's assessment on income tax positions, our procedures included obtaining an understanding of the Group's transaction nature, design and execution workflow, examining correspondence with the relevant tax authorities, and evaluating tax implications of the transactions and assumptions used to determine tax positions, with the assistance of our tax specialists.

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, 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 the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors 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 Group 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, 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 scepticism throughout the audit. We also:

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Lai Cary.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	4 & 5	**365,750**	355,952
Cost of sales		**(305,303)**	(296,503)
Gross profit		**60,447**	59,449
Other income and gains	5	**1,633**	6,327
Selling and distribution costs		**(1,272)**	(1,863)
Administrative expenses		**(63,703)**	(62,198)
Fair value loss on a financial investment at fair value through profit or loss		**—**	(59)
Other expenses, net		**(459)**	(5,781)
Finance costs	6	**(84)**	(253)
LOSS BEFORE TAX	7	**(3,438)**	(4,378)
Income tax	10	**(2,089)**	(989)
LOSS FOR THE YEAR		**(5,527)**	(5,367)
Attributable to owners of the Company		**(5,527)**	(5,367)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted		**HK(1.15) cents**	HK(1.12) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
LOSS FOR THE YEAR	**(5,527)**	(5,367)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(363)**	(305)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(363)**	(305)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(5,890)**	(5,672)
Attributable to owners of the Company	**(5,890)**	(5,672)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,421**	5,948
Intangible asset	14	**900**	—
Available-for-sale investment	15	**926**	—
Equity investment at fair value through profit or loss	16	**10,528**	—
Deposit and other receivables	20	**7,136**	5,859
Total non-current assets		**23,911**	11,807
CURRENT ASSETS			
Inventories	17	**12**	161
Trade and bills receivables	18	**51,811**	32,297
Loan receivable	19	**20,000**	—
Prepayments, deposits and other receivables	20	**39,804**	58,389
Cash and cash equivalents	21	**49,286**	81,689
Tax recoverable		**—**	173
Total current assets		**160,913**	172,709
CURRENT LIABILITIES			
Trade and bills payables	22	**14,260**	31,530
Other payables and accruals	23	**18,458**	8,032
Interest-bearing bank and other borrowings	24	**12,160**	462
Due to a related company	33(c)	**—**	325
Tax payable		**8,659**	6,986
Total current liabilities		**53,537**	47,335
NET CURRENT ASSETS		**107,376**	125,374
TOTAL ASSETS LESS CURRENT LIABILITIES		**131,287**	137,181
NON-CURRENT LIABILITIES			
Other payables and accruals	23	**387**	455
Interest-bearing other borrowing	24	**156**	244
Deferred tax liabilities	26	**205**	53
Total non-current liabilities		**748**	752
Net assets		**130,539**	136,429

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**4,800**	4,800
Reserves	28	**125,739**	131,629
Total equity		**130,539**	136,429

Jia Bowei
Director

Lam Kwan Sing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company							
	Issued capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 Note 28(a)	Exchange fluctuation reserve HK$'000	Legal reserve HK$'000 Note 28(b)	Merger reserve HK$'000 Note 28(c)	Retained profits HK$'000	Total equity HK$'000
At 1 January 2015	4,800	48,873	10,071	(23)	49	8,417	69,914	142,101
Loss for the year	—	—	—	—	—	—	(5,367)	(5,367)
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	—	—	—	(305)	—	—	—	(305)
Total comprehensive loss for the year	—	—	—	(305)	—	—	(5,367)	(5,672)
At 31 December 2015	4,800	48,873*	10,071*	(328)*	49*	8,417*	64,547*	136,429

	Attributable to owners of the Company							
	Issued capital HK$'000	**Share premium HK$'000**	**Capital reserve HK$'000 Note 28(a)**	**Exchange fluctuation reserve HK$'000**	**Legal reserve HK$'000 Note 28(b)**	**Merger reserve HK$'000 Note 28(c)**	**Retained profits HK$'000**	**Total equity HK$'000**
At 1 January 2016	**4,800**	**48,873**	**10,071**	**(328)**	**49**	**8,417**	**64,547**	**136,429**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(5,527)**	**(5,527)**
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**(363)**	**—**	**—**	**—**	**(363)**
Total comprehensive loss for the year	**—**	**—**	**—**	**(363)**	**—**	**—**	**(5,527)**	**(5,890)**
At 31 December 2016	**4,800**	**48,873***	**10,071***	**(691)***	**49***	**8,417***	**59,020***	**130,539**

* These reserve accounts comprise the consolidated reserves of HK$125,739,000 (2015: HK$131,629,000) in the consolidated statement of financial position as at 31 December 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(3,438)**	(4,378)
Adjustments for:			
Bank interest income	5	**(172)**	(487)
Dividend income from a listed equity investment	5	**(22)**	—
Imputed interest income on non-interest-bearing financial arrangement	5	**(77)**	(51)
Finance costs	6	**84**	253
Depreciation	7	**1,679**	1,562
Fair value loss/(gain) on a financial investment at fair value through profit or loss		**(138)**	59
Impairment/(reversal of impairment) of trade receivables	7	**(457)**	534
Impairment of other receivable	7	**—**	939
Provision/(reversal of provision) for slow-moving inventories	7	**(340)**	2,358
Loss on non-interest bearing financial arrangement	7	**—**	392
		(2,881)	1,181
Decrease/(increase) in inventories		**484**	(372)
Increase in loan receivable		**(20,000)**	—
Decrease/(increase) in trade and bills receivables		**(19,058)**	7,716
Decrease in prepayments, deposits and other receivables		**18,308**	995
Increase in equity investment at fair value through profit or loss		**(10,528)**	—
Increase/(decrease) in trade and bills payables		**(17,270)**	533
Increase/(decrease) in other payables and accruals		**10,442**	(4,028)
Increase/(decrease) in an amount due to a related company		**(318)**	336
Cash generated from/(used in) operations		**(40,821)**	6,361
Interest received		**172**	487
Hong Kong profits tax refunded/(paid)		**(92)**	788
Net cash flows from/(used in) operating activities		**(40,741)**	7,636

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from a listed equity investment	5	22	—
Purchases of items of property, plant and equipment		(195)	(1,101)
Addition to an intangible asset		(900)	—
Purchase of an available-for-sale investment	15	(926)	—
Deposit paid for an investment		(1,200)	—
Purchase of a listed equity investment		(2,906)	—
Proceed from disposal of a listed equity investment		3,044	18,738
Decrease in time deposits with original maturity of more than three months when acquired		1,169	17,562
Advance of loan to a third-party manufacturer		—	(6,200)
Net cash flows from/(used in) investing activities		(1,892)	28,999
CASH FLOWS FROM FINANCING ACTIVITIES			
New trust receipt loans		81,378	119,336
Repayment of trust receipt loans		(69,678)	(120,264)
Capital element of finance lease rental payments		(72)	(72)
Interest paid		(84)	(253)
Net cash flows from/(used in) financing activities		11,544	(1,253)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(31,089)	35,382
Cash and cash equivalents at beginning of year		80,496	45,364
Effect of foreign exchange rate changes, net		(121)	(250)
CASH AND CASH EQUIVALENTS AT END OF YEAR		49,286	80,496
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	49,286	62,263
Non-pledged time deposits	21	—	19,426
Cash and cash equivalents as stated in the consolidated statement of financial position		49,286	81,689
Less: Non-pledged time deposits with original maturity of more than three months when acquired	21	—	(1,193)
Cash and cash equivalents		49,286	80,496

1. Corporate and Group Information

Hanbo Enterprises Holdings Limited was incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Plus Value International Limited, which is incorporated in the British Virgin Islands (the "BVI"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Suites 904–5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 July 2014.

During the year, the Group was principally engaged in trading of apparel products and provision of apparel supply chain management services. In addition, the Group has commenced (i) provision of financial services; (ii) money lending business; and (iii) securities investment during the year.

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hanbo Enterprises Limited	Hong Kong/ Mainland China	HK$10,000	100	—	Trading of apparel product and provision of apparel supply chain management services
Hanbo Enterprises Limited — Macao Commercial Offshore	Macau	MOP100,000	—	100	Trading of apparel products
Hanbo Enterprises (Holding) Limited	BVI	US$50,000	100	—	Investment holding
Hanbo GSC (Cambodia) Ltd.*	Cambodia	KHR4,000,000,000	—	100	Provision of apparel supply chain management services
Superbo Trading Co. Limited	Hong Kong	HK$1,000,000	—	100	Property investment and provision of management services
Yibao Clothing (Shenzhen) Co., Ltd. 億寶服裝(深圳)有限公司#*	People's Republic of China ("PRC")/ Mainland China	HK$16,370,000	—	100	Provision of apparel supply chain management services
Globe Castle Limited* ("Globe Castle")	Hong Kong	HK$1	—	100	Provision of management services
Master Step Management Limited* ("Master Step")	Hong Kong	HK$1	—	100	Provision of management services
Capital Strategic Partners Limited* ("Capital Strategic")	Hong Kong	HK$10,000	—	100	Money lending
Mega Perfect Business Limited* ("Mega Perfect")	BVI	US$100	—	100	Securities investment

Yibao Clothing (Shenzhen) Co., Ltd. was registered as a wholly-foreign-owned enterprise under PRC law.

* The statutory financial statements of these entities are not audited by Ernst & Young, Hong Kong or another member firm of Ernst & Young global network.

1. Corporate and Group Information (Continued)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investment at fair value through profit or loss, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured 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.

2.1 Basis of Preparation (Continued)

The Group reassess 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 Policies and Disclosures

The Group has adopted the following new and revised HKFRSs 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*
HKFRS 14	*Regulatory Deferral Accounts*
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*
Amendments to a number of HKFRSs	*Annual Improvements 2012–2014 Cycle*

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 consolidated statement of profit or loss and the consolidated 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.

The adoption of amendments to HKAS 1 and other new and revised HKFRSs has had no significant financial effect on the Group's consolidated financial statements.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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 Contracts*[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*[5]
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*[4]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to a number of HKFRSs	*Annual Improvements 2014–2016 Cycle*[3]

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 2017 or 1 January 2018, as appropriate
4 Effective for annual periods beginning on or after 1 January 2019
5 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:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing 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 from 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 fair 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 Group 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 Standards (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 and loan receivable. 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, and loan receivable upon the adoption of HKFRS 9.

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 HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative 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 estimates. The standard will supersede all current revenue recognition requirements 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 between operating leases and finance leases. The Group expects that certain portion of these operating lease commitments will be required to be recognised as right-of-use assets and lease liabilities upon adoption of HKFRS 16. The Group will perform a more detailed analysis upon the adoption of HKFRS 16.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKAS 7 require an entity to provide disclosures that enable users of consolidated 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 consolidated financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.4 Summary of Significant Accounting Policies

FAIR VALUE MEASUREMENT

The Group measures its equity investment at fair value through profit or loss 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.

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.

2.4 Summary of Significant Accounting Policies (Continued)

FAIR VALUE MEASUREMENT (CONTINUED)

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
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 inventories and financial assets), 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 of disposal, 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 the 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 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) 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.

2.4 Summary of Significant Accounting Policies (Continued)

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

(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 jointly controlled by a person identified in (a);

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

2.4 Summary of Significant Accounting Policies (Continued)

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.

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:

Leasehold land and building	2% or over the lease terms, whichever rate is higher
Leasehold improvements	Over the shorter of the lease term and 20%
Machinery and equipment	10%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	25%
Computer equipment	20% to 25%

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 least 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.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. 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.

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.

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 lease. 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 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 are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 other expenses 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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in 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 as 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 either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 and the loss arising from impairment are recognised in the consolidated statement of profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as 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 market conditions.

2.4 Summary of Significant Accounting Policies (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial investments (Continued)

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 gains or losses. 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 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 and 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.

2.4 Summary of Significant Accounting Policies (Continued)

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

- 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.

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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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 exists if one or more events that occurred after the initial recognition of the asset have an impact on 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.

2.4 Summary of Significant Accounting Policies (Continued)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

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 characteristics 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 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.

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 the consolidated statement of profit or loss.

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.

2.4 Summary of Significant Accounting Policies (Continued)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

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. "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.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as loans and borrowings.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings, and an amount due to a related company.

Subsequent measurement

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 the consolidated statement of profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

FINANCIAL LIABILITIES (CONTINUED)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a 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.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost 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 position, 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 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 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, 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, 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, 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 each 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) rework and compensation income, and other compensation income, when the right to receive payment has been established;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(d) dividend income, when the shareholder's right to receive payment has been established; and

(e) net fair value changes on financial assets at fair value through profit or loss and those held for trading, including realised gains/losses which are recognised on the transaction dates when the relevant contract notes are exchanged and unrealised fair value changes which are recognised in the period in which they arise.

EMPLOYEE BENEFITS

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to 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.

2.4 Summary of Significant Accounting Policies (Continued)

EMPLOYEE BENEFITS (CONTINUED)

Pension schemes (Continued)

The employees of the Group's operations in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit of loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's operations in Macao are required to participate in a central social security scheme operated by the Macao Special Administrative Region government. The Group is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to the consolidated statement of profit of loss as they become payable in accordance with the rules of the central social security scheme.

BORROWING COSTS

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.

FOREIGN CURRENCIES

These consolidated financial statements are presented in HK$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the 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 measured. The gain or loss arising on translation of 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 are currencies other than HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HK$ 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.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ 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 these consolidated financial statements:

Impairment of receivables from/loan to third-party manufacturers

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable from/loan to third-party manufacturer is impaired. To determine whether there is objective evidence of impairment, significant management judgement is required in determining the adequacy of provision against these receivable balances, including the background of third-party manufacturers, status of the job orders and whether the relevant sub-contracting fees payable to the third-party manufacturers is sufficient to cover the outstanding receivables and value of collateral, if any. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on, *inter alia*, historical loss experience for assets with similar credit risk characteristics.

Impairment of trade and bills receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that trade and bills receivables are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on, *inter alia*, historical loss experience for assets with similar credit risk characteristics. The Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments or if the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) is less than the financial assets' carrying amount.

The Group makes its estimates based on, *inter alia*, the ageing of its receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience.

Income taxes

The Group operates in various jurisdictions/countries with complex regulatory environments subject to different interpretations by the taxpayer and respective tax authorities. In certain of these jurisdictions, we may take positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority.

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, including any potential tax liabilities. When the Group determines any transactions that may result in probable future tax outflows and the amount can be reliably measured, tax provisions are recorded accordingly. Such tax provision may not be indicative of the ultimate tax payment with tax authorities. The tax treatment of such transactions is considered periodically to take into account all changes in tax legislation.

3. Significant Accounting Judgements and Estimates (Continued)

JUDGEMENTS (CONTINUED)

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services; the currency of the country whose competitive forces and regulations mainly determine the sale prices of the entity's goods and services; and the currency that mainly influences labour, material and other costs of providing goods or services.

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.

Impairment of intangible assets with indefinite useful lives

The Group determines whether the intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets with indefinite useful lives are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in note 14 to the consolidated financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives 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 of disposal and its value in use. The calculation of the fair value less costs of disposal 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. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Write-down of inventories to net realisable value

Management reviews the condition of inventories of the Group and write-down the carrying amounts of obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use to their respective net realisable value. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of each reporting period. The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) trading of apparel products and provision of the apparel supply chain management services;

(b) financial services;

(c) money lending; and

(d) securities investment.

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 profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

4. Operating Segment Information (Continued)

For the year ended 31 December 2016

	Apparel trading and related services HK$'000	Financial services HK$'000	Money lending HK$'000	Securities investment HK$'000	Total HK$'000
Segment revenue	363,234	—	93	2,423	365,750
Segment results	8,318	(15)	93	2,414	10,810
Reconciliation:					
Interest income					172
Unallocated other income and gains					160
Corporate and other unallocated expenses					(14,496)
Finance costs					(84)
Loss before tax					(3,438)
As at 31 December 2016					
Segment assets	99,340	2,126	21,073	10,528	133,067
Reconciliation:					
Corporate and other unallocated assets					51,757
Total assets					184,824
Segment liabilities	31,348	2,140	20,200	8,113	61,801
Reconciliation:					
Elimination of intersegment payables					(30,448)
Corporate and other unallocated liabilities					22,932
Total liabilities					54,285
Other segment information:					
Reversal of impairment of trade receivables	(457)	—	—	—	(457)
Reversal of provision for slow-moving inventories	(340)	—	—	—	(340)
Depreciation	1,679	—	—	—	1,679

4. Operating Segment Information (Continued)

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

(a) all assets are allocated to operating segments other than unallocated assets, cash and cash equivalents and tax recoverable; and

(b) all liabilities are allocated to operating segments other than unallocated liabilities, tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

For the year ended 31 December 2015

The Group focused primarily on trading of apparel products and provision of the apparel supply chain management services. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information was available. Accordingly, no operating segment information was presented.

GEOGRAPHICAL INFORMATION

During the year, approximately 97.7% (2015: 92.6%) of the Group's total revenue from external customers, based on the locations of the products shipped to, were attributed to the United States of America ("USA"). At the end of the reporting period, the non-current assets of the Group were located in:

	2016 HK$'000	2015 HK$'000
Hong Kong	16,436	3,541
Mainland China	598	790
Other countries	6,877	7,476
	23,911	11,807

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2016 HK$'000	2015 HK$'000
Customer A	141,147	61,427
Customer B	77,705	45,573
Customer C	75,957	63,804
Customer D	N/A*	67,189

* Less than 10% of revenue

5. Revenue, Other Income and Gains

Revenue represents (i) the aggregate of the net invoiced value of apparel products sold, after allowances for returns and trade discounts; (ii) interest income from money lending business; and (iii) change in fair value of equity investment.

An analysis of the Group's revenue, other income and gains is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Sales of goods	363,234	355,952
Interest income from money lending business	93	—
Unrealised gain on equity investment at fair value through profit or loss	2,423	—
	365,750	355,952
Other income		
Bank interest income	172	487
Dividend income from a listed equity investment	22	—
Sale of scrap materials	177	188
Rework and compensation income	687	272
Imputed interest income on non-interest-bearing financial arrangement	77	51
Write-back of impairment of trade receivables	—	1,415
Compensation income from an insurance company	—	2,712
Sundry income	237	1,202
	1,372	6,327
Gains		
Gain on disposal of a listed equity investment	138	—
Gain on foreign exchange differences, net	123	—
	261	—
	1,633	6,327

6. Finance Costs

	2016 HK$'000	2015 HK$'000
Interest on bank loans	70	235
Interest on finance lease	14	18
	84	253

7. Loss Before Tax

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2016 HK$'000	2015 HK$'000
Auditor's remuneration		**1,413**	1,284
Cost of inventories sold		**305,303**	296,503
Depreciation	13	**1,679**	1,562
Employee benefit expense (including directors' remuneration (note 8))			
— Wages and salaries, allowances, bonuses, commission and benefits in kind		**33,912**	38,230
— Provision for long service payments		**34**	415
— Termination payments		**1,293**	—
— Pension scheme contributions (defined contribution schemes)#		**2,490**	2,687
		37,729	41,332
Foreign exchange differences, net		**(123)**	665
Impairment/(reversal of impairment) of trade receivables*	18	**(457)**	534
Impairment of other receivable*		**—**	939
Provision/(reversal of provision) for slow-moving inventories*		**(340)**	2,358
Minimum lease payments under operating leases		**2,584**	2,696
Loss on non-interest-bearing financial arrangement*		**—**	392

At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

* The balances were included in "Other expenses, net" in the consolidated statement of profit or loss.

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the 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	**591**	600
Other emoluments:		
Salaries and allowances	**9,228**	6,009
Pension scheme contributions	**73**	72
	9,301	6,081
	9,892	6,681

(A) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2016 HK$'000	2015 HK$'000
Mr. Chung Kwok Pan (note 3)	**200**	200
Mr. Lai Kin Keung (note 3)	**200**	200
Mr. Ng Ming Yuen, John (note 1)	**58**	200
Mr. Lau Chart Chou (note 2)	**70**	—
Mr. Fok Ho Yin, Thomas (note 5)	**21**	—
Mr. Chan Wai Cheung, Admiral (note 5)	**21**	—
Mr. Hon Ming Sang (note 7)	**21**	—
	591	600

There were no other emoluments payable to the independent non-executive directors during the year (2015: nil).

8. Directors' Remuneration (Continued)

(B) EXECUTIVE DIRECTORS

	Fees	Salaries and allowances	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2016				
Mr. Cheng Lap Yin (note 4)	—	2,303	18	2,321
Mr. Liu Chung Tong (note 4)	—	1,819	17	1,836
Mr. Liu Ying Yin, James (note 4)	—	1,267	—	1,267
Mr. Kao Lap Shing (note 4)	—	1,550	18	1,568
Mr. Yu Yuen Mau, Banny (note 4)	—	1,550	18	1,568
Mr. Jia Bowei (note 8)	—	282	—	282
Mr. Lam Kwan Sing (note 6)	—	318	2	320
Mr. Wong Nga Leung (note 6)	—	139	—	139
	—	9,228	73	9,301
2015				
Mr. Cheng Lap Yin	—	947	18	965
Mr. Liu Chung Tong	—	1,729	18	1,747
Mr. Liu Ying Yin, James	—	733	—	733
Mr. Kao Lap Shing	—	1,300	18	1,318
Mr. Yu Yuen Mau, Banny	—	1,300	18	1,318
	—	6,009	72	6,081

Notes:

(1) Resigned as an independent non-executive director of the Company with effect from 15 April 2016.

(2) Appointed and resigned as an independent non-executive director of the Company with effect from 14 July 2016 and 29 November 2016, respectively.

(3) Resigned as an independent non-executive director of the Company with effect from 29 November 2016.

(4) Resigned as an executive director of the Company with effect from 29 November 2016.

(5) Appointed as an independent non-executive director of the Company with effect from 29 November 2016.

(6) Appointed as an executive director of the Company with effect from 29 November 2016.

(7) Appointed as an independent non-executive director of the Company with effect from 29 November 2016 and re-designated as an executive director with effect from 7 February 2017.

(8) Appointed as an executive director of the Company with effect from 6 December 2016.

8. Directors' Remuneration (Continued)

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2015: nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included five (2015: five) directors, details of whose remuneration are set out in note 8 above.

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2015: nil).

10. Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The subsidiary of the Company established in Mainland China is subject to the PRC corporate income tax at a standard rate of 25% (2015: 25%) during the year.

No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations (2015: nil).

Cambodian tax on profit has been provided at the rate of 20% (2015: 20%) on the taxable profits or a minimum tax of 1% (2015: 1%) of total revenues, whichever is higher, arising during the year.

No provision for Bangladesh income tax has been made on the liaison office of the Company's subsidiary as no assessment profit in Bangladesh was generated during the year (2015: nil).

	2016 HK$'000	2015 HK$'000
Current — Hong Kong		
Charge for the year	**1,071**	102
Overprovision in prior years	**(16)**	(20)
Current — Elsewhere		
Charge for the year	**704**	898
Underprovision in prior years	**178**	—
Deferred (note 26)	**152**	9
Total tax charge for the year	**2,089**	989

10. Income Tax (Continued)

A reconciliation of the tax credit applicable to loss before tax at the Hong Kong statutory rate to the tax charge at the effective tax rate is as follows:

	2016 HK$'000	2015 HK$'000
Loss before tax	**(3,438)**	(4,378)
Tax credit at Hong Kong statutory tax rate	**(567)**	(722)
Different tax rates for specific provinces or enacted by local authorities	**(146)**	30
Effect of deemed profit tax	**704**	789
Adjustments in respect of current tax of previous periods	**162**	(20)
Income not subject to tax	**(1,930)**	(80)
Expenses not deductible for tax	**2,499**	1,183
Temporary difference not recognised	**129**	32
Tax losses utilised from previous periods	**(16)**	(432)
Tax losses not recognised	**1,105**	209
Others	**149**	—
Tax charge at the Group's effective tax rate	**2,089**	989

11. Loss Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK$5,527,000 (2015: HK$5,367,000), and the weighted average number of ordinary shares of 480,000,000 (2015: 480,000,000) in issue during the year.

Diluted loss per share equals to basic loss per share as there was no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

12. Dividend

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

13. Property, Plant and Equipment

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 December 2016								
At 31 December 2015 and 1 January 2016:								
Cost	3,291	2,985	99	589	1,651	459	3,004	12,078
Accumulated depreciation	(1,444)	(1,727)	(9)	(352)	(624)	(153)	(1,821)	(6,130)
Net carrying amount	1,847	1,258	90	237	1,027	306	1,183	5,948
At 1 January 2016, net of accumulated depreciation	1,847	1,258	90	237	1,027	306	1,183	5,948
Additions	—	—	—	—	95	—	100	195
Depreciation	(66)	(501)	(10)	(88)	(328)	(108)	(578)	(1,679)
Exchange realignment	—	(4)	(5)	(3)	(30)	—	(1)	(43)
At 31 December 2016, net of accumulated depreciation	1,781	753	75	146	764	198	704	4,421
At 31 December 2016:								
Cost	3,291	2,975	93	583	1,707	459	3,112	12,220
Accumulated depreciation	(1,510)	(2,222)	(18)	(437)	(943)	(261)	(2,408)	(7,799)
Net carrying amount	1,781	753	75	146	764	198	704	4,421

13. Property, Plant and Equipment (Continued)

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 December 2015								
At 1 January 2015:								
Cost	3,291	2,826	65	563	780	142	2,950	10,617
Accumulated depreciation	(1,378)	(1,245)	(1)	(259)	(355)	(78)	(1,263)	(4,579)
Net carrying amount	1,913	1,581	64	304	425	64	1,687	6,038
At 1 January 2015, net of accumulated depreciation	1,913	1,581	64	304	425	64	1,687	6,038
Additions	—	165	39	30	891	317	60	1,502
Depreciation	(66)	(484)	(9)	(94)	(272)	(75)	(562)	(1,562)
Exchange realignment	—	(4)	(4)	(3)	(17)	—	(2)	(30)
At 31 December 2015, net of accumulated depreciation	1,847	1,258	90	237	1,027	306	1,183	5,948
At 31 December 2015:								
Cost	3,291	2,985	99	589	1,651	459	3,004	12,078
Accumulated depreciation	(1,444)	(1,727)	(9)	(352)	(624)	(153)	(1,821)	(6,130)
Net carrying amount	1,847	1,258	90	237	1,027	306	1,183	5,948

The net carrying amount of the Group's fixed assets held under a finance lease included in the office equipment at 31 December 2016 was HK$218,000 (2015: HK$310,000).

As at 31 December 2015, the Group's property with a net carrying amount of HK$1,847,000 was pledged to secure general banking facilities granted to the Group (note 24). The pledge was released during the year.

14. Intangible Asset

	2016 HK$'000	2015 HK$'000
Cost at 1 January	—	—
Addition — separately acquired	900	—
At 31 December	900	—

The intangible asset represents direct costs incurred for the acquisition of a money lenders licence with indefinite useful life and is stated at cost less any impairment losses.

The money lenders licence is considered by the directors of the Company as having indefinite useful lives because it is expected that the money lenders licence can be renewed continuously at minimal cost and it will contribute net cash inflows for the Group in the foreseeable future. The money lenders licence will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, the money lenders licence with indefinite useful life is allocated to a cash-generating unit ("CGU") operating as a subsidiary of the Company which is engaged in money lending business.

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projection based on financial budget approved by management covering a one-year period. The discount rate applied to the cash flow projection is 13%.

15. Available-for-sale Investment

	2016 HK$'000	2015 HK$'000
Unlisted equity investment, at cost	926	—

As at 31 December 2016, the above unlisted equity investment with a carrying amount of HK$926,000 (2015: nil) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

16. Equity Investment at Fair Value Through Profit or Loss

	2016 HK$'000	2015 HK$'000
Listed equity investment, at market value	10,528	—

The above equity investment at 31 December 2016 was, upon initial recognition, designated by the Group as financial asset at fair value through profit or loss.

17. Inventories

	2016 HK$'000	2015 HK$'000
Finished goods	**12**	161

18. Trade and Bills Receivables

	2016 HK$'000	2015 HK$'000
Trade receivables	**51,408**	31,031
Bills receivables	**708**	2,028
	52,116	33,059
Less: Impairment	**(305)**	(762)
	51,811	32,297

The Group's trading terms with its customers are mainly on credit. The credit period generally ranges from 30 to 75 days (2015: 30 to 75 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

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

	2016 HK$'000	2015 HK$'000
Within 1 month	**29,340**	21,581
1 to 2 months	**11,946**	6,248
2 to 3 months	**10,525**	2,329
Over 3 months	**—**	2,139
	51,811	32,297

The movements in provision for impairment of trade receivables are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**762**	228
Impairment loss recognised/(reversed) (note 7)	**(457)**	534
At 31 December	**305**	762

18. Trade and Bills Receivables (Continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$305,000 (2015: HK$762,000) with a carrying amount before provision of HK$305,000 (2015: HK$762,000).

The individually impaired trade receivables relate to a customer that was in financial difficulties.

An aged analysis of the trade and bills 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	41,169	28,959
Less than 1 month past due	10,642	3,105
1 to 3 months past due	—	79
Over 3 months past due	—	154
	51,811	32,297

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. Loan Receivable

	2016 HK$'000	2015 HK$'000
Loan receivable — unsecured	20,000	—

Loan receivable arising from the money lending business of the Group bears interest at a rate of 13% (2015: nil) per annum. The Group did not hold any collateral or other credit enhancements over this balance.

The loan receivable as at 31 December 2016, based on the payment due date, was neither past due nor impaired and relates to an independent borrower for whom there was no recent history of default.

20. Prepayments, Deposits and Other Receivables

	2016 HK$'000	2015 HK$'000
Prepayments	**983**	909
Deferred expenses	**774**	1,042
Deposits	**2,141**	419
Deposit paid for an investment	**1,200**	—
Loan to a third-party manufacturer	**5,936**	5,859
Receivables from third-party manufacturers	**35,358**	55,369
Other receivables	**548**	650
	46,940	64,248
Analysed into:		
Non-current portion	**7,136**	5,859
Current portion	**39,804**	58,389
	46,940	64,248

Receivables from third-party manufacturers arise when the Group purchases raw materials on behalf of the third-party manufacturers relating to the Group's apparel and related services business, and are unsecured, interest-free and repayable within one year. The settlement of which is usually by the relevant subcontracting fees payable by the Group to the third-party manufacturers.

Loan to a third-party manufacturer was provided for the enhancement of its production facilities.

As at 31 December 2016 and 2015, the loan was secured by a property situated in Cambodia owned by the third-party manufacturer, subject to a guarantee given by an independent party to the Group, interest-free and repayable on 30 April 2020.

The movements in provision for impairment of other receivables are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	—	—
Impairment loss recognised (note 7)	—	939
Amount written off as uncollectible	—	(939)
At 31 December	—	—

Saved as disclosed above, none of the above financial assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

21. Cash and Cash Equivalents

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**49,286**	62,263
Time deposits:		
— with original maturity of less than three months when acquired	—	18,233
— with original maturity of more than three months when acquired	—	1,193
Cash and cash equivalents	**49,286**	81,689

As at 31 December 2016, the cash and cash equivalents of the Group denominated in RMB amounted to HK$1,262,000 (2015: HK$10,473,000). 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 authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

22. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Within 1 month	14,260	22,784
1 to 2 months	—	5,634
2 to 3 months	—	2,572
Over 3 months	—	540
	14,260	31,530

The trade and bills payables are non-interest-bearing and are normally settled on an average term of 30 days.

23. Other Payables and Accruals

	2016 HK$'000	2015 HK$'000
Other payables	2,564	2,348
Accruals	14,528	6,139
Deferred income	1,753	—
	18,845	8,487
Analysed into:		
Non-current portion	387	455
Current portion	18,458	8,032
	18,845	8,487

Other payables are non-interest-bearing and are normally settled within one year.

24. Interest-Bearing Bank and Other Borrowings

	2016			2015		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current						
Finance lease payable (note 25)	**5.00**	**2017**	**72**	5.00	2016	74
Trust receipt loans — secured	**3.34**	**2017**	**12,088**	3.16	2016	388
			12,160			462
Non-current						
Finance lease payable (note 25)	**5.00**	**2018–2019**	**156**	5.00	2017–2019	244
			12,316			706

Notes:

(a) All bank borrowings are denominated in US$ and are repayable within one year subject to a repayable on demand clause in the facility letters.

(b) At 31 December 2016, the Group's bank loans were secured by:

(i) certain security deposits placed to banks by a director of a subsidiary of the Group;

(ii) personal guarantees given by a director of a subsidiary of the Group;

(iii) corporate guarantees given by certain subsidiaries of the Group; and

(iv) a promissory note executed by certain subsidiaries of the Group and a director of a subsidiary of the Group of HK$75,000,000.

(c) At 31 December 2015, the Group's bank loans were secured by:

(i) a property of the Group situated in Hong Kong, which had a carrying value of HK$1,847,000;

(ii) corporate guarantees given by certain subsidiaries of the Group;

(iii) corporate guarantees given by the Company; and

(iv) promissory notes given by a subsidiary of the Group of HK$130,000,000.

25. Finance Lease Payable

The Group leases certain of its office equipment. This lease is classified as a finance lease and has a remaining lease term of three (2015: four) years.

As at 31 December 2016, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2016 HK$'000	Minimum lease payments 2015 HK$'000	Present value of minimum lease payments 2016 HK$'000	Present value of minimum lease payments 2015 HK$'000
Amounts payable:				
Within one year	82	87	72	74
In the second year	82	87	76	77
In the third to fifth years, inclusive	82	176	80	167
Total minimum finance lease payments	246	350	228	318
Future finance charges	(18)	(32)		
Total net finance lease payables	228	318		
Portion classified as current liabilities (note 24)	(72)	(74)		
Non-current portion (note 24)	156	244		

26. Deferred Tax Liabilities

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation HK$'000	**Intangible asset** HK$'000	**Total** HK$'000
At 1 January 2015	44	—	44
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10)	9	—	9
At 31 December 2015 and 1 January 2016	53	—	53
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10)	3	149	152
At 31 December 2016	56	149	205

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2016, no deferred tax has been recognised for such withholding taxes as the Group's subsidiary established in Mainland China was loss making and had no distributable reserves.

As at 31 December 2016, the Group had tax losses arising in Hong Kong of HK$8,060,000 (2015: HK$5,138,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2016, the Group also has tax losses arising in the PRC and Cambodia of approximately HK$1,156,000 (2015: HK$5,749,000) and HK$2,179,000 (2015: Nil), respectively, subject to the agreement by relevant tax authority, that are available for offsetting against future taxable profits of the respective subsidiary in which the losses arose from a maximum of five years.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

27. Share Capital

SHARES

	2016 HK$'000	2015 HK$'000
Authorised:		
1,000,000,000 (2015: 1,000,000,000) shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
480,000,000 (2015: 480,000,000) shares of HK$0.01 each	**4,800**	4,800

28. Reserves

The amounts of the Group's reserves and the movements therein for current and prior years are presented in the consolidated statement of changes in equity on page 64 of the consolidated financial statements.

(a) CAPITAL RESERVE

The capital reserve represents (i) capital contribution of HK$9,000,000 from shareholders pursuant to a deed of undertaking dated 26 March 2014; and (ii) capital contribution of HK$1,071,000 from shareholders to a subsidiary.

(b) LEGAL RESERVE

The legal reserve represents the transfer of the profit generated from a subsidiary incorporated in Macao from retained profits to the legal reserve in accordance with article 377 of the Macao Commercial Code until the legal reserve balance reaches half of the capital of the relevant subsidiary. This legal reserve is not distributable.

(c) MERGER RESERVE

The merger reserve represents the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to a reorganisation in connection with the listing of the Company's shares in the prior years.

29. Note to the Consolidated Statement of Cash Flows

MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2015, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a capital value at the inception of the lease of HK$401,000.

No significant non-cash transaction occurred during the year ended 31 December 2016.

30. Pledge of Assets

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in notes 13 and 24 to the consolidated financial statements.

31. Operating Lease Arrangements

AS LESSEE

The Group leases certain of its office premises and staff quarter under operating lease arrangements. The leases are negotiated for terms ranging from one to five years (2015: one to five years).

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

	2016 **HK$'000**	2015 HK$'000
Within one year	**5,547**	1,961
In the second to fifth years, inclusive	**2,876**	4,428
	8,423	6,389

32. Commitment

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

	2016 **HK$'000**	2015 HK$'000
Contracted, but not provided for:		
Motor vehicle	**790**	—

33. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	Notes	2016 HK$'000	2015 HK$'000
Rental expenses paid to Action Win Industries Limited	(i)	**787**	569
Rental expenses paid to Liu & Cheng (Cambodia) Limited	(ii)	**212**	233

Notes:

(i) Rental expense was paid to Action Win Industries Limited, which is controlled by Mr. Liu Ying Yin, James ("Mr. Liu"), for leases of an office premises and a warehouse located in Hong Kong and the monthly rentals charged were increased from HK$27,000 to HK$36,000 with effect from 1 January 2016 and from HK$35,000 to HK$37,000 with effect from 1 June 2016, respectively.

(ii) Rental expense was paid to Liu & Cheng (Cambodia) Limited, which is controlled by Mr. Liu and Mr. Cheng Lap Yin ("Mr. Cheng"), for a lease of office located in Cambodia and was charged at a monthly rental of US$2,500 (approximately HK$19,000) (2015: US$2,500 (approximately HK$19,000)).

Upon the resignation as executive directors of the Company of Mr. Liu and Mr. Cheng on 29 November 2016, these related party transactions ceased to be related party transactions.

(b) COMMITMENT WITH RELATED PARTIES

At 31 December 2015, the Group entered into operating lease arrangements as a lessee with a companies controlled by Mr. Liu Ying Yin, James and Mr. Cheng Lap Yin, for lease terms ranging from three to five years. The amounts of rental expenses for the year ended 31 December 2016 were disclosed in note 33(a)(i) to (ii) to the consolidated financial statements.

(c) The amount due to a related company was unsecured, interest-free and fully repaid during the year.

(d) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**9,228**	6,009
Post-employment benefits	**73**	72
Total compensation paid to key management personnel	**9,301**	6,081

Further details of directors' emoluments are included in note 8 to these consolidated financial statements.

34. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows:

FINANCIAL ASSETS

31 December 2016

	Financial asset at fair value through profit or loss — designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
Available-for-sale investment	—	—	926	926
Trade and bills receivables	—	51,811	—	51,811
Loan receivable	—	20,000	—	20,000
Financial assets included in prepayments, deposits and other receivables	—	43,983	—	43,983
Equity investment at fair value through profit or loss	10,528	—	—	10,528
Cash and cash equivalents	—	49,286	—	49,286
	10,528	165,080	926	176,534

31 December 2015

	Loans and receivables HK$'000
Trade and bills receivables	32,297
Financial assets included in prepayments, deposits and other receivables	62,297
Cash and cash equivalents	81,689
	176,283

34. Financial Instruments by Category (Continued)

FINANCIAL LIABILITIES

	Financial liabilities at amortised cost	
	2016	2015
	HK$'000	HK$'000
Trade and bills payables	**14,260**	31,530
Financial liabilities included in other payables and accruals	**2,564**	2,348
Interest-bearing bank and other borrowings	**12,316**	706
Due to a related company	**—**	325
	29,140	34,909

35. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amount and fair value of the Group's financial instrument, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial asset				
Equity investment at fair value through profit or loss	**10,528**	—	**10,528**	—

Management has assessed that the fair values of trade and bills receivables, loan receivable, the current portion of financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade and bills payables, the current portion of financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and an amount due to a related company 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. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and interest-bearing other borrowing have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of listed equity investment is based on quoted market price.

35. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

FAIR VALUE HIERARCHY

The following table illustrates the fair value measurement hierarchy of the Group's financial instrument:

Asset measured at fair value:

	2016 HK$'000	2015 HK$'000
Fair value measurement using quoted prices in active markets (Level 1)		
— Equity investment at fair value through profit or loss	10,528	—

The Group did not have any financial liabilities measured at fair values as at the end of the reporting period.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: nil).

36. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as available-for-sale investment, equity investment at fair value through profit or loss, trade and bills receivables, loan receivable, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, and an amount due to related company, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The directors review and agree policies for managing each of these risks and they are summarised below:

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

For United States dollar floating-rate bank borrowings, a 50 basis point increase/decrease in interest rates, with all other variables held constant, at 31 December 2016 and 2015 would have increased/decreased the Group's loss before tax and equity (through the impact on floating rate borrowings) by approximately HK$60,000 (2015: approximately HK$2,000).

36. Financial Risk Management Objectives and Policies (Continued)

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as certain subcontracting fees incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in loss before tax**
	%	HK$'000
2016		
If US$ weakens against RMB	5	2
If US$ strengthens against RMB	(5)	(2)
2015		
If US$ weakens against RMB	5	310
If US$ strengthens against RMB	(5)	(310)

36. Financial Risk Management Objectives and Policies (Continued)

CREDIT RISK

The trade and bills receivable balances included in the consolidated statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's trade and bills receivables.

The Group has certain concentration of credit risk in relation to trade and bills receivables arising from apparel and related services business as the trade and bills receivables due from the Group's largest debtor and the five largest debtors accounted for a material proportion of the Group's trade and bills receivables as at 31 December 2016 and 2015 as follows:

	2016 %	2015 %
Largest customers	55.2	27.4
Five largest customers	99.7	80.9

The Group performs ongoing credit evaluations of its debtors' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based on a review of the expected collectability of all trade and bills receivables.

At the end of the reporting period, the Group had concentration of credit risk of loan receivable as 100% (2015: nil) of the Group's loan receivable was due from a borrower.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, deposits and other receivables, equity investment at fair value through profit or loss and available-for-sale investment arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these financial assets in the consolidated statement of financial position. The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. Accordingly, the Group's exposure to bad debts is not significant.

36. Financial Risk Management Objectives and Policies (Continued)

LIQUIDITY RISK

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payment, is as follows:

	2016			
	On demand HK$'000	**Within 1 year HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**—**	**14,260**	**—**	**14,260**
Financial liabilities included in other payables and accruals	**—**	**2,564**	**—**	**2,564**
Interest-bearing bank and other borrowings (note)	**12,088**	**82**	**164**	**12,334**
	12,088	**16,906**	**164**	**29,158**

	2015			
	On demand/ no fixed terms of repayment HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade and bills payables	—	31,530	—	31,530
Financial liabilities included in other payables and accruals	—	2,348	—	2,348
Interest-bearing bank and other borrowings (note)	388	87	263	738
Due to a related company	325	—	—	325
	713	33,965	263	34,941

36. Financial Risk Management Objectives and Policies (Continued)

LIQUIDITY RISK (CONTINUED)

Note:

Included in the above interest-bearing bank and other borrowings are trust receipt loans with an aggregate carrying amount of HK$12,088,000 (2015: HK$388,000). The loan agreements contain a repayment on demand clause giving to the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "repayment on demand".

In accordance with the terms of the loans which contain a repayment on demand clause, the maturity profile of those loans as at the end of the reporting period, based on contractual undiscounted payment and ignoring the effect of any repayment on demand clause, is as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**12,154**	391

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from an individual listed equity investment classified as financial asset at fair value through profit or loss (note 16) as at 31 December 2016. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	31 December **2016**	**High/low** **2016**
Hong Kong — Hang Seng Index	**22,001**	**24,364/18,278**

The following table demonstrates the sensitivity to every 20% change in fair value of the equity investment, with all other variables held constant and before any impact on tax, based on its carrying amount at the end of the reporting period.

	Carrying amount of equity investment HK$'000	**Changes in loss before tax** HK$'000
31 December 2016		
Investment listed in:		
Hong Kong	10,528	2,106

36. Financial Risk Management Objectives and Policies (Continued)

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are 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 and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital on the basis of a gearing ratio. The ratio is calculated by dividing the total debts by total equity attributable to owners of the Company. Total debts are defined to include all borrowings and payables incurred not in the ordinary course of business.

At the end of the reporting period, all the Group's interest-bearing bank borrowings and payables were incurred in the ordinary course of business. Accordingly, the gearing ratio (being the finance lease payable divided by the equity attribute to the owners of the Company) was 0.2% (2015: 0.2%) at the end of the reporting period.

37. Events After the Reporting Period

(a) During the year, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with an independent third party (the "Seller"), to acquire a 9.5% equity interest of Tak Yun Wealth Management Company Limited ("Tak Yun") at a total cash consideration of approximately HK$926,000 and the Group's interest therein was classified as an available-for-sale investment. Subsequent to the end of the year, on 20 January 2017, the Group entered into a conditional sale and purchase agreement with the Seller to acquire the remaining 90.5% equity interest of Tak Yun at a total cash consideration of HK$14,622,000, subject to adjustment with reference to the net asset value of Tak Yun as at the date of the completion of the acquisition. Upon the completion of the transaction, Tak Yun will become a wholly-owned subsidiary of the Group. Further details of the acquisition are also set out in the Company's announcement dated 20 January 2017.

(b) On 15 February 2017, the Group, through a wholly-owned subsidiary, Smart Fantasy Asia Limited ("Smart Fantasy"), entered into a conditional sale and purchase agreement with an independent third party, to acquire 100% equity interest of a company which is licensed to carry out Type 9 (Asset management) regulated activity under the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "Target Company"), at a cash consideration of HK$6,600,000, subject to adjustment with reference to the net asset value of the Target Company as at the date of the completion of the acquisition. Further details of the acquisition are also set out in the Company's announcement dated 15 February 2017.

38. 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		
Investments in subsidiaries	1	—
CURRENT ASSETS		
Prepayments and other receivables	353	280
Due from subsidiaries	49,858	25,201
Cash and cash equivalents	193	15,572
Total current assets	50,404	41,053
CURRENT LIABILITIES		
Other payables and accruals	2,114	—
Due to a subsidiary	—	1,689
Total current liabilities	2,114	1,689
Net current assets	48,290	39,364
Net assets	48,291	39,364
EQUITY		
Issued capital	4,800	4,800
Reserves (note)	43,491	34,564
Total equity	48,291	39,364

38. Statement of Financial Position of the Company (Continued)

Note:

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

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	48,873	1,488	(13,040)	37,321
Loss and total comprehensive loss for the year	—	—	(2,757)	(2,757)
At 31 December 2015 and 1 January 2016	48,873	1,488	(15,797)	34,564
Profit and total comprehensive income for the year	—	—	8,927	8,927
At 31 December 2016	**48,873**	**1,488**	**(6,870)**	**43,491**

39. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2017.