ENTERPRISE DEVELOPMENT
HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1808

2016 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lam Kai Tai *(Chairman)*
Wong Ho Sing
Li Jiang Nan

Independent Non-executive Directors

Hu Gin Ing
Liu Kam Lung
Liu Jian

COMPANY SECRETARY

Ng Wing Ching

AUTHORISED REPRESENTATIVES

Lam Kai Tai
Ng Wing Ching

AUDIT COMMITTEE

Hu Gin Ing *(Committee Chairlady)*
Liu Kam Lung
Liu Jian

REMUNERATION COMMITTEE

Liu Jian *(Committee Chairman)*
Lam Kai Tai
Hu Gin Ing
Liu Kam Lung

NOMINATION COMMITTEE

Liu Jian *(Committee Chairman)*
Lam Kai Tai
Hu Gin Ing
Liu Kam Lung

CORPORATE GOVERNANCE COMMITTEE

Lam Kai Tai *(Committee Chairman)*
Wong Ho Sing

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2810, 28th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG 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 BANKER

Bank of Communications Co., Ltd.

STOCK CODE

1808

COMPANY WEBSITE

www.1808.com.hk

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Enterprise Development Holdings Limited (the "Company"), I present herewith the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

For the financial year ended 31 December 2016, the Group recorded a consolidated net loss attributable to equity shareholders of the Company of approximately RMB321.0 million as compared to a consolidated net profit attributable to equity shareholders of the Company of approximately RMB7.4 million in the last corresponding year. The consolidated net loss attributable to equity shareholders for the year ended 31 December 2016 was mainly due to, including but not limited to, (i) the Group recognised impairment loss on its goodwill of approximately RMB189.8 million; (ii) the Group recognised impairment loss on its available-for-sale securities of approximately RMB41.1 million; and (iii) the net realised and unrealised losses on trading securities of approximately RMB81.4 million, compared to the realised and unrealised gains of approximately RMB43.2 million for the corresponding year ended 31 December 2015. The Board does not recommend the payment of any final dividend for the year ended 31 December 2016.

The Group's software business recorded reasonable growth during the year ended 31 December 2016. The Group will try to maintain its competitivity in 2017 through introduction of new products and services.

With regard to the Group's trading and investment business, the Hong Kong stock market was highly volatile in 2016. The Group will closely monitor the changes of the market condition in 2017 and adjust its portfolio of investments as appropriate.

The Group will continue to explore other business opportunities so as to diversify our business to bring return to our shareholders. As disclosed in the Company's announcement dated 6 January 2017, the Company entered into a memorandum of understanding regarding the possible acquisition of a target which is principally engaged in the business of securities broking and holds a license for Type 1 regulated activity (Dealing in Securities) under the Securities and Futures Ordinance, Cap.571, Laws of Hong Kong (the "Possible Acquisition"). The Possible Acquisition is still in the preliminary stage, further announcement(s) in respect of the Possible Acquisition will be made by the Company as and when appropriate. The Group will continue to look for opportunities in the financial services sector in view of the integration of industries and finance and carry out "mixed businesses" strategy in order to provide a comprehensive portfolio of financial services.

Taking this opportunity, I would like to express my sincere gratitude to our shareholders and business partners for their invaluable support to the Group. I am also grateful for our Directors, senior management and staff for their dedicated service and contributions.

Lam Kai Tai
Chairman

Hong Kong, 28 March 2017

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lam Kai Tai ("Mr. Lam"), aged 49, was appointed as an executive Director on 1 June 2015 and further appointed as the chairman of the Board on 3 July 2015. Mr. Lam is a member of each of the Remuneration Committee and the Nomination Committee, and the chairman of the Corporate Governance Committee. He was educated at U.C. Berkeley and University of San Francisco as Finance major. In 1997, Mr. Lam joined First Yuanta Securities Ltd. In 2003, Mr. Lam joined Galaxy Entertainment Group (Macau) as Project Manager to oversee the construction and development of Waldo Hotel, Grand Waldo Hotel, Starworld Hotel and Galaxy Macau. Mr. Lam was an independent non-executive director of Hao Wen Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8019) for the period from April 2011 to November 2014. Mr. Lam has more than 15 years of experience in project management and merger and acquisition.

Mr. Wong Ho Sing ("Mr. Wong"), aged 32, was appointed as an executive Director on 1 June 2015. Mr. Wong is a member of the Corporate Governance Committee. He was educated at Monash University, Melbourne, Australia as Accounting major. Mr. Wong has extensive working experience in business management, business planning and development for about nine years. Mr. Wong is currently a director of a company in Food and I.T. industry.

Mr. Li Jiang Nan ("Mr. Li"), aged 52, was appointed as an executive Director on 20 December 2016. Mr. Li has substantial experience in investment and business management. He has over 24 years of experience in the leasing of helicopter and private jet. Other than in-export trade, he has experience in the investment of listed, unlisted shares, fixed income notes as well as real estate. Mr. Li was educated in France. Thereafter he engaged in trading and property investment in Hong Kong. Since 1992, he has started a Hong Kong based conglomerate group which is principally engaged in property investment, helicopter and private jet leasing with business in China and Hong Kong. Mr. Li acts as a director and a member of its senior management team of this conglomerate group and has involved in management of various projects of the group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Hu Gin Ing ("Ms. Hu"), aged 58, was appointed as an independent non-executive Director on 12 March 2011. She is also the chairlady of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Ms. Hu holds a master degree in business administration from Florida International University, United States of America ("U.S.A."), a master degree in sciences from Barry University, U.S.A. and a bachelor degree from National Taiwan University, major in foreign language. Ms. Hu is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants in U.S.A. Ms. Hu currently holds the position of Corp. CFO, Global Finance, of Acer Incorporated, a company listed on the Taiwan Stock Exchange. Ms. Hu has been a director of NHL CPA Ltd., Hong Kong since January 2005. She has been an independent non-executive director of United Pacific Industries limited (HK.176) since November 2013, an independent non-executive director of Carnival Group International Holdings Limited (HK.996) since December 2013, and an independent non-executive director of LVGEM (China) Real Estate Investment Company Limited (HK.95) since May 2014. She was a non-executive director of SMI Culture Group Holdings Limited (HK.2366), a company listed on the Stock Exchange, from 27 August 2013 to 31 October 2014, and an independent director of Arich Enterprise Co. Ltd. (TW.4173), a company listed on the Taiwan Stock Exchange from December 2012 to 17 June 2015. She has over 22 years of experience in accounting and finance.

Mr. Liu Kam Lung ("Mr. Liu"), aged 53, was appointed as an independent non-executive Director on 28 January 2015. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He has over 26 years of experience in the financial industry. Mr. Liu obtained a Diploma of Business Administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in 1990. Mr. Liu was admitted as an associate of The Institute of Chartered Secretaries and Administrators of the United Kingdom, an associate of The Hong Kong Institute of Chartered Secretaries, an associate of Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants, a full member of the Society of Registered Financial Planners and an associate of the Taxation Institute of Hong Kong in 1993, 1994, 1995, 1999, 2009 and 2010 respectively. Mr. Liu is currently the chief executive officer of China Rise Finance Group Company Limited, being a member of Symphony Holdings Limited (HK stock code: 1223), the non-executive director of Megalogic Technology Holdings Limited (HK stock code: 8242) and the independent non-executive director of Pak Tak International Limited (HK stock code: 2668). He had been an executive director, finance director, company secretary and authorised representative of Megalogic Technology Holdings Limited (HK stock code: 8242) for the period from March 2011 to October 2014.

Mr. Liu Jian ("Mr. Liu"), aged 63, was appointed as an independent non-executive Director on 19 January 2017. He is also the chairman of each of the Remuneration Committee and the Nomination Committee, and also a member of the Audit Committee. Mr. Liu studied in Computer Sciences (電子計算機專業) and graduated from Shanghai Jiao Tong University (上海交通大學), PRC in August, 1978. Mr. Liu has over 14 years of investment banking experience, during the period from 1995 to 2009, he held senior management position in the investment banking division or initial public offering projects in various investment banks including DBS Asia Capital Limited, CITIC Capital Market Holdings Limited and CITIC Securities International Company Limited. Prior to that, Mr. Liu worked for China Resources Holdings Company Limited and the then Ministry of Foreign Economic Relations and Trade of the PRC (中華人民共和國對外經濟貿易部). Mr. Liu is currently an independent non-executive director of China Art Financial Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange (stock code: 1572).

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2016, the Group recorded a turnover of approximately RMB389,723,000 (2015: RMB419,706,000), of which turnover mainly from (i) software maintenance and other services amounted to approximately RMB411,810,000 (2015: RMB336,401,000); (ii) sale of software products and others amounted to approximately RMB50,462,000 (2015: RMB27,676,000); (iii) net realised and unrealised losses on trading securities amounted to approximately RMB81,400,000 (2015: gains of RMB43,219,000); and (iv) mobile marketing services amounted to approximately RMB8,563,000 (2015: RMB12,407,000).

Gross Profit

For the year ended 31 December 2016, the Group recorded a gross profit of approximately RMB6,315,000 (2015: RMB115,045,000). The gross profit ratio for the software business of the Group during the period was approximately 19% while that of the corresponding period in 2015 was approximately 18%. The increase in gross profit ratio was mainly due to the increase of gross profit margin for returning profitability back to previous levels.

Other Net Losses

For the year ended 31 December 2016, other net losses were approximately RMB1,566,000 (2015: RMB4,204,000), which was mainly attributable to loss on early redemption of promissory notes of approximately RMB1,284,000 (2015: RMB3,950,000) and loss on disposal of a subsidiary of approximately RMB282,000 (2015: Nil).

Distribution Expenses

For the year ended 31 December 2016, distribution expenses were approximately RMB25,458,000 (2015: RMB26,475,000). The decrease in distribution expenses was mainly due to the decrease in staff costs of the software business in the PRC during the year.

General and Administrative Expenses

For the year ended 31 December 2016, general and administrative expenses were approximately RMB47,742,000 (2015: RMB67,717,000). The decrease in general and administrative expenses was mainly due to the decrease of staff costs, legal and professional fees, entertainment and travelling expenses during the year.

Finance Costs

For the year ended 31 December 2016, finance costs were approximately RMB3,109,000 (2015: RMB2,600,000). The increase in finance costs was due to the increase in interest expenses on borrowings during the year.

Other Investment

For the year ended 31 December 2016, an impairment loss of approximately RMB41,078,000 (2015: Nil) was recognised on the Group's available-for-sale securities. Taking into account the unaudited net asset value of the particular investee as at 31 December 2016, and other relevant factors, full impairment of the value of the investment was made as at 31 December 2016.

Impairment

The mobile marketing business of the Group faced a challenging business environment throughout the 2016 as the economic growth in Hong Kong continued to moderate. Our existing and potential customers have tighten their advertising and IT budgets and preferred to wait until the last possible moment. The turnover of mobile marketing business of the Group decreased from approximately RMB12,407,000 in 2015 to RMB8,563,000 in 2016. In addition, the mobile marketing business has incurred operating loss of approximately RMB15,543,000 for the year ended 31 December 2016.

Due to the deteriorating performance and suffering significant loss in mobile marketing business, the Directors determined that there was a need for an impairment on the goodwill arising from the mobile marketing business. For the year ended 31 December 2016, the Group recognised an impairment loss on its goodwill arising from the mobile marketing business of approximately RMB189,810,000 (2015: Nil).

Loss for the Year

As a result, the Group recorded a loss for the year ended 31 December 2016 of approximately RMB305,284,000 (2015: profit of RMB13,351,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2016, the Group maintained cash and cash equivalents amounted to approximately RMB97,120,000 (2015: RMB81,803,000). As at 31 December 2016, the Group's current ratio was approximately 3.03 times (2015: 2.62 times); and the Group's net gearing ratio as at 31 December 2016 was not applicable (2015: not applicable), since the Group had cash in excess of interest bearing borrowings.

Foreign Exchange

The Group's revenue is mainly denominated in Renminbi and no related hedge is required for the time being.

Pledge of Assets

As at 31 December 2016, the Group has pledged certain trade receivables not less than RMB8,000,000 for secured of bank borrowings. As at 31 December 2015 and 2016, except for the bank deposits were pledged to secure trade finance facilities to the Group, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings.

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 borrowings, and equity attributable to owners of the Company, comprising issued share capital, share premium, retained profits/(accumulated losses) and other 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.

On 15 December 2015, the Company entered into a placing agreement with China Rise Securities Asset Management Company Limited (the "Placing Agent"), pursuant to which the Placing Agent conditionally agreed, on a best effort basis, to place 580,450,000 new shares of HK$0.01 each (the "First Placing Share(s)") to not fewer than six independent placees at a price of HK$0.098 per First Placing Share (the "First Placing"). The First Placing was completed on 5 January 2016 and an aggregate of 580,450,000 First Placing Shares were successfully placed to not less than six placees. The net price per First Placing Share was approximately HK$0.095. The First Placing provided a good opportunity to raise additional funds to meet the Company's funding needs. The net proceeds from the First Placing has been used as to (i) approximately HK$52,100,000 for early redemption of promissory notes with principal amount of HK$50,000,000 together with accrued interest thereupon; and (ii) approximately HK$2,800,000 has been used for general working capital of the Group.

On 6 April 2016, the Company entered into another placing agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agreed, on a best effort basis, to place 696,540,000 new shares of HK$0.01 each (the "Second Placing Share(s)") to not fewer than six independent placees at a price of HK$0.057 per Second Placing Share (the "Second Placing"). The Second Placing was completed on 15 April 2016 and an aggregate of 696,540,000 Second Placing Shares were successfully placed to not less than six placees. The net price per Second Placing Share was approximately HK$0.054. The Second Placing provided a good opportunity to raise additional funds to meet the Company's funding needs. The net proceeds from the Second Placing has been used as to (i) approximately HK$21,700,000 has been utilised for settling part of the consideration for the acquisition of 28% of issued share capital of All Treasure International Industrial Limited ("All Treasure"); (ii) approximately HK$5,000,000 has been used for money lending business; (iii) approximately HK$4,000,000 has been used for general working capital; and (iv) approximately HK$7,000,000 has been used for granting of a loan to All Treasure.

Pursuant to an ordinary resolution passed by the Company's shareholders at the extraordinary general meeting on 29 June 2016, the Company consolidated every 10 existing ordinary share of HK$0.01 each in the issued and unissued share capital of the Company into one consolidated share of HK$0.10 each ("Share Consolidation"). Share Consolidation took effect on 30 June 2016 and after the Share Consolidation, the Company has HK$1,000,000,000 divided into 10,000,000,000 consolidated shares as authorised share capital and the number of consolidated shares then in issue is 417,924,982.

On 12 August 2016, the Company proposed to raise approximately HK$206,900,000 (before expenses) by way of a rights issue of 1,253,774,946 rights shares at a subscription price of HK$0.165 per rights share on the basis of three rights shares for every one share held on the record date. The proposed rights issue was terminated on 4 October 2016.

On 30 November 2016, the Company entered into a placing agreement with Get Nice Securities Limited (the "Second Placing Agent"), pursuant to which the Second Placing Agent conditionally agreed, on a best effort basis, to place 83,584,000 new shares of HK$0.1 each (the "Third Placing Share(s)") to not fewer than six independent placees at a price of HK$0.65 per Third Placing Share (the "Third Placing"). The Third Placing was completed on 8 December 2016 and an aggregate of 83,584,000 Third Placing Shares were successfully placed to not less than six placees. The net price per Third Placing Share was approximately HK$0.63. The Third Placing provided a good opportunity to raise additional funds to meet the Company's funding needs. The net proceeds from the Third Placing has been used as to (i) approximately HK$41,400,000 for early redemption of promissory notes with principal amount of HK$40,000,000 together with accrued interest thereupon; (ii) approximately HK$1,400,000 has been used for general working capital of the Group; and (iii) approximately HK$9,800,000 has not yet been utilised and remains in the bank for the intended uses.

Significant Investment

The Group has not made any significant investment for the year ended 31 December 2016 (2015: Nil).

Material Acquisition and Disposal of Subsidiaries or Associated Companies

On 9 May 2016, Fine Time Global Limited (the "Purchaser"), a direct wholly-owned subsidiary of the Company and Wisdom Master Investments Limited (the "Vendor") entered into an acquisition agreement, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell 28% of issued share capital of All Treasure International Industrial Limited (the "Target Company") at the consideration of HK$71,706,600, which has been satisfied as to (i) HK$21,706,600 in cash; and (ii) HK$50,000,000 by the issue of the promissory notes to the Vendor. Completion of the acquisition has taken place simultaneously upon signing of the acquisition agreement. Upon completion, the Target Company has become an associated company of the Company. The Target Company and its subsidiaries are principally engaged in (i) making and editing song library into karaoke music and managing and licensing copyrights thereof in the PRC; and (ii) provision of information system service and karaoke content management service, in respect of karaoke music products in the PRC, to karaoke venues in the PRC.

Save as disclosed above, the Group has not made any material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2016.

Subsequent Event

On 6 January 2017, the Company entered into the memorandum of understanding with the sellers in relation to the proposed acquisition. The target company was incorporated in Hong Kong with limited liability and is principally engaged in the business of securities broking and holds a license for Type 1 regulated activity (Dealing in Securities) under the Securities and Futures Ordinance, Cap.571, Laws of Hong Kong. A refundable deposit of HK$1,500,000 was paid to the sellers upon signing of the memorandum of understanding. In the event that the formal agreement is not signed, the deposit shall be refunded to the Company in full.

On 13 February 2017, Luck Success Development Limited (the "Offeror") and the Company jointly announce that Kingston Securities Limited will, for and on behalf of the Offeror, make a voluntary conditional cash offer to acquire all of the shares in the entire issued share capital of the Company (other than those shares already owned by or to be acquired by the Offeror and parties acting in concert with it) (the "Offer"). Please refer to the Company's announcements dated 13 February 2017, 20 February 2017, 6 March 2017 and 24 March 2017 for further information of the Offer. As at the date of this report, the Offer remain open for acceptances.

Employees and Remuneration Policies

As at 31 December 2016, the Group employed 142 full time employees (2015: 141). The remuneration package of employees is determined by reference to their performance, experience, positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains mandatory provident fund schemes for all qualifying employees in Hong Kong.

Contingent Liabilities

As at 31 December 2016, there was no significant contingent liability (2015: Nil).

Final Dividend

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

BUSINESS REVIEW

The Group recorded a turnover of approximately RMB389,723,000 for the year ended 31 December 2016 (2015: RMB419,706,000), representing a decrease of approximately 7%. The decrease was mainly due to the net realised and unrealised losses on trading securities for the current year was approximately RMB81,400,000 (2015: gain of RMB43,219,000).

The turnover of the software business amounted to approximately RMB462,272,000 for the year ended 31 December 2016 (2015: RMB364,077,000), representing an increase of approximately 27%. The increase was due to the continuing growing business in the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC. The Group also provides customised development of applications as a value-added service to customers, and sells self-developed firewall and other software products in the PRC.

The mobile marketing business has contributed approximately RMB8,563,000 for the year ended 31 December 2016 (2015: RMB12,407,000).

OUTLOOK AND FUTURE BUSINESS STRATEGIES

We have a large client base in the PRC who use Oracle's databases and we have an experienced technical team which can provide prompt and effective services and develop businesses.

Apart from our existing software business and mobile marketing business, the Group acquired All Treasure International Industrial Limited (the "Target Company") on 9 May 2016. The Target Company and its subsidiaries are principally engaged in (i) making and editing song library into karaoke music and managing and licensing copyrights thereof in the PRC; and (ii) provision of information system service and karaoke content management service, in respect of karaoke music products in the PRC, to karaoke venues in the PRC. The Directors consider the acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity for the Group to further expand and diversify its business portfolio and tap into the entertainment industry with growth potential.

In order to maintain the Group's sustainability and preservation of value over the longer term, the Group will continue to look for suitable business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can bring return to the shareholders of the Company.

As disclosed in the Company's announcement dated 6 January 2017, the Company entered into a memorandum of understanding regarding the possible acquisition of a target company which is principally engaged in the business of securities broking and holds a license for Type 1 regulated activity (Dealing in Securities) under the Securities and Futures Ordinance, Cap. 571, Laws of Hong Kong (the "Possible Acquisition"). The Possible Acquisition is still in the preliminary stage, further announcement(s) in respect of the Possible Acquisition will be made by the Company as and when appropriate. The Group will continue to look for opportunities in the financial services sector in view of the integration of industries and finance and carry out "mixed businesses" strategy in order to provide a comprehensive portfolio of financial services.

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS DATA

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**389,723**	419,706	333,385	181,267	131,995
Cost of sales	**(383,408)**	(304,661)	(262,106)	(122,161)	(98,777)
Gross profit	**6,315**	115,045	71,279	59,106	33,218
(Loss)/profit for the year	**(305,284)**	13,351	17,979	16,005	(29,923)
Profit attributable to non-controlling interests	**15,725**	5,915	6,507	7,211	—
(Loss)/profit for the year attributable to equity shareholders of the Company	**(321,009)**	7,436	11,472	8,794	(29,923)
		(Restated)	(Restated)	(Restated)	(Restated)
Basic and diluted (losses)/earnings per share (RMB) *(Note)*	**(0.797)**	0.029	0.074	0.060	(0.233)

Note: Basic and diluted (losses)/earnings per share were stated after taking into account the effect of the share consolidation that took place on 30 June 2016. Comparative figures have also been restated on the assumption that the share consolidation had been effective in prior years.

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	At 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**105,634**	275,724	75,043	26,211	28,393
Current assets	**367,592**	400,309	321,703	198,643	122,076
Current liabilities	**(121,238)**	(152,372)	(66,830)	(34,455)	(25,851)
Net current assets	**246,354**	247,937	254,873	164,188	96,225
Total assets less current liabilities	**351,988**	523,661	329,916	190,399	124,618
Non-current liability	**(49)**	(46)	—	—	—
Net assets	**351,939**	523,615	329,916	190,399	124,618
Total equity attributable to equity shareholders of the Company	**257,585**	445,537	257,761	124,752	124,618
Non-controlling interests	**94,354**	78,078	72,155	65,647	—
Total equity	**351,939**	523,615	329,916	190,399	124,618

	At 31 December				
	2016	2015	2014	2013	2012
Profitability ratios					
Return on shareholder's equity *(Note 1)*	**(69.74%)**	3.13%	6.91%	10.16%	(38.76%)
Return on assets *(Note 2)*	**(53.13%)**	2.49%	5.78%	8.53%	(24.15%)
Liquidity ratios					
Current ratio *(Note 3)*	**303.20%**	262.72%	481.38%	576.53%	472.23%
Receivables turnover days *(Note 4)*	**82.20**	76.68	67.96	76.31	77.60
Inventory turnover days *(Note 5)*	**1.63**	1.31	1.73	4.19	8.67
Payable turnover days *(Note 6)*	**41.96**	50.31	31.36	19.48	8.88
Capital adequacy ratios					
Net gearing ratio *(Note 7)*	**N/A**	N/A	N/A	N/A	N/A

(Note 1) (Loss)/profit for the year divided by average total equity and multiplied by 100%.

(Note 2) (Loss)/profit for the year divided by average total assets and multiplied by 100%.

(Note 3) Current assets divided by current liabilities and multiplied by 100%.

(Note 4) Balance of average trade receivables and bills divided by turnover of the year and multiplied by 365 days.

(Note 5) Average inventory balance divided by cost of sales of the year and multiplied by 365 days.

(Note 6) Balance of average trade payables and bills divided by cost of sales of the year and multiplied by 365 days.

(Note 7) Balance of total borrowings less cash, time deposits and pledged deposits divided by total equity and multiplied by 100%.

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance. During the year ended 31 December 2016, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviations from code provisions A.4.1, A.6.7, D.1.4 and E.1.2 of the CG Code, which are explained below.

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term and subject to re-election. The term of appointment of Ms. Hu Gin Ing, an independent non-executive Director, expired in year 2013 and thereafter she is not appointed for a specific term, but she is subject to retirement by rotation at least once in every three years in accordance with the articles of association of the Company (the "Articles").

Code provision A.6.7 of the CG Code requires that independent non-executive directors should attend general meetings. Mr. Yau Yan Ming Raymond (resigned as an independent non-executive Director with effect from 19 January 2017) and Ms. Hu Gin Ing did not attend the 29 June 2016 Extraordinary General Meeting due to their other business engagements.

Code provision D.1.4 of the CG Code requires that, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Lam Kai Tai and Mr. Wong Ho Sing, executive Directors of the Company, Mr. Kwok Ho On Anthony, former executive Director who resigned on 19 January 2017 and Ms. Hu Gin Ing, an independent non-executive Director. However, they are subject to retirement by rotation at least once in every three years in accordance with the Articles. In addition, the Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination committee and any other committees (as appropriate) to attend. Mr. Lam Kai Tai, the chairman of the Board, did not attend the 2016 annual general meeting due to his other business engagement.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code during the year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Lam Kai Tai *(Chairman)*
Mr. Wong Ho Sing
Mr. Li Jiang Nan

Independent Non-Executive Directors

Ms. Hu Gin Ing
Mr. Liu Kam Lung
Mr. Liu Jian

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors is set out on pages 4 to 5 under the section headed "Biographies of Directors".

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors had participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2016 to the Company.

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

Name of Director	Attending or participating in seminars/in-house briefing or reading materials relevant to the Group's business/director's duties
Executive Directors	
— Mr. Lam Kai Tai *(Chairman)*	✓
— Mr. Wong Ho Sing	✓
— Mr. Li Jiang Nan *(Note 1)*	✓
Independent Non-executive Directors	
— Ms. Hu Gin Ing	✓
— Mr. Liu Kam Lung	✓
— Mr. Liu Jian *(Note 2)*	N/A

Notes:

1. Mr. Li Jiang Nan was appointed as an executive Director with effect from 20 December 2016.

2. Mr. Liu Jian was appointed as an independent non-executive Director with effect from 19 January 2017.

Chairman and Chief Executive Officer

Mr. Lam Kai Tai is the chairman of the Board. After the resignation of former chief executive officer of the Company, the role and responsibility of chief executive officer of the Company have been performed by the existing management of the Group.

The Company is in the process of identifying a suitable candidate to assume the role as chief executive officer of the Company and further announcement in this regard will be made as and when appropriate.

Non-executive Directors

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, finance and law. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers each of them is independent under Rule 3.13 of the Listing Rules.

Ms. Hu Gin Ing, an independent non-executive Director, was appointed for a term of one year from 12 March 2011, which was automatically renewable for successive term of one year upon the expiry of the said term. The term of appointment of Ms. Hu expired in year 2013 and thereafter she was not appointed for a specific term, but she is subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Liu Kam Lung, an independent non-executive Director, was appointed for a term of one year from 28 January 2015, which was automatically renewable for successive term of one year upon the expiry of the said term. He is also subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Liu Jian, an independent non-executive Director, was appointed for a term of three years from 19 January 2017. He is also subject to retirement by rotation at least once in every three years in accordance with the Articles.

Board Diversity Policy

The Board has adopted a Board Diversity Policy on 27 August 2013 (the "Policy") which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board delegated certain duties under the Policy to the Nomination Committee. The Nomination Committee will discuss and review the measurable objectives for implementing the Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

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

Board Meetings

The Board has four scheduled meetings a year at approximately quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results. During the year ended 31 December 2016, the Board held 15 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Directors	Number of attendance
Executive Directors	
— Mr. Lam Kai Tai *(Chairman)*	14/15
— Mr. Kwok Ho On Anthony *(Note 1)*	12/15
— Mr. Wang Jun *(Note 2)*	4/10
— Mr. Wong Ho Sing	15/15
— Mr. Li Jiang Nan *(Note 3)*	0/1
Independent Non-executive Directors	
— Mr. Yau Yan Ming Raymond *(Note 4)*	15/15
— Ms. Hu Gin Ing	8/15
— Mr. Liu Kam Lung	13/15
— Mr. Liu Jian *(Note 5)*	N/A

Notes:

1. Mr. Kwok Ho On Anthony resigned as an executive Director with effect from 19 January 2017.
2. Mr. Wang Jun resigned as an executive Director with effect from 14 November 2016.
3. Mr. Li Jiang Nan was appointed as an executive Director with effect from 20 December 2016.
4. Mr. Yau Yan Ming Raymond resigned as an independent non-executive Director with effect from 19 January 2017.
5. Mr. Liu Jian was appointed as an independent non-executive Director with effect from 19 January 2017.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

General Meetings

During the year ended 31 December 2016, three general meetings of the Company were held, being the 2016 annual general meeting ("2016 AGM") and two extraordinary general meetings held on 9 March 2016 and 29 June 2016 respectively.

Name of Directors	Number of attendance
Executive Directors	
— Mr. Lam Kai Tai *(Chairman)*	2/3
— Mr. Kwok Ho On Anthony *(Note 1)*	3/3
— Mr. Wang Jun *(Note 2)*	0/3
— Mr. Wong Ho Sing	3/3
— Mr. Li Jiang Nan *(Note 3)*	N/A
Independent Non-executive Directors	
— Mr. Yau Yan Ming Raymond *(Note 4)*	2/3
— Ms. Hu Gin Ing	2/3
— Mr. Liu Kam Lung	3/3
— Mr. Liu Jian *(Note 5)*	N/A

Notes:

1. Mr. Kwok Ho On Anthony resigned as an executive Director with effect from 19 January 2017.

2. Mr. Wang Jun resigned as an executive Director with effect from 14 November 2016.

3. Mr. Li Jiang Nan was appointed as an executive Director with effect from 20 December 2016.

4. Mr. Yau Yan Ming Raymond resigned as an independent non-executive Director with effect from 19 January 2017.

5. Mr. Liu Jian was appointed as an independent non-executive Director with effect from 19 January 2017.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. The Company established the Nomination Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Liu Jian (chairman), Ms. Hu Gin Ing and Mr. Liu Kam Lung, and one executive Director, namely Mr. Lam Kai Tai.

The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the Nomination Committee are aligned with the code provisions set out in the CG Code.

The function of the Nomination Committee are to review and monitor the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; to review the Policy, and review the measurable objectives that the Board has set for implementing the Policy, and the progress on achieving the objective; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company.

During the year ended 31 December 2016, the Nomination Committee held two meetings for assessing the independence of the independent non-executive Directors; considering the re-election of Directors; reviewing the composition of the Board; and considering and making recommendation to the Board on the appointment of an executive Director.

Name of Members	**Number of attendance**
— Mr. Yau Yan Ming Raymond *(former chairman) (Note 1)*	2/2
— Mr. Liu Jian *(chairman) (Note 2)*	N/A
— Mr. Lam Kai Tai	2/2
— Ms. Hu Gin Ing	1/2
— Mr. Liu Kam Lung	2/2

Notes:

1. Mr. Yau Yan Ming Raymond resigned as an independent non-executive Director and ceased to act as the chairman with effect from 19 January 2017.

2. Mr. Liu Jian was appointed as an independent non-executive Director and a member with effect from 19 January 2017.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Liu Jian (chairman), Ms. Hu Gin Ing and Mr. Liu Kam Lung, and one executive Director, namely Mr. Lam Kai Tai.

The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

During the year ended 31 December 2016, the Remuneration Committee held two meetings for reviewing the remuneration of Directors and senior management; and considering and making recommendation to the Board on the remuneration of a newly appointed executive Director.

Name of Members	**Number of attendance**
— Mr. Yau Yan Ming Raymond *(former chairman) (Note 1)*	2/2
— Mr. Liu Jian *(chairman) (Note 2)*	N/A
— Mr. Lam Kai Tai	2/2
— Ms. Hu Gin Ing	1/2
— Mr. Liu Kam Lung	2/2

Notes:

1. Mr. Yau Yan Ming Raymond resigned as an independent non-executive Director and ceased to act as the chairman with effect from 19 January 2017.

2. Mr. Liu Jian was appointed as an independent non-executive Director and the chairman with effect from 19 January 2017.

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 8 to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Ms. Hu Gin Ing (chairlady), Mr. Liu Kam Lung and Mr. Liu Jian.

The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and reviewing the risk management and internal control systems.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2016, the Audit Committee held three meetings. Each committee meeting has been supplied with necessary financial information of the Group for members to consider, review and access significant issues arising from the work conducted.

Name of Members	Number of attendance
— Mr. Yau Yan Ming Raymond *(former chairman) (Note 1)*	3/3
— Ms. Hu Gin Ing *(chairlady) (Note 2)*	1/3
— Mr. Liu Kam Lung	3/3
— Mr. Liu Jian *(Note 3)*	N/A

Notes:

1. Mr. Yau Yan Ming Raymond resigned as an independent non-executive Director and ceased to act as the chairman with effect from 19 January 2017.

2. Ms. Hu Gin Ing was appointed as the chairlady with effect from 19 January 2017.

3. Mr. Liu Jian was appointed as an independent non-executive Director and a member with effect from 19 January 2017.

During the year ended 31 December 2016, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same will be carried out on an annually basis.

CORPORATE GOVERNANCE COMMITTEE

The Company established the corporate government committee (the "CG Committee") with written terms of reference on 16 March 2012 and currently consists of two executive Directors, namely Mr. Lam Kai Tai (chairman) and Mr. Wong Ho Sing.

Terms of reference adopted by the CG Committee is aligned with the code provisions set out in the CG Code. The Board adopted a revised terms of reference of the CG Committee on 11 November 2016. The functions of the CG Committee are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements and make recommendations to the Board; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 December 2016, the CG Committee held only one meeting to review the training and continuous professional development of Directors; and to review the Company's compliance with the CG Code.

Name of Members	Number of attendance
— Mr. Lam Kai Tai *(Chairman)*	1/1
— Mr. Wong Ho Sing	1/1
— Mr. Wang Jun *(Note)*	1/1

Note: Mr. Wang Jun resigned as an executive Director and ceased to act as a member with effect from 14 November 2016.

AUDITORS' REMUNERATION

During 2016, the fees paid to the Company's external auditors for providing audit and non-audit services (mainly included interim review and acting as reporting accountants in connection with the major transaction) were approximately RMB770,000 and RMB411,000 respectively.

COMPANY SECRETARY

Mr. Ng Wing Ching ("Mr. Ng") is the company secretary of the Company.

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Ng has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2016.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and the Companies Law (2013 Revision) of the Cayman Islands. The procedures shareholders can use to convene an extraordinary general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

PROCEDURES FOR PUTTING FORWARD PROPOSALS BY SHAREHOLDERS AT SHAREHOLDERS' MEETING

Shareholders should follow the procedures set out in the sub-section headed "Shareholders to convene an extraordinary general meeting" above for putting forward proposals for discussion at general meeting.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of the forthcoming annual general meeting of the Company will be vote by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Mr. Yau Yan Ming Raymond, the former chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, attended the 2016 AGM to answer questions of the meeting and collect views of Shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2016, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for ensuring an effective system of risk management and internal control be maintained and for reviewing its effectiveness to safeguard the Company's assets and the Shareholders' interests.

The Audit Committee have been established under the Board, which is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

The purpose of the Company's risk management process is to identify and manage risks in such a way that the Company is able to meet its strategic and financial targets. The Group formulated risk management procedures by taking into account adequately the five elements of this risk management framework: internal environmental control, risk management, control activities, information and communication and monitoring and improvement.

The Group aims to develop risk awareness and control responsibility as our culture and the foundation of our internal control system. The internal control system applies to the Group's critical business processes including strategy development, business planning, investment decisions, capital allocation and day-to-day operations.

At beginning of each year, the Group conducts a risk assessment on the existing or potential risks that may impact the achievement of business objectives over the course of business operation. The assessment includes potential likelihood and impact of the identified risks. For the risks identified, the management determines the action plans and management targets in the expected time of completion according to the risk assessment result. The management is also responsible for managing their respective day-to-day operating risks, implementing measures to mitigate such risks.

The internal control system is designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact resulted from the risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

For the year ended 31 December 2016, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. There is no significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the year ended 31 December 2016.

The Board considered that, for the year ended 31 December 2016, the risk management and internal control system and procedures of the Group, covering all material controls were reasonably effective and adequate.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year ended 31 December 2016.

INTRODUCTION

This is the first Environmental, Social and Governance report (the "ESG Report") of the Group. The Group is committed incorporate sustainability and standards into our business in order to better meet the changing needs of an advancing society. This report is prepared with accordance to Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in the Listing Rules. The board has reviewed and approved the report and are pleased to present our performance and progress on environmental, social and governance for the year ended 31 December 2016.

The ESG report of the Group has been presented into two subject areas, Environmental and Social and each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Reporting Guide. Environmental factors may related to certain topics such as carbon/greenhouse gas emissions, toxic chemical use and hazardous waste disposal, natural resources, renewable energy, pollution etc. Social factors may relate to certain topics such as human rights, worker rights, safety, child labour, community relation, etc.

The Group has complied with the "Comply" or "Explain" provisions set out in the ESG Reporting Guide for the year ended 31 December 2016.

THE GROUP

This report covers the major operation of the Group, which is the software business that involve the provisions of integrated business software solutions in the PRC and Hong Kong. PRC have three major offices in Shanghai, Chengdu and Beijing.

A. ENVIRONMENTAL

A.1 Emissions

The Group is bound towards having improvements towards environmental practices. Being in the software industry, the pollution impact to the environment will be minimal. In 2016, the Group complied with applicable environmental laws and regulation such as Environmental Protection of the People's Republic of China. Overall, the Group did not generate any hazardous waste or significant air emissions for the year ended 31 December 2016. Our greenhouse gases emissions indirectly from electricity consumed at the Group as well as from business travel by employees. The Group will continue to make regular assessment on the Group's air and greenhouse gas emission to ensure emission standards such as Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution are met and look for ways to reduce or avoid emissions. All workplace effluents are discharged into the municipal sewer systems for collective treatment according to the Regulation on Urban Drainage and Sewage Treatment.

A.2 Use of Resources

The resources used by the Group are mainly attributed to fuel, paper and electricity used in the office. The Group resources consumption separated by major offices are shown below:

Resources Consumption	Unit	Beijing	Shanghai	Chengdu
Fuel Usage	Litres	4,952	3,540	1,567
Paper consumption	Sheets (A4)	143,000	21,500	19,000
Electricity	kWh	25,001	21,365	7,341

We participated in energy conservation programme in the office area. We have encouraged staff to use recycle paper and make use of both sides when printing document for internal use and also recommend to use electronic documents.

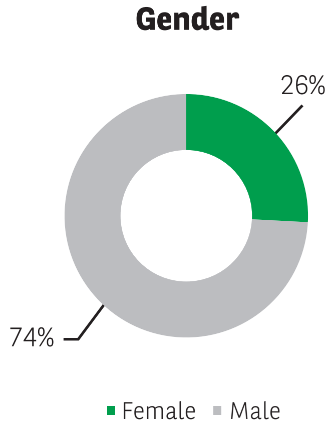
A.3 Environmental and natural resources

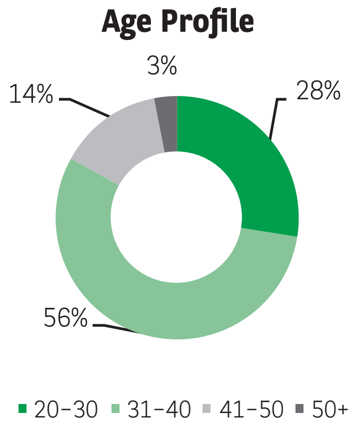
It is the Group's policy to maintain the daily operation efficiency in the offices and minimise the usage of energy and materials.

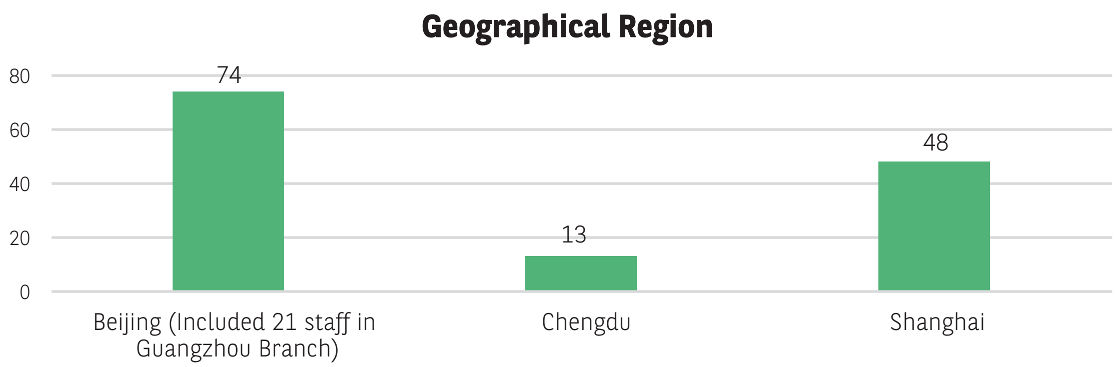
B. SOCIAL

B.1 Employment

The Group are targeted towards having a working environment free from discrimination and received equal opportunities for all despite of age, gender, race, colour, sexual orientation, disability or marital status. We value our employees as they contribute to their effort into our Company. The Group have complied with Labour Contract Law of the People's Republic of China and other relevant laws and regulation. Also, employment contract specified the terms including compensation and dismissal, working hours, holiday and other welfare and benefits for staffs. In 2016, the Group's software business has a total number of 135 employees with graphs demonstrated below:







We also encourage work-life balance as well as raising team spirit. Many activities were set up for the staff such as team building and annual dinner. Team building activities will allow employees to develop better communication and team skills to complete challenging tasks.

B.2 Health and Safety

Employee's occupational health and safety is also a high priority to the Group. We have ensured the compliance with Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Labour Rights and Interests and other applicable regulations to provide a comfortable working environment.

Each office centre is equipped with fire and safety equipment to prevent outbreak of serious fire accident and the validity of the fire facilities have been regularly checked. During the year, the Group has reported zero work related fatalities and work injuries.

B.3 Development and Training

The Group believes continuous training helps employee to maintain and improve their skill set that contributes in having a solid foundation for our Group's growth. In order to achieve the goals of the Group's training and development, it is essential to consider not only the Group's business vision and objectives, but also the assessment of employees' performance and capability deficiency. The Group has various training programmes, internal and external, to fully develop its workforce. The total training hours of combined offices sum up to 1,892 hours.

B.4 Labour Standards

Complied to the Labour Contract Law of the People's Republic of China, there is neither child nor forced labour in our Group's operation. During the year ended 31 December 2016, no employee was hired aged 18 or under and there was no dispute between the Company and its staffs.

Individuals under the age of 18 and individuals without any identification documents are disqualified from employment. Upon discovery of any child labour and use of forced labour, the person will be dismissed immediately and the Board will discuss and review the problem to prevent it from happening again.

B.5 Supply Chain Management

The Group is committed to establish a comprehensive vertical supply chain management system through supplier screening and management. The objectives are to strengthen the collaborative relationship with the strategic suppliers and to create competitive advantage in the value chain, with the positive impact on the society and the environment. The strategic screening mechanism of suppliers can ensure that their performances can meet the Company's requirement. This is important for the development of long-term strategic partnership and the formation of a supply chain management system.

B.6 Product Responsibility

The Group will have conference meetings to discuss product improvement and quality to ensure customer satisfaction. Customer data will also be kept confidential in order to protect consumer data and privacy and destroy on a timely basis. The Group also has ISO 9001 quality management system showing it has met international standards for meeting customer expectations and delivering customer satisfaction. Furthermore, the Group also has ISO 20000 international standard for IT service management to give quality service to customers.

During the year ended 31 December 2016, the Group has not received any complaint regarding service quality.

B.7 Anti-corruption

There is no toleration on corruption or bribery in any form, the Group complies with the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and other relevant laws and regulations related to anti-corruption, bribery, extortion, fraudulent behaviour and money-laundering. If any suspicious transactions identified by the Group, the police or related governing body would be notify. However, no such event has ever happened before.

B.8 Community Investment

Contributing to society is a part of the group's sustainable development strategy. The Group is committed to provide career opportunities to the locals and promoting the development of the community's economy. In the future, the Group will seek opportunities to work with charity partners to get involved in various community programs and contribute back to the society.

The Board of Directors has pleasure in presenting their 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 subsidiaries are set out in note 15 to the consolidated financial statements.

BUSINESS REVIEW

"Management Discussion and Analysis" on pages 6 to 10 and "Five-Year Summary and Key Financial Ratios" on pages 11 to 12 form part of this Directors' report.

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed under section headed "Environmental, Social and Governance Report" on pages 25 to 28.

Principal Risks and Uncertainties Facing the Company

The Group's business and profitability growth in the year under review was affected by the volatility and uncertainty of macro-economic conditions in the PRC and Hong Kong.

The Group's business is also exposure to credit, liquidity, interest rate, foreign currency and equity price risks. An analysis of the Group's financial risk management is provided in note 32 to the financial statements.

Environmental Policies and Performance

The Group recognise its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable from our operational activities in order to minimise these impacts if possible.

Compliance with the Relevant Laws and Regulations

During the year ended 31 December 2016 and up to the date of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on our business and operation.

Key Relationships with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2016, there was no material and significant dispute between the Group and its employees, customers and suppliers.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 42 to 124.

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 19 May 2017 ("2017 AGM"), 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 will be effected. All transfers accompanied by the relevant share 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 4:30 p.m. on Friday, 12 May 2017.

DISTRIBUTABLE RESERVES

At 31 December 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB406,652,000 (2015: RMB310,552,000).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2016 are set out in note 27 to the consolidated financial statements.

SHARES ISSUED

During the year, the Company has issued shares with details as follows:

1. On 5 January 2016, an aggregate of 580,450,000 ordinary shares of HK$0.01 each were allotted and issued at HK$0.098 per share pursuant to the placing agreement dated 15 December 2015. The net price raised per share was approximately HK$0.095;

2. On 15 April 2016, an aggregate of 696,540,000 ordinary shares of HK$0.01 each were allotted and issued at HK$0.057 per share pursuant to the placing agreement dated 6 April 2016. The net price raised per share was approximately HK$0.054; and

3. On 8 December 2016, an aggregate of 83,584,000 ordinary shares of HK$0.1 each were allotted and issued at HK$0.65 per share pursuant to the placing agreement dated 30 November 2016. The net proceeds from the placing was approximately HK$52,600,000.

DEBENTURES ISSUED

Promissory notes in the principal amount of HK$50,000,000 was issued to Wisdom Master Investments Limited on 9 May 2016 simultaneously upon completion of the acquisition agreement entered into among the Company and Wisdom Master Investments Limited in relation to the acquisition of the 28% of the entire issued share capital of All Treasure International Industrial Limited from Wisdom Master Investments Limited. The principal amount of HK$40,000,000 and HK$10,000,000 were repaid on 9 December 2016 and 30 December 2016 respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on pages 11 and 12 of this report.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2015: Nil).

FIXED ASSETS

Details of movements in fixed assets are set out in note 13 to the consolidated financial statements.

DIRECTORS

The list of Directors of the Company during the year and up to the date of this annual report is set out below:

Executive Directors

— Mr. Lam Kai Tai *(Chairman)*	
— Mr. Kwok Ho On Anthony	(resigned with effect from 19 January 2017)
— Mr. Wang Jun	(resigned with effect from 14 November 2016)
— Mr. Wong Ho Sing	
— Mr. Li Jiang Nan	(appointed with effect from 20 December 2016)

Independent Non-executive Directors

— Mr. Yau Yan Ming Raymond	(resigned with effect from 19 January 2017)
— Mr. Liu Kam Lung	
— Ms. Hu Gin Ing	
— Mr. Liu Jian	(appointed with effect from 19 January 2017)

In accordance with the Article 86(3) of the Articles, Mr. Li Jiang Nan and Mr. Liu Jian, being Directors appointed after the 2016 annual general meeting of the Company, shall retire from office as Directors and, being eligible, offer themselves for re-election at the 2017 AGM.

In accordance with Article 87 of the Articles, Mr. Wong Ho Sing and Ms. Hu Gin Ing shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the 2017 AGM.

DIRECTORS' SERVICE CONTRACTS

Mr. Lam Kai Tai and Mr. Wong Ho Sing, both being executive Directors, did not enter into any service contract with the Company. They are subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Mr. Li Jiang Nan, an executive Director, entered into a service contract with the Company on 20 December 2016 and the term of the service contract is for a period of three years commencing from 20 December 2016. He is subject to retirement and re-election at the next following annual general meeting of the Company after his appointment and thereafter subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Ms. Hu Gin Ing, an independent non-executive Director, signed an appointment letter issued by the Company on 11 March 2011 for an initial term of one year commenced on 12 March 2011, which was automatically renewable for successive term of one year upon the expiry of the said term. The terms of appointment of Ms. Hu expired in year 2013, and thereafter she is not appointed for a specific term. Ms. Hu is subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Liu Kam Lung, an independent non-executive Director, signed an appointment letter issued by the Company on 28 January 2015 for an initial term of one year commencing on 28 January 2015, which is automatically renewable for successive term of one year upon the expiry of the said term. The appointment of Mr. Liu can be terminated by one month's advance notice in writing by either party. Mr. Liu is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Mr. Liu Jian, an independent non-executive Director, entered into a service agreement with the Company on 19 January 2017 for a term of three years commencing from 19 January 2017. He is subject to retirement and re-election at the next following annual general meeting of the Company after his appointment and thereafter subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

None of the Directors who are proposed for re-election at the 2017 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out below, other equity-linked agreement entered into by the Group during the year or subsisting at the end of the year are set out in the subsection headed "Capital Structure" under section headed "Management Discussion and Analysis" and also note 27 to the financial statements.

SHARE OPTION SCHEME

2006 Share Option Scheme

The Company has approved the adoption of a share option scheme on 18 December 2006 (the "2006 Share Option Scheme"). Pursuant to the 2006 Share Option Scheme, the Board may, at its discretion, grant options to any directors or eligible parties (as defined in the 2006 Share Option Scheme) for subscription of the Company's shares as incentive to retain talents in the Group. The Company has not granted any option since adoption of the 2006 Share Option Scheme. The 2006 Share Option Scheme was valid and effective for a period of ten years since its adoption and has been terminated by the shareholders of the company at the annual general meeting held on 26 May 2016.

New Share Option Scheme

The Company has adopted a new share option scheme (the "Scheme") at the annual general meeting of the Company held on 26 May 2016. The purpose of the Scheme is to enable the Company to grant options to directors, employees, suppliers, customers, consultants, agents and advisers of the Company and the subsidiaries and any person who, in the sole discretion of the Board, has contributed or may contribute to the Group in recognition of their contribution to the Group. The Company has not granted any option since the adoption of the Scheme.

The principal terms of the Scheme are summarised as follows:

1. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company shall not exceed 10% of the issued shares of the Company as at 26 May 2016, being the date of approval of the Scheme, which is 417,924,982 shares (the "Scheme Limit") and such limit might be refreshed by shareholders at general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time.

   On 29 June 2016, shareholders of the Company have passed a resolution approving the share consolidation of every ten (10) issued and unissued shares of par value of HK$0.01 each into one (1) consolidated share of par value of HK$0.10 each ("Share Consolidation") at the extraordinary general meeting of the Company. Upon the Share Consolidation becoming effective on 30 June 2016, the Scheme Limit has been adjusted to 41,792,498 shares.

   As at the date of this report, the total number of shares available for issue under the Scheme is 41,792,498 shares, representing approximately 8.33% of the issued shares of the Company.

2. Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue.

3. There was no requirement for a grantee to hold the option for a minimum period from the date of grant before any option granted under the Scheme can be exercised.

4. The subscription price shall be determined by the Board in its absolute discretion but in any event shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

5. An option may be exercised at any time during a period to be determined and notified by the Directors to each Grantee and such period shall not exceed the period of 10 years from the date of grant.

6. The offer of a grant of options may be accepted within 28 days after the date of making the offer and the grantee shall pay HK$1.00 to the Company by the way of consideration for the grant.

7. Subject to earlier termination by the Company at general meeting, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 26 May 2016.

Details of the Scheme are set out in the circular of the Company dated 25 April 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

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.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2016, none of the Directors or chief executives of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2016, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

1. Aggregate long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of the Company's issued share capital
Affluent Start Holdings Investment Limited ("Affluent Start") *(Note)*	Beneficial owner	60,435,500	12.05%
King Pak Fu ("Mr. King") *(Note)*	Interest of controlled corporation	60,435,500	12.05%

Note: The entire issued share capital of Affluent Start is beneficially owned by Mr. King. Therefore, Mr. King is deemed to be interested in these 60,435,500 ordinary shares of the Company held by Affluent Start.

2. Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2016, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2016 are set out in note 15 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2016 are set out in note 25 to the consolidated financial statements.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year 2016 are set out in note 8 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising 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 (Chapter 622, Laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622, Laws of Hong Kong).

MAJOR CUSTOMERS AND SUPPLIERS

Contracts with the Group's five largest suppliers combined by value, accounted for 74% in value of total purchases during the year ended 31 December 2016, while contracts with the Group's largest supplier by value, accounted for 67% in value of total purchases during the year ended 31 December 2016. Aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover during the year ended 31 December 2016.

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

HUMAN RESOURCES AND STAFF REMUNERATION

The Group has a dedicated management team with extensive experience and extensive service, and has a technological talent team with high technological standard and abundant practicable experience. They are the force for the rapid growth and expansion of the Group since its establishment.

For the year ended 31 December 2016, total staff costs for the year was approximately RMB36,962,000, of which contributions to defined contribution retirement schemes were approximately RMB1,768,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

The Company's subsidiaries in the PRC provide retirement, medical, employment injury, unemployment and maternity benefits to its employees in accordance with a state-managed social welfare scheme operated by the local government of the PRC, and the relevant PRC rules and regulations. At the same time, the employees of the Company's subsidiaries in the PRC are members of a long-term dormitory provident fund scheme operated by the local government of the PRC. According to the scheme, the Group provides dormitory provident fund to the employees in the PRC in accordance with the relevant PRC rules and regulations.

Certain executive Directors and members of the senior management of the Group, being non-PRC citizens, may elect not to participate in the state-managed social welfare scheme operated by the local government of the PRC. If there is any change in the PRC rules and regulations with respect to the retirement scheme upon which the Group is required to contribute to the social welfare scheme for non-PRC citizens, the Group shall comply with such new rules and regulations within the time limit prescribed by the relevant authorities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company established the Audit Committee on 18 December 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, Ms. Hu Gin Ing (chairlady), Mr. Liu Kam Lung and Mr. Liu Jian.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016.

AUDITORS

HLB Hodgson Impey Cheng Limited have acted as auditors of the Company for the year ended 31 December 2016. The Company has not changed its external auditor during the past three years.

A resolution will be submitted to the 2017 AGM to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

On behalf of the Board
Enterprise Development Holdings Limited
Lam Kai Tai
Chairman

Hong Kong, 28 March 2017

INDEPENDENT AUDITORS' REPORT

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

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

TO THE SHAREHOLDERS OF ENTERPRISE DEVELOPMENT HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Enterprise Development Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 124, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by IASB. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill Goodwill from acquisition of software business and mobile marketing business on acquisition date is subject to annual impairment review. Management has performed an impairment assessment in accordance with its accounting policies. The Group engaged an independent professional valuer to assess the recoverable amounts of cash-generating units. Based on value-in-use calculation, an impairment loss of approximately RMB189,810,000 was recognised during the year. The carrying amount of goodwill of software business and mobile marketing business amount to approximately RMB19,541,000 and RMB8,952,000 as at 31 December 2016 respectively. We focused on this area due to significance of the amount recognised in the consolidated financial statements of the Group; and the level of the subjectivity associated with the assumptions used in estimating the value-in-use of the CGUs, including the cash flow forecasts, the growth rates used to extrapolate the cash flows and the discount rates applied. The accounting policies and disclosures for the goodwill are included in notes 1, 2 and 16 to the consolidated financial statements.	Our audit procedures included: • Evaluating the assumptions and methodologies used by the Group in performing the impairment assessment, in particular those relating cash flow forecasts, the growth rates used to extrapolate the cash flows and the discount rates applied. • Evaluating the basis of preparing the cash flow forecasts taking into account the back testing results on the accuracy of previous forecasts and the historic evidence supporting underlying assumptions. • Engaging our independent expert to assist us in assessing the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data. • Reviewing management's sensitivity and testing independently those assumptions to which the outcome of the impairment test is most sensitive.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditors' 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.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This 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 ISAs 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 ISAs, 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Hui Chun Keung, David.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
Turnover	3	**389,723**	419,706
Cost of sales		**(383,408)**	(304,661)
Gross profit		**6,315**	115,045
Other revenue	4	**4,547**	2,487
Other net losses	5	**(1,566)**	(4,204)
Distribution expenses		**(25,458)**	(26,475)
General and administrative expenses		**(47,742)**	(67,717)
Other operating expenses		**(17)**	(144)
Impairment loss on available-for-sale securities		**(41,078)**	—
Impairment loss on goodwill		**(189,810)**	—
(Loss)/profit from operations		**(294,809)**	18,992
Share of results of an associate		**1,333**	—
Finance costs	6(i)	**(3,109)**	(2,600)
(Loss)/profit before taxation	6	**(296,585)**	16,392
Income tax expense	7	**(8,699)**	(3,041)
(Loss)/profit for the year	10	**(305,284)**	13,351
Attributable to:			
Equity shareholders of the Company		**(321,009)**	7,436
Non-controlling interests		**15,725**	5,915
(Loss)/profit for the year		**(305,284)**	13,351
			(Restated)
Basic and diluted (losses)/earnings per share (RMB)	12	**(0.797)**	0.029

The notes on pages 49 to 124 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	RMB'000	RMB'000
(Loss)/profit for the year	**(305,284)**	13,351
Other comprehensive income/(expense) for the year (after tax)		
Items that may be reclassified subsequently to profit or loss:		
Reclassification adjustment for exchange reserve released upon disposal of a subsidiary	**236**	145
Share of exchange difference of an associate	**(51)**	—
Exchange difference on translation of financial statements of overseas operations	**7,961**	19,108
Total comprehensive (expense)/income for the year	**(297,138)**	32,604
Attributable to:		
Equity shareholders of the Company	**(313,414)**	26,681
Non-controlling interests	**16,276**	5,923
Total comprehensive (expense)/income for the year	**(297,138)**	32,604

The notes on pages 49 to 124 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
Non-current assets			
Property, plant and equipment	13	**2,639**	3,140
Intangible assets	14	**9,608**	2,815
Goodwill	16	**28,493**	213,646
Interests in an associate	17	**64,512**	—
Available-for-sale securities	18	**—**	52,689
Pledged bank deposits	22	**—**	3,054
Deferred tax assets	26	**382**	380
		105,634	275,724
Current assets			
Inventories	19	**2,470**	954
Trade and other receivables	20	**209,735**	199,521
Trading securities	21	**41,895**	118,031
Amount due from an associate	17	**11,159**	—
Pledged bank deposits	22	**5,213**	—
Cash and cash equivalents	22	**97,120**	81,803
		367,592	400,309
Current liabilities			
Trade and other payables	23	**84,663**	100,162
Promissory notes	24	**—**	42,147
Borrowings	25	**30,250**	6,317
Current taxation		**6,325**	3,746
		121,238	152,372
Net current assets		**246,354**	247,937
Total assets less current liabilities		**351,988**	523,661
Non-current liability			
Deferred tax liabilities	26	**49**	46
		49	46
Net assets		**351,939**	523,615

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
Capital and reserves			
Share capital	27(a)	**42,528**	24,414
Reserves	27(b)	**215,057**	421,123
Total equity attributable to equity shareholders of the Company		**257,585**	445,537
Non-controlling interests		**94,354**	78,078
Total equity		**351,939**	523,615

Approved and authorised for issue by the Board of Directors on 28 March 2017.

Lam Kai Tai
Director

Wong Ho Sing
Director

The notes on pages 49 to 124 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to equity shareholders of the Company								
	Share capital	**Share premium**	**Other reserve**	**PRC statutory reserve**	**Exchange reserve**	**Retained profits/ (accumulated losses)**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	27(a)	27(b)(i)		27(b)(ii)	27(b)(iii)				
Balance at 1 January 2015	18,194	244,194	(8,440)	3,262	391	160	257,761	72,155	329,916
Change in equity for 2015									
Profit for the year	—	—	—	—	—	7,436	7,436	5,915	13,351
Other comprehensive income	—	—	—	—	19,245	—	19,245	8	19,253
Total comprehensive income for the year	—	—	—	—	19,245	7,436	26,681	5,923	32,604
Shares issued by way of placing	3,804	91,303	—	—	—	—	95,107	—	95,107
Shares issue expenses	—	(2,860)	—	—	—	—	(2,860)	—	(2,860)
Transfer from retained profits	—	—	—	231	—	(231)	—	—	—
Share issued as consideration of acquisition of subsidiaries	2,416	66,432	—	—	—	—	68,848	—	68,848
Balance at 31 December 2015 and 1 January 2016	24,414	399,069	(8,440)	3,493	19,636	7,365	445,537	78,078	523,615
Change in equity for 2016									
(Loss)/profit for the year	**—**	**—**	**—**	**—**	**—**	**(321,009)**	**(321,009)**	**15,725**	**(305,284)**
Other comprehensive income	**—**	**—**	**—**	**—**	**7,595**	**—**	**7,595**	**551**	**8,146**
Total comprehensive (expense)/ income for the year	**—**	**—**	**—**	**—**	**7,595**	**(321,009)**	**(313,414)**	**16,276**	**(297,138)**
Shares issued by way of placing	**18,114**	**111,092**	**—**	**—**	**—**	**—**	**129,206**	**—**	**129,206**
Shares issue expenses	**—**	**(3,744)**	**—**	**—**	**—**	**—**	**(3,744)**	**—**	**(3,744)**
Transfer from retained profits	**—**	**—**	**—**	**3,980**	**—**	**(3,980)**	**—**	**—**	**—**
Balance at 31 December 2016	**42,528**	**506,417**	**(8,440)**	**7,473**	**27,231**	**(317,624)**	**257,585**	**94,354**	**351,939**

The notes on pages 49 to 124 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
(Loss)/profit before taxation		**(296,585)**	16,392
Adjustments for:			
— Depreciation		**2,099**	1,651
— Amortisation of intangible assets		**57**	—
— Impairment loss on available-for-sale securities		**41,078**	—
— Impairment loss on goodwill		**189,810**	—
— Impairment loss on trade and other receivables		**7,545**	73
— Impairment loss on loan receivables		**—**	110
— Interest income		**(167)**	(71)
— Interest income from loan to an associate		**(398)**	—
— Net loss/(gain) on disposal of property, plant and equipment		**32**	(193)
— Net exchange losses		**—**	254
— Gain on bargain purchase		**(3,114)**	(348)
— Gain on disposal of available-for-sale securities		**(68)**	—
— Loss/(gain) on disposal of a subsidiary		**282**	(1,361)
— Finance costs		**3,109**	2,600
— Loss on early redemption of promissory notes		**1,284**	3,950
— Share of results of an associate		**(1,333)**	—
Changes in working capital:			
(Increase)/decrease in inventories		**(1,516)**	285
Decrease/(increase) in trading securities		**80,573**	(41,957)
Increase in amounts due from non-controlling interests		**—**	393
(Increase)/decrease in trade and other receivables		**(16,688)**	7,049
(Decrease)/increase in trade and other payables		**(17,103)**	45,763
Cash (used in)/generated from operations		**(11,103)**	34,590
Tax paid:			
— Hong Kong profits tax paid		**(786)**	—
— PRC income taxes paid		**(5,391)**	(4,950)
Net cash (used in)/generated from operating activities		**(17,280)**	29,640

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

	Note	**2016** **RMB'000**	2015 RMB'000
Investing activities			
Acquisition of property, plant and equipment		**(1,502)**	(2,392)
Acquisition of subsidiaries		**—**	447
Capital injection from non-controlling interests		**540**	—
Disposal of a subsidiary, net of cash disposed of		**(15)**	—
Loan to an associate		**(11,159)**	—
Payment for acquisition of an associate		**(18,122)**	—
Payment for intangible assets		**(6,850)**	—
Proceeds from disposal of available-for-sale securities		**12,837**	—
Proceeds from disposal of property, plant and equipment		**—**	293
Increase in pledged bank deposits		**(2,159)**	(2,320)
Interest received		**167**	71
Net cash used in investing activities		**(26,263)**	(3,901)
Financing activities			
Proceeds from new borrowings		**36,279**	4,000
Repayment of borrowings		**(12,672)**	(10,710)
Repayment of finance leases		**—**	(283)
Repayment of promissory notes		**(88,984)**	(88,713)
Finance costs paid		**(1,072)**	(693)
Proceeds from issue of new shares		**129,206**	95,107
Payments of transaction costs on issue of new shares		**(3,744)**	(2,860)
Net cash generated from/(used in) financing activities		**59,013**	(4,152)
Net increase in cash and cash equivalents		**15,470**	21,587
Cash and cash equivalents at 1 January		**81,803**	57,501
Effect of foreign exchange rate changes		**(153)**	2,715
Cash and cash equivalents at 31 December	22	**97,120**	81,803

The notes on pages 49 to 124 form part of these consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Enterprise Development Holdings Limited (the "Company") is a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 April 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 January 2007.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company, its subsidiaries and the Group's interests in an associate. The consolidated financial statements are presented in Renminbi (RMB), and rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as trading securities (see note 1(g)) are stated at their fair value as explained in the accounting policies.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of preparation of the financial statements (Cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's result and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Subsidiaries and non-controlling interests (Cont'd)

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

(e) Associates

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1 (f) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the group's net investment in the associate.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Associates (Cont'd)

Unrealised profits and losses resulting from transactions between the group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and an associate, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(t)(v) and (t)(vi).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)). Dividend income from equity securities using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(t)(v) and 1(t)(vi), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

— Machinery, equipment and tools	5–20 years
— Motor vehicles and other fixed assets	3–8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, except for the customer contracts, which are amortised when the economic benefits of the assets are expected to be consumed. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Firewall patents	10 years
— Software patents	10 years
— Customer relationships	4 years

Both the period and method of amortisation are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Intangible assets (other than goodwill) (Cont'd)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group's intangible assets that are determined to have an indefinite useful life comprise trademarks.

(j) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

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

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Impairment of assets (Cont'd)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— goodwill; and

— investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

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

(o) Trade and other payables

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

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

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

(ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Income tax (Cont'd)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

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

(s) Provisions and contingent liabilities

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Revenue recognition

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

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Software maintenance services and other services

Software maintenance services and other services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of contract.

(iii) Sales of standard software and hardware

Sales of standard software and hardware are recognised when the Group has delivered the products to customers; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(iv) Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase software together with certain of the related maintenance and other services. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a straight-line basis over the service period.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Revenue recognition (Cont'd)

(v) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

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

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

The functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of operations outside the PRC, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

For the purposes of the consolidated financial statements:

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Related parties (Cont'd)

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

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

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

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

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

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors (the "Board") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

2. ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. Net realisable value could change significantly as a result of market conditions. Management reassess the estimation at the end of each reporting period.

(b) Impairment losses on trade and other receivables

As explained in note 32(a), impairment losses on trade and other receivables are assessed and provided based on the directors' regular review and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would have a significant impact in profit or loss.

(c) Deferred tax assets

Deferred tax assets are recognised for all temporary deductible provisions to the extent that it is considered probable that taxable profit will be available in future against which the temporary deductible provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

(d) Impairment for non-current assets

The management determines the impairment loss on assets other than goodwill if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less cost to sell and the value in use of the cash-generating units to which the goodwill is 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.

3. TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are the provision of integrated business software solutions, trading of listed securities and mobile marketing business (note 3(b)). The amount of each significant category of revenue recognised during the year is as follows:

	2016 **RMB'000**	2015 RMB'000
Software maintenance and other services	**411,810**	336,401
Sale of software products and others	**50,462**	27,676
Net realised and unrealised (losses)/gains on trading securities	**(81,400)**	43,219
Mobile marketing services	**8,563**	12,407
Others	**288**	3
	389,723	419,706

3. TURNOVER AND SEGMENT REPORTING (Cont'd)

(b) Segment reporting

The Group manages its businesses by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Group has presented the following three major reportable segments. No operating segments have been aggregated to form the following major reportable segments.

- Software business: Provision of integrated business software solutions in the People's Republic of China (the "PRC") and Hong Kong.
- Trading and investment business: Trading of securities listed on the Stock Exchange.
- Mobile marketing business: Provision of mobile marketing projects, consultation, creative and technological services, mobile advertising services and creation of mobile games in the PRC and Hong Kong.

(i) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in an associate, deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted (loss)/profit before taxation". To arrive at adjusted (loss)/profit before taxation, the Group's earnings are adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted (loss)/profit before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

3. TURNOVER AND SEGMENT REPORTING (Cont'd)

(b) Segment reporting (Cont'd)

(i) Segment results, assets and liabilities (Cont'd)

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

Information regarding the Group's major reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the year ended 31 December 2016 and 2015 is set out below.

	Software business		Trading and investment business		Mobile marketing business		Others		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue/(loss) from external customers	**462,272**	364,077	**(59,834)**	(14,364)	**8,563**	12,407	**288**	3	**411,289**	362,123
Investment income and net losses	**—**	—	**(21,566)**	57,583	**—**	—	**—**	—	**(21,566)**	57,583
Reportable segment revenue	**462,272**	364,077	**(81,400)**	43,219	**8,563**	12,407	**288**	3	**389,723**	419,706
Reportable segment (loss)/profit (adjusted (loss)/profit before taxation)	**48,519**	17,860	**(83,027)**	42,620	**(205,353)**	842	**(170)**	(202)	**(240,031)**	61,120
Interest income from bank deposits	**167**	71	**—**	—	**—**	—	**—**	—	**167**	71
Interest expense	**1,082**	644	**3**	28	**58**	91	**—**	—	**1,143**	763
Depreciation and amortisation for the year	**1,273**	1,003	**—**	—	**773**	559	**15**	8	**2,061**	1,570
Impairment of goodwill	**—**	—	**—**	—	**189,810**	—	**—**	—	**189,810**	—
Reportable segment assets	**330,609**	284,091	**41,999**	122,903	**12,808**	207,783	**4,998**	321	**390,414**	615,098
Additions to non-current segment assets during the year	**8,115**	528	**—**	—	**236**	1,641	**—**	—	**8,351**	2,169
Reportable segment liabilities	**89,962**	90,825	**—**	—	**10,565**	4,591	**2**	5	**100,529**	95,421

3. TURNOVER AND SEGMENT REPORTING (Cont'd)

(b) Segment reporting (Cont'd)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	**389,723**	419,706
(Loss)/profit before taxation		
Reportable segment (loss)/profit	**(240,031)**	61,120
Unallocated head office and corporate expenses	**(56,554)**	(44,728)
Consolidated (loss)/profit before taxation	**(296,585)**	16,392
Assets		
Reportable segment assets	**390,414**	615,098
Interests in an associate	**64,512**	—
Deferred tax assets	**382**	380
Unallocated head office and corporate assets	**17,918**	60,555
Consolidated total assets	**473,226**	676,033
Liabilities		
Reportable segment liabilities	**100,529**	95,421
Deferred tax liabilities	**49**	46
Unallocated head office and corporate liabilities	**20,709**	56,951
Consolidated total liabilities	**121,287**	152,418

3. TURNOVER AND SEGMENT REPORTING (Cont'd)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, intangible assets, goodwill and interests in an associate ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and goodwill.

	Revenue/(loss) from external customers		**Specified non-current assets**	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**462,272**	364,077	**30,243**	23,396
Hong Kong	**(72,549)**	55,629	**75,009**	196,205
	389,723	419,706	**105,252**	219,601

For the year ended 31 December 2016, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2015: Nil).

4. OTHER REVENUE

	2016	2015
	RMB'000	RMB'000
Interest income from bank deposits	**167**	71
Interest income from amount due from an associate	**398**	—
Gain on bargain purchase	**3,114**	348
Gain on disposal of available-for-sale securities	**68**	—
Gain on disposal of property, plant and equipment	**—**	193
Gain on disposal of a subsidiary (note 28(b))	**—**	1,361
Net exchange gains	**731**	—
Others	**69**	514
	4,547	2,487

5. OTHER NET LOSSES

	2016	2015
	RMB'000	RMB'000
Net exchange losses	**—**	254
Loss on disposal of a subsidiary	**282**	—
Loss on early redemption of promissory notes	**1,284**	3,950
	1,566	4,204

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(i) Finance costs

	2016 RMB'000	2015 RMB'000
Interest expenses on bank and other borrowings	1,271	758
Finance charges on obligations under finance leases	—	5
Imputed interest expenses on promissory notes	1,838	1,837
	3,109	2,600

(ii) Staff costs

	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	35,194	41,186
Contributions to defined contribution retirement schemes (note 30)	1,768	1,830
	36,962	43,016

(iii) Other items

	2016 RMB'000	2015 RMB'000
Cost of inventories (note 19)	42,246	12,725
Auditors' remuneration		
— audit services	770	722
— non-audit services	411	1,083
Depreciation of property, plant and equipment	2,099	1,651
Amortisation of intangible assets	57	—
Impairment losses on trade and other receivables	7,545	73
Impairment losses on loan receivables	—	110
Operating lease charges in respect of properties	4,698	2,909

7. INCOME TAX EXPENSE

(i) Income tax expense in the consolidated statement of profit or loss represents:

	2016 RMB'000	2015 RMB'000
Current tax — PRC		
— Provision for the year	**(7,606)**	(3,289)
— (Under)/over-provision in respect of prior years	**(910)**	104
	(8,516)	(3,185)
Current tax — HK		
— Provision for the year	**—**	(73)
— (Under)/over-provision in respect of prior years	**(183)**	165
	(183)	92
Deferred tax		
— Origination and reversal of temporary difference (note 26)	**—**	52
	—	52
	(8,699)	(3,041)

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.

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The statutory income tax rate of its PRC subsidiaries is 25%.

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for 2016 and 2015 as it was awarded high-technology status by the tax authority.

No provision of Hong Kong profits tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong for the year ended 31 December 2016.

The provision for Hong Kong profits tax for the year ended 31 December 2015 is calculated at 16.5% of the estimated assessable profit for the year.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2016 and 2015.

7. INCOME TAX EXPENSE (Cont'd)

(ii) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2016 RMB'000	2015 RMB'000
(Loss)/profit before taxation	**(296,585)**	16,392
Notional tax on profit before taxation, calculated at rate applicable to the Group's profit in the tax jurisdiction concerned (2016 and 2015: 25%)	**74,146**	(4,098)
Tax effect of different tax rates of operations in other jurisdictions	**(29,353)**	(125)
Effect of non-deductible expenses	**(54,415)**	(7,688)
Effect of non-taxable income	**3,933**	14,248
Effect of tax loss not recognised	**(6,384)**	(7,450)
Effect of tax concessions	**4,467**	1,803
(Under)/over-provision in respect of prior years	**(1,093)**	269
Actual tax expense	**(8,699)**	(3,041)

(iii) Taxation in the consolidated statement of financial position represents:

	2016 RMB'000	2015 RMB'000
At 1 January	**3,746**	4,279
Acquisition of subsidiaries	**—**	1,244
Provision for income tax for the year	**8,699**	3,093
Amounts paid	**(6,177)**	(4,950)
Exchange adjustments	**57**	80
At 31 December	**6,325**	3,746

8. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name of directors	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2016 Total RMB'000
Chairman				
Mr. Lam Kai Tai (note (e))	—	423	15	438
Executive directors				
Mr. Kwok Ho On Anthony (note (i))	—	334	15	349
Mr. Wong Ho Sing (note (d))	—	245	11	256
Mr. Wang Jun (note (g))	—	485	14	499
Mr. Li Jiang Nan (note (h))	—	7	—	7
Independent non-executive directors				
Mr. Liu Kam Lung (note (b))	223	—	—	223
Ms. Hu Gin Ing	205	—	—	205
Mr. Yau Yan Ming Raymond (note (j))	223	—	—	223
Total	651	1,494	55	2,200

8. DIRECTORS' REMUNERATION (Cont'd)

Name of directors	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2015 Total RMB'000
Chairman				
Mr. Lam Kai Tai (note (e))	—	213	8	221
Mr. Jia Bowei (note (f))	—	1,590	8	1,598
Executive directors				
Mr. Kwok Ho On Anthony (note (i))	—	127	6	133
Mr. Wong Ho Sing (note (d))	—	124	6	130
Mr. Lam Kwan Sing (note (c))	—	402	6	408
Mr. Wang Jun (note (g))	—	521	15	536
Independent non-executive directors				
Mr. Liu Kam Lung (note (b))	179	—	—	179
Ms. Hu Gin Ing	192	—	—	192
Mr. Yau Yan Ming Raymond (note (j))	192	—	—	192
Mr. Zhang Xiaoman (note (a))	24	—	—	24
Total	587	2,977	49	3,613

Notes:

(a) Mr. Zhang Xiaoman resigned as an independent non-executive director on 28 January 2015.

(b) Mr. Liu Kam Lung was appointed as an independent non-executive director on 28 January 2015.

(c) Mr. Lam Kwan Sing resigned as an executive director with effect from 1 June 2015.

(d) Mr. Wong Ho Sing was an appointed as an executive director with effect from 1 June 2015.

(e) Mr. Lam Kai Tai was appointed as an executive director with effect from 1 June 2015 and appointed as chairman of the Board on 3 July 2015.

(f) Mr. Jia Bowei resigned as an executive director and chairman of the Board on 3 July 2015.

(g) Mr. Wang Jun resigned as an executive director with effect from 14 November 2016.

(h) Mr. Li Jiang Nan was appointed as an executive director with effect from 20 December 2016.

(i) Mr. Kwok Ho On Anthony resigned as an executive Director with effect from 19 January 2017.

(j) Mr. Yau Yan Ming Raymond resigned as an independent non-executive Director with effect from 19 January 2017.

There were no amounts paid during the year (2015: Nil) to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none (2015: one) of the director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the five (2015: four) individuals are as follows:

	2016 **RMB'000**	2015 RMB'000
Basic salaries, allowances and other benefits	**4,023**	3,261
Retirement scheme contributions	**127**	116
	4,150	3,377
Number of senior management	**5**	4

The emoluments of the five (2015: four) individuals with the highest emoluments are within the following bands:

$	**2016** **Number of individuals**	2015 Number of individuals
Nil–1,000,000	**3**	2
1,000,001–1,500,000	**2**	2

There were no amounts paid during the year to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join (2015: Nil).

10. (LOSS)/PROFIT FOR THE YEAR

The consolidated profit for the year attributable to equity shareholders of the Company includes a loss of approximately RMB11,248,000 (2015: RMB56,537,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

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

12. BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE

The calculation of the basic and diluted (losses)/earnings per share for the year ended 31 December 2016 is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB321,009,000 (2015: profit of approximately RMB7,436,000) and the weighted average of 402,518,358 (restated 2015: 255,703,060) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016 Number of shares	2015 Number of shares (restated)
Ordinary shares issued at 1 January	**2,902,259,827**	2,110,867,520
Effect of placing of new shares (Note 27(a)(ii))	**1,075,521,321**	262,390,685
Effect of share consolidation of every ten issued shares into one consolidation share	**(3,575,262,790)**	(2,301,327,537)
Issue of consideration shares for the acquisition of subsidiaries	**—**	183,772,392
Weighted average number of ordinary shares at 31 December	**402,518,358**	255,703,060

There were no dilutive potential ordinary shares in issue as at 31 December 2016 (2015: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery, equipment and tools RMB'000	Motor vehicles and other fixed assets RMB'000	Total RMB'000
Cost:			
At 1 January 2015	645	4,217	4,862
Exchange adjustments	51	78	129
Acquisition of subsidiaries	460	247	707
Additions	401	1,991	2,392
Disposals	(227)	(254)	(481)
Elimination on disposal of a subsidiary	(176)	—	(176)
At 31 December 2015 and 1 January 2016	1,154	6,279	7,433
Exchange adjustments	82	140	222
Additions	433	1,069	1,502
Disposals	(167)	—	(167)
At 31 December 2016	**1,502**	**7,488**	**8,990**
Accumulated depreciation:			
At 1 January 2015	(318)	(2,725)	(3,043)
Exchange adjustments	(17)	(17)	(34)
Charge for the year	(533)	(1,118)	(1,651)
Written back on disposals	217	164	381
Elimination on disposal of a subsidiary	54	—	54
At 31 December 2015 and 1 January 2016	(597)	(3,696)	(4,293)
Exchange adjustments	(38)	(56)	(94)
Charge for the year	(556)	(1,543)	(2,099)
Written back on disposals	135	—	135
At 31 December 2016	(1,056)	(5,295)	(6,351)
Net book value:			
At 31 December 2016	**446**	**2,193**	**2,639**
At 31 December 2015	557	2,583	3,140

14. INTANGIBLE ASSETS

	Customer relationships RMB'000	Customer contracts RMB'000	Trademarks (note (i)) RMB'000	Firewall patents RMB'000	Software patents (note (ii)) RMB'000	Total RMB'000
Cost:						
At 1 January 2015, 31 December 2015 and 1 January 2016	7,262	3,015	2,815	665	—	13,757
Additions	—	—	—	—	6,850	6,850
At 31 December 2016	**7,262**	**3,015**	**2,815**	**665**	**6,850**	**20,607**
Accumulated amortisation:						
At 1 January 2015, 31 December 2015 and 1 January 2016	(7,262)	(3,015)	—	(665)	—	(10,942)
Charge for the year	—	—	—	—	(57)	(57)
At 31 December 2016	**(7,262)**	**(3,015)**	**—**	**(665)**	**(57)**	**(10,999)**
Net book value:						
At 31 December 2016	**—**	**—**	**2,815**	**—**	**6,793**	**9,608**
At 31 December 2015	—	—	2,815	—	—	2,815

The amortisation charge for the year ended 31 December 2016 is included in "cost of sales" in the consolidated statement of profit or loss.

Notes:

(i) Trademarks

The valuation of the trademarks is based on the relief-from-royalty method and uses cash flow projections based on financial estimates covering a five-year period, the expected sales deriving from the trademarks in the software business and a discount rate of 25% (2015: 23.9%). The cash flows beyond the five-year period are extrapolated using a steady 3% (2015: 3%) growth rate. Management has considered the above assumptions and valuation and also taken into account the business plan going forward.

During the year ended 31 December 2016 and 2015, management of the Group determined that there was no impairment of trademarks.

(ii) Software patents

Software patents are costs capitalised during the year and internally generated intangible assets. The patents were designed and developed by the Group to assist the improvement of customer's computer system with approximately life of 10 years. The management expected these software patents to contribute net cash inflows within the lifespan of these patents.

15. INVESTMENTS IN SUBSIDIARIES

The non-current amounts due from subsidiaries are unsecured, interest free and no fixed terms of repayments.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Particulars of issued share capital/ paid up capital	Principal activities
Winsino Investments Limited	British Virgin Islands ("BVI")	100%	—	1 share of USD1 each	Investment holding
Apex Center Limited	BVI	100%	—	1 share of USD1 each	Investment holding
Fine Time Global Limited	BVI	100%	—	1 share of USD1 each	Investment holding
Lofty Swan Investments Limited	BVI	100%	—	1 share of USD1 each	Investment holding
Gravitas Limited	HK	—	100%	100 shares of HKD1 each	Mobile marketing projects and professional consultation services
Amaze Mobile Media Limited	HK	—	100%	100 shares of HKD1 each	Providing mobile advertising service, mobile advertising placement service, value added services
Amuse Mobile Asia Limited	HK	—	100%	100 shares of HKD1 each	Mobile games development and publishing business
Expert Access Limited	BVI	—	100%	1 share of USD1 each	Investment holding
Easy Talent Limited ("Easy Talent")	Cayman Islands	—	60%	10 shares of USD1 each	Investment holding

15. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company		Particulars of issued share capital/ paid up capital	Principal activities
		Direct	Indirect		
		%	%		
Liang Hui Holdings Limited ("Liang Hui")	BVI	—	60%	1 share of USD1 each	Investment holding
Oriental Legend Maker Technology Ltd. ("OLM")	HK	—	60%	1 share of HKD1 each	Investment holding
Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") (Note (ii) and (iii))	PRC	—	60%	RMB110,000,000	Provision of integrated business software solutions
Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM") (Note (i) and (iii))	PRC	—	60%	RMB30,000,000	Provision of integrated business software solutions
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM") (Note (i) and (iii))	PRC	—	60%	RMB10,000,000	Provision of integrated business software solutions

Notes:

(i) These entities are limited liability companies established in the PRC.

(ii) These entities are wholly foreign owned enterprises established in the PRC.

(iii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

15. INVESTMENTS IN SUBSIDIARIES (Cont'd)

The following table lists out the information relating to Beijing OLM, Chengdu OLM and Shanghai OLM, the subsidiaries of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Beijing OLM		**Chengdu OLM**		**Shanghai OLM**	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
NCI percentage	**40%**	40%	**40%**	40%	**40%**	40%
Current assets	**272,400**	236,819	**53,880**	46,822	**50,296**	58,587
Non-current assets	**39,296**	36,581	**13,782**	13,843	**1,438**	300
Current liabilities	**(140,917)**	(137,352)	**(10,129)**	(4,441)	**(16,731)**	(28,187)
Net assets	**170,779**	136,048	**57,533**	56,224	**35,003**	30,700
Carrying amounts of NCI	**68,312**	54,419	**23,013**	22,490	**14,001**	12,280
Turnover	**431,882**	354,500	**14,930**	14,348	**72,437**	55,465
Profit for the year	**34,192**	16,658	**1,308**	960	**4,302**	1,310
Total comprehensive income	**34,192**	16,658	**1,308**	960	**4,302**	1,310
Profit allocated to NCI	**13,677**	6,663	**523**	384	**1,721**	524
Dividend paid to NCI	**—**	—	**—**	—	**—**	—
Cash flow from operating activities	**7,937**	42,379	**(273)**	90	**(4,651)**	6,749
Cash flows from investing activities	**(8,124)**	(3,433)	**(6)**	(37)	**(372)**	39
Cash flow from financing activities	**(15,436)**	—	**—**	—	**3,546**	(6,000)

16. GOODWILL

Impairment tests for cash-generating units ("CGU") containing goodwill

	Total
	RMB'000
Cost:	
At 1 January 2015	19,541
Exchange adjustments	12,124
Acquisition of subsidiaries (note 28)	181,981
At 31 December 2015 and 1 January 2016	213,646
Exchange adjustments	13,396
At 31 December 2016	**227,042**
Accumulated impairment losses:	
At 1 January 2015, 31 December 2015 and 1 January 2016	—
Exchange adjustments	(8,739)
Impairment loss	(189,810)
At 31 December 2016	**(198,549)**
Carrying amount:	
At 31 December 2016	**28,493**
At 31 December 2015	213,646

Goodwill is allocated to the Group's CGU identified according to country of operation and operating segment as follows:

	2016	2015
	RMB'000	RMB'000
Software business — PRC	**19,541**	19,541
Mobile marketing business — HK	**8,952**	194,105
	28,493	213,646

16. GOODWILL (Cont'd)

Software business — PRC

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2015:3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 23.6% (2015:23.8%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Mobile marketing business — HK

Due to deteriorating performance and suffered significant loss in mobile marketing business, the Directors determined that there was a need for an impairment on the goodwill arising from the mobile marketing business as the recoverable amount of cash generating unit ("CGU") with reference to the future cashflow have been revised based on the management's expectation for the mobile marketing business development. As a result, the management determined the impairment on the goodwill with reference to the valuation report performed by an independent valuer which the amount of value-in-use to be lower than their aggregate carrying amounts.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2015: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 18.4% (2015: 18.59%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year ended 31 December 2016, the impairment loss of goodwill recognised to the consolidated statement of profit or loss was approximately RMB189,810,000 and the carrying amount was approximately RMB8,952,000.

The Directors believe that the mobile marketing business containing goodwill has been reduced to its recoverable amount. The management of the Group believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the CGU.

17. INTERESTS IN AN ASSOCIATE

Name of subsidiary	Place of incorporation/ operation	Particulars of issued share capital/ paid up capital	Proportion of ownership interests held by the Group	Proportion of voting rights held by the Group	Principal activities
All Treasure International Industrial Limited	Hong Kong	28 Ordinary shares	28%	28%	Investment holding

On 9 May 2016, the Group acquired 28% equity interests in All Treasure International Industrial Limited ("All Treasure") from Wisdom Master Investments Limited (the "Vendor") at a consideration of HK$71,706,600, which has been satisfied as to HK$21,706,600 (equivalent to approximately RMB18,122,000) in cash and HK$50,000,000 (equivalent to approximately RMB41,994,000 by the issue of promissory notes by the Company to the Vendor. Upon completion of the said acquisition, All Treasure has become an associate company of the Group.

All Treasure is an investment holding company and its group is principally engaged in the businesses of (i) making and editing song library into karaoke music and managing and licensing copyrights thereof in the PRC; and (ii) provision of information system service and karaoke content management service, in respect of karaoke music products in the PRC, to karaoke venues in the PRC.

In view of the growing demand for entertainment activities in the PRC, where karaoke plays an important role in the entertainment market in the PRC, it shall drive the demand for services of All Treasure. As such, the Directors consider that the prospect of All Treasure will be promising.

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Cost of investments, unlisted	**60,116**	—
Gain on bargain purchase	**3,114**	—
Share of post-acquisition results income, and other comprehensive expense, net of dividends received	**1,282**	—
At 31 December	**64,512**	—
Amount due from an associate	**11,159**	—

During the year ended 31 December 2016, the amount due from associate represented a loan to an associate which was unsecured, bear interests at 12% per annum, and repayable in 180 days from the date of drawdown. The loan is neither past due nor impaired.

17. INTERESTS IN AN ASSOCIATE (Cont'd)

The Group's share of the results in an associate and its aggregated assets, liabilities and revenues are shown below:

Summarised financial information of the associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2016 **RMB'000**	2015 RMB'000
The Group's share of results	**1,333**	—
The Group's share of other comprehensive income	**(51)**	—
The Group's share of total comprehensive income	**1,282**	—
Aggregate carrying amount of the Group's interests in an associate	**64,512**	—

18. AVAILABLE-FOR-SALE SECURITIES

	2016 **RMB'000**	2015 RMB'000
Unlisted equity securities, at cost	**42,969**	49,738
Provision for impairment loss recognised	**(41,078)**	—
Exchange adjustment	**(1,891)**	2,951
	—	52,689

Investments in unlisted securities issued by private entities are held for an identified long term strategic purpose. The available-for-sale securities are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimate are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

As at 31 December 2014, the Company through its wholly-owned subsidiary, Lofty Swan investments Limited ("Lofty Swan"), held 8,000,000 ordinary shares in HEC Capital Limited ("HEC"), a company incorporated in the Cayman Islands. Such 8,000,000 ordinary shares representing approximately 0.79% of the total issued share capital of HEC as at 31 December 2014.

On 15 September 2015, Lofty Swan entered into an agreement (the "Agreement") with some of the then shareholders of HEC (the "HEC Shareholders") and Joint Global Limited ("JG"), an investment vehicle solely to hold shares in HEC. Pursuant to the Agreement, Lofty Swan agreed to transfer 8,000,000 shares in HEC (the "HEC Shares") (representing approximately 0.77% of the entire issued share capital of HEC at the material time) to JG. The transfer of the HEC Shares was conducted on a 1:1 basis by way of allotment and issue of 8,000,000 shares in JG to Lofty Swan. No other proceeds and/or consideration was involved.

18. AVAILABLE-FOR-SALE SECURITIES (Cont'd)

Completion of the Agreement took place on 2 October 2015. Immediately upon completion of the Agreement, Lofty Swan (i) ceased to hold the HEC Shares directly and (ii) held 8,000,000 shares in JG, representing approximately 2.84% direct interests of the entire issued share capital of JG in the material time. Lofty Swan indirectly held 0.77% beneficial interests in HEC given that HEC is directly owned as to approximately 26.96% by JG immediately upon completion of the Agreement. JG was a company formed solely to hold shares in HEC and such other activities wholly incidental thereto unless otherwise unanimously agreed in writing by the HEC Shareholders and Lofty Swan (or any holder of share(s) in Joint Global who became party to the Agreement). Immediately prior to and after completion of the Agreement, Lofty Swan's percentage of underlying beneficial interests in HEC remained the same at 0.77%.

As at 31 December 2015, principal assets of JG was its interests in shares in HEC. During the year ended 31 December 2016, JG disposed its entire shareholding in HEC. As at 31 December 2016, JG's principal assets mainly represented convertible note of approximately HK$131,000,000.

No dividend was received during the year ended 31 December 2015 and year ended 31 December 2016, other than on 25 April 2016, JG distributed all the convertible notes due December 2018 at 5% interest per annum of Up Energy Development Group Limited (Stock Code: 307) ("Up Energy"). It held in a total principal amount of HK$230,000,000 to JG's shareholders in proportion to their respective shareholding and Lofty Swan's share was convertible notes with principal amount of approximately HK$6,354,000. Up to the reporting date, Up Energy was under the procedures of liquidation. It is noted from the latest unaudited financial statements of JG that (i) the net assets of JG as at 31 December 2016 and 31 December 2015 were approximately HK$138,000,000 and HK$2,130,000,000 respectively; and (ii) an accumulated loss of approximately HK$1,721,000,000 was recorded as at 31 December 2016 (as compare to retained profits of approximately HK$81,000,000 as at 31 December 2015) which lead to the decrease in net asset value of JG. The Board considered that the possibility to fully recover the asset value of JG to be remote and the Group has recognised a full impairment of approximately RMB41,000,000 (equivalent to approximately HK$48,000,000) against the carrying amount of JG as at 31 December 2016.

During the year ended 31 December 2016, the gain on disposal of available-for-sale securities of approximately HK$80,000 (equivalent to RMB68,000) arising from the disposal of an unlisted available-for-sale securities with a carrying amount of approximately HK$14,920,000 (equivalent to RMB13,360,000) whose fair value previously could not be reliably measured is included in "Other revenue" in the consolidated statement of profit or loss.

19. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2016 **RMB'000**	2015 RMB'000
Standard software	**2,465**	949
Low value consumables	**5**	5
	2,470	954

19. INVENTORIES (Cont'd)

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold recognised in cost of sales	**42,246**	12,725

20. TRADE AND OTHER RECEIVABLES

	Notes	2016 RMB'000	2015 RMB'000
Trade receivables		**88,269**	92,408
Less: allowance for doubtful debts	(iii)	**(5,025)**	(124)
	(i)	**83,244**	92,284
Loan receivables		**6,654**	2,038
Less: allowance for doubtful debts		**(1,999)**	(1,870)
	(iv)	**4,655**	168
Prepayments made to suppliers	(v)	**116,358**	95,627
Deposits and other receivables		**8,396**	11,442
Less: allowance for doubtful debts	(vi)	**(2,918)**	—
		209,735	199,521

All of the trade and other receivables are expected to be recovered within one year.

(i) As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date (or date or revenue recognition, if earlier) and net of allowance for doubtful debt, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 month	**51,954**	63,016
Over 1 month but less than 3 months	**23,525**	13,633
Over 3 months but less than 1 year	**5,514**	7,212
Over 1 year but less than 2 years	**2,049**	7,594
Over 2 years	**202**	829
	83,244	92,284

20. TRADE AND OTHER RECEIVABLES (Cont'd)

(ii) The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**67,974**	64,229
Less than 1 month past due	**5,173**	14,148
Over 1 to 3 months past due	**4,720**	1,122
Over 3 months to 1 year past due	**3,130**	6,713
Over 1 year to 2 years past due	**2,099**	5,876
Over 2 years past due	**148**	196
	15,270	28,055
	83,244	92,284

Receivables that were neither past due nor impaired relate to a wide range of 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, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(iii) The movement in the allowance for doubtful debts of trade debtors during the year, including both specific and collective loss components, is as follow:

	2016 RMB'000	2015 RMB'000
At 1 January	**124**	—
Exchange adjustments	**219**	4
Acquisition of subsidiaries	**—**	47
Uncollectible amounts written off	**(73)**	—
Impairment loss recognised	**4,755**	73
At 31 December	**5,025**	124

As at 31 December 2016, trade receivables of the Group amounting to approximately RMB5,025,000 (2015: RMB124,000) were individually determined to be impaired. The individually impaired receivables were outstanding for over 365 days at the end of reporting period or were due from customers with financial difficulties. Consequently, specific allowances for doubtful debts of approximately RMB5,025,000 (2015: RMB124,000) were recognised.

20. TRADE AND OTHER RECEIVABLES (Cont'd)

(iv) Loan receivables

The maturity profile of the loan receivables at the end of reporting period, analysed by the remaining periods to their contracted maturity is as follow:

	2016 RMB'000	2015 RMB'000
Repayable		
Within 1 month	**—**	—
Over 1 month but less than 3 months	**—**	—
Over 3 months but less than 1 year	**4,655**	168
	4,655	168

As of the end of the reporting period, the ageing analysis of loan receivables (which are included in trade and other receivables), based on loan drawn down date and net of allowance for doubtful debts, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 month	**—**	—
Over 1 month but less than 3 months	**—**	—
Over 3 months but less than 1 year	**4,655**	168
	4,655	168

The ageing analysis of loan receivables that are neither individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**4,655**	168

The movement in the allowance for doubtful debts of loan receivables during the year, including both specific and collective loss components, is as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**1,870**	—
Exchange adjustments	**129**	50
Acquisition of subsidiaries	**—**	1,710
Impairment loss recognised	**—**	110
At 31 December	**1,999**	1,870

20. TRADE AND OTHER RECEIVABLES (Cont'd)

(iv) Loan receivables (Cont'd)

As at 31 December 2016, loan receivables of the Group amounting to approximately RMB1,999,000 (2015:RMB1,870,000) were individually determined to be impaired. The individually impaired receivables were outstanding for over 365 days at the end of reporting period or were due from customers with financial difficulties. Consequently, specific allowances for doubtful debts of approximately RMB1,999,000 (2015: RMB1,870,000) were recognised.

(v) These prepayments are unsecured, interest-free and will be used to offset against future purchases from suppliers.

(vi) The movement in the allowance for doubtful debts of prepayments made to suppliers, deposits and other receivables during the year including both specific and collective loss components, is as follows:

	2016 **RMB'000**	2015 RMB'000
At 1 January	**—**	—
Exchange adjustments	**128**	—
Impairment loss recognised	**2,790**	—
At 31 December	**2,918**	—

21. TRADING SECURITIES

	2016 **RMB'000**	2015 RMB'000
Listed equity securities at fair value		
— in Hong Kong	**41,895**	118,031

During the year ended 31 December 2016, the realised and unrealised gain/(loss) on trading securities were approximately a loss of RMB59,834,000 (2015: RMB14,364,000) and a loss of RMB 21,566,000 (2015: a gain of RMB57,583,000) respectively.

Details of the equity investee of which the carrying amount is significant at 31 December 2016 (2015: exceed 10% of the total assets of the Group) were as follows:

At 31 December 2016

Name of Company	**Place of incorporation**	**Class of shares held**	**Proportion of the nominal value issued ordinary shares held by the Group**
Hengten Networks Group Limited	Bermuda	Ordinary shares	0.16%

21. TRADING SECURITIES (Cont'd)

At 31 December 2015

Name of Company	Place of incorporation	Class of shares held	Proportion of the nominal value issued ordinary shares held by the Group
China Innovative Finance Group Limited (formerly known as Heritage International Holdings Limited)	Bermuda	Ordinary shares	0.8%

The fair value of all equity securities are in based on their current market prices in an active market.

The Group held listed equity securities with a total market value of approximately RMB41,895 ,000 and RMB 118,031,000 as at 31 December 2016 and 31 December 2015 respectively. The Investments as at 31 December 2016 and 31 December 2015 below:

As at 31 December 2016

Stock Code	Stock Name	Number of shares held by the Company as at 31 December 2015	Number of shares held by the Company as at 31 December 2016	Market Value as at 31 December 2015 RMB'000	Market value as at 31 December 2016 RMB'000	Unrealised loss RMB'000
1130	China Environmental Resources Group Limited	10,000,000	—	2,077	—	—
802	RCG Holdings Limited	21,000,000	—	4,748	—	—
412	China Innovative Finance Group Limited (formerly known as Heritage International Holdings Limited)	160,000,000	—	111,206	—	—
136	HengTen Networks Group Limited (formerly known as Mascotte Holdings Limited)	—	120,000,000	—	41,895	(21,566)
				118,031	41,895	(21,566)

21. TRADING SECURITIES (Cont'd)

As at 31 December 2015

Stock Code	Stock Name	Number of shares held by the Company as at 31 December 2014	Number of shares held by the Company as at 31 December 2015	Market Value as at 31 December 2014	Market value as at 31 December 2015	Unrealised gain/(loss)
				RMB'000	RMB'000	RMB'000
263	China Yunnan Tin Minerals Group Company Limited	8,750,000	—	1,620	—	—
329	Dragonite International Limited	20,771,000	—	21,038	—	—
412	China Innovative Finance Group Limited (formerly known as Heritage International Holdings Limited)	40,000,000	160,000,000	47,478	111,206	58,385
802	RCG Holdings Limited	—	21,000,000	—	4,748	(666)
1130	China Environmental Resources Group Limited	—	10,000,000	—	2,077	(136)
				70,136	118,031	57,583

Note: The market value as at 31 December 2016 and 31 December 2015 and unrealised (loss)/gain of the Investments in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

22. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

An analysis of the balance of cash and cash equivalents is set out below:

	2016	2015
	RMB'000	RMB'000
Cash on hand	**173**	63
Deposits on demand	**102,160**	84,794
Cash and bank deposits (note(a))	**102,333**	84,857
Pledged bank deposits (note(b))	**(5,213)**	(3,054)
Cash and cash equivalents in the balance sheet	**97,120**	81,803

(a) Included in cash and bank deposits were approximately RMB83,575,000 (2015: RMB70,081,000) placed in financial institutions in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(b) At 31 December 2016, the bank deposits were pledged to secure trade finance facilities to the Group, have a maturity period not more than one year and are therefore classified as current assets. At 31 December 2015, the bank deposits were pledged to secure trade finance facilities to the Group, have a maturity period more than one year and therefore classified as non-current assets.

23. TRADE AND OTHER PAYABLES

	2016 **RMB'000**	2015 RMB'000
Trade creditors	**38,805**	49,351
Non-trade payables and accrued expenses	**45,263**	50,488
Other tax payable	**595**	323
	84,663	100,162

All of the trade and other payables are expected to be settled within one year.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2016 **RMB'000**	2015 RMB'000
Due within 1 month or on demand	**38,104**	43,640
Due after 1 month but within 3 months	**40**	4,354
Due after 3 months but within 6 months	**344**	1,010
Due after 6 months but within 1 year	**150**	11
Due after 1 year but within 2 years	**—**	9
Over 2 years	**167**	327
	38,805	49,351

24. PROMISSORY NOTES

During the year ended 31 December 2015, in connection with the acquisition of the entire equity interests in Gravitas Group Limited and its subsidiaries ("Gravitas Group"), the Company issued an interest-bearing promissory notes (the "Promissory Notes 1") at 6% interest rate per annum with 3 years maturity from the date of issue, with a principal of HK$160,000,000 (equivalent to approximately RMB120,693,000) to Gloss Rise Limited.

During the year ended 31 December 2016, in connection with the acquisition of an associate, the Company issued an interest-bearing promissory notes (the "Promissory Notes 2") at 6% interest rate per annum with 3 years maturity from the date of issue, with a principal of HK$50,000,000 (equivalent to approximately RMB41,994,000) to Wisdom Master Investments Limited.

The Promissory Notes 1 and the Promissory Notes 2 were fair value at initial recognition with an effective interest rate of 7.5% and 6.1% per annum respectively. The Promissory Notes 1 and Promissory Notes 2 had been fully repaid during the year ended 31 December 2016.

Interest charged on Promissory Notes 1 and Promissory Notes 2 is calculated using the effective interest method by applying effective interest rate of 7.5% per annum and 6.1% per annum to the liability.

	2016 RMB'000	2015 RMB'000
At 1 January	**42,147**	—
Exchange adjustments	**1,721**	4,380
Issued for the acquisition of subsidiaries (note 28)	**—**	120,693
Issued for the acquisition of an associate company	**41,994**	—
Imputed interest	**1,838**	1,837
Redemption	**(88,984)**	(88,713)
Loss on early redemption of promissory notes	**1,284**	3,950
At 31 December	**—**	42,147

As at 31 December 2015, the directors of the Company expect the promissory notes to be redeemed within 12 months and therefore classified as current liabilities.

25. BORROWINGS

	2016 RMB'000	2015 RMB'000
Unsecured borrowings (note (a))	**5,971**	1,398
Secured bank loans (note (b))	**24,279**	4,919
	30,250	6,317

(a) Unsecured borrowings

At 31 December 2016, the unsecured borrowing bears interest range from 5% to 9%(2015: 5%) per annum.

(b) Secured bank loans

At 31 December 2016, the secured bank loans were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	**24,279**	4,919
	24,279	4,919

At 31 December 2016, the secured bank loan of RMB24,000,000 (2015: RMB4,000,000) of the Group bears interest from 4.35% to 5.76% (2015: 5.68% to 6.43%) per annum and secured by corporate guarantee of a PRC subsidiary and certain trade receivables not less than RMB8,000,000.

At 31 December 2016, the secured bank loans of approximately RMB279,000 (2015: RMB919,000) of the Group bear weighted average effective interest of 5.51% (2015: 5.43% per annum) and secured by personal guarantee provided by directors of a Hong Kong subsidiary.

All borrowings are repayable within one year or on demand.

26. DEFERRED TAXATION

(a) Deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation RMB'000	**Write-down of inventory** RMB'000	**Tax losses** RMB'000	**Total** RMB'000
At 1 January 2015	—	346	—	346
Exchange adjustments	(4)	—	1	(3)
Acquisition of a subsidiary	(61)	—	—	(61)
Credited to profit or loss	19	—	33	52
At 31 December 2015 and 1 January 2016	(46)	346	34	334
Exchange adjustments	(3)	—	2	(1)
At 31 December 2016	**(49)**	**346**	**36**	**333**

Reconciliation to the consolidated statement of financial position

	2016 **RMB'000**	2015 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**382**	380
Net deferred tax liability recognised in the consolidated statement of financial position	**(49)**	(46)
	333	334

26. DEFERRED TAXATION (Cont'd)

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB25,598,000 (2015: RMB25,561,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(c) Deferred tax liabilities not recognised

At 31 December 2016, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately RMB26,336,000 (2015: RMB34,600,000). Deferred tax liabilities of approximately RMB2,806,000 (2015: RMB1,730,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

27. SHARE CAPITAL AND RESERVES

(a) Share capital

		2016		2015	
	Notes	**Number of shares**	**Amount HK$**	Number of shares	Amount HK$
Authorised:					
At 1 January		**100,000,000,000**	**1,000,000,000**	3,000,000,000	30,000,000
Increase on 6 August 2015	(iii)	**—**	**—**	97,000,000,000	970,000,000
Share consolidation from HK$0.01 each to HK$0.1 each	(iv)	**(90,000,000,000)**	**—**	—	—
Ordinary shares of HK$0.1/HK$0.01 each		**10,000,000,000**	**1,000,000,000**	100,000,000,000	1,000,000,000
Issued and fully paid:					
At 1 January		**2,902,259,827**	**29,022,598**	2,110,867,520	21,108,675
Issue of placing shares	(ii)	**1,360,574,000**	**21,128,300**	483,700,000	4,837,000
Issue of consideration shares for the acquisition of subsidiaries	(i)	**—**	**—**	307,692,307	3,076,923
Share consolidation	(iv)	**(3,761,324,845)**	**—**	—	—
At 31 December		**501,508,982**	**50,150,898**	2,902,259,827	29,022,598
			RMB equivalent		RMB equivalent
			42,528,059		24,413,823

27. SHARE CAPITAL AND RESERVES (Cont'd)

(a) Share capital (Cont'd)

(i) Issue of consideration shares

Pursuant to an acquisition agreement dated on 16 February 2015, the Group has agreed to issue 307,692,307 ordinary shares of HK$0.01 each with agreed price at HK$0.13 per share as consideration shares for acquiring 20% of interest in Gravitas Group Limited from Mr. Chu Wai Kit. Upon completion of the acquisition on 14 May 2015, the consideration shares were issued and recorded at HK$0.285 per share with reference to the market price as of that date, the issue of shares has resulted an increase in the share capital and share premium by approximately HK$3,076,000 (equivalent to approximately RMB2,416,000) and approximately HK$84,615,000 (equivalent to approximately RMB66,432,000) respectively.

(ii) Issue of placing shares

Pursuant to a placing agreement dated on 28 May 2015, a total of 483,700,000 ordinary shares of HK$0.01 each were issued at the placing price of HK$0.25 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK$4,837,000 (equivalent to approximately RMB3,804,000) and HK$116,088,000 (equivalent to approximately RMB91,303,000) respectively.

Pursuant to a placing agreement dated on 15 December 2015, a total of 580,450,000 ordinary shares of HK$0.01 each were issued at the placing price of HK$0.098 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK$5,804,500 (equivalent to approximately RMB4,885,000) and HK$49,370,000 (equivalent to approximately RMB41,540,000) respectively.

Pursuant to a placing agreement dated on 6 April 2016, a total of 696,540,000 ordinary shares of HK$0.01 each were issued at the placing price of HK$0.057 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK$6,965,400 (equivalent to approximately RMB5,818,000) and HK$31,540,000 (equivalent to approximately RMB26,350,000) respectively.

Pursuant to a placing agreement dated on 30 November 2016, a total of 83,584,000 ordinary shares of HK$0.1 each were issued at the placing price of HK$0.65 per placing share. The placing has resulted in an increase in the share capital and share premium account by HK$8,358,400 (equivalent to approximately RMB7,411,000) and HK$44,755,000 (equivalent to approximately RMB39,683,000) respectively.

27. SHARE CAPITAL AND RESERVES (Cont'd)

(a) Share capital (Cont'd)

(iii) Increase in authorised share capital

On 6 August 2015, the Company passed an ordinary resolution to increase its authorised share capital from HK$30,000,000 divided into 3,000,000,000 ordinary shares of HK$0.01 each to HK$1,000,000,000 divided into 100,000,000,000 ordinary shares of HK$0.01 each by the creation of an additional 97,000,000,000 unissued ordinary shares.

(iv) Share consolidation

At the extraordinary general meeting of the Company held on 29 June 2016, an ordinary resolution relating to share consolidation on the basis of every 10 existing ordinary share of HK$0.01 each in the issued and unissued share capital of the Company are consolidated into one consolidated share of HK$0.10 each (the "Share Consolidation") was duly passed by the shareholders of the Company and the Share Consolidation became effective on 30 June 2016.

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) PRC statutory reserve

Transfers from retained profits to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The general reserve fund can be used to make good previous year's losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the PRC subsidiary's registered capital.

Each PRC wholly-owned subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity shareholders.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside of the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

27. SHARE CAPITAL AND RESERVES (Cont'd)

(c) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing borrowings less cash and capital is defined as the total equity. As at 31 December 2016, the Group had cash in excess of interest-bearing borrowings. It is the management's intention to restrict the ratio below 50% in the long run. To achieve this end, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or raise new debts.

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

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their fair values measured as follows: for the identifiable assets with an active market, the fair value was measured according to its market price; for the identifiable assets without an active market, the fair value was measured based on the market price of the same or similar kind of assets; if no active market exists for the same or similar assets, the fair value was measured by appraisal technique.

Goodwill is generated as a result of difference between the fair value of the net assets acquired and consideration.

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

(a) Acquisition of subsidiaries

For the year ended 31 December 2015

Acquisition of Gravitas Group

On 14 May 2015, the Group acquired the entire equity interest in Gravitas Group from Gloss Rise Limited and Mr. Chu Wai Kit at a consideration of HK$200,000,000, which was satisfied HK$160,000,000 by the issue of the promissory notes by the Company to Gloss Rise Limited and HK$40,000,000 by the issue of 307,692,307 consideration shares at the issue price of HK$0.13 per share by the Company to Mr. Chu Wai Kit. The acquisition has been completed on the same day. The fair value of shares issued as consideration was HK$0.285 per share, the issue of shares has resulted in an increase in the share capital and share premium account by approximately HK$3,076,000 (equivalent to approximately RMB2,416,000) and approximately HK$84,615,000 (equivalent to approximately RMB66,432,000).

Acquisition-related costs amounting to approximately RMB2,225,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2015, within "general and administrative expenses" line item consolidated statement of profit or loss.

Identifiable assets acquired and liabilities assumed

	RMB'000
Property, plant and equipment	660
Trade and other receivables	14,168
Cash and cash equivalents	441
Trade and other payables	(4,593)
Borrowings	(1,528)
Obligation under finance lease	(283)
Tax payable (note 7(iii))	(1,244)
Deferred tax liabilities (note 26(a))	(61)
Total identifiable net assets	7,560
Add: promissory notes issued (note 24)	120,693
Add: consideration shares	68,848
Less: net identifiable assets acquired and liabilities assumed	(7,560)
Goodwill (note 16)	181,981
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	441

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

(a) Acquisition of subsidiaries (Cont'd)

For the year ended 31 December 2015 (Cont'd)

Acquisition of Gravitas Group (Cont'd)

Included in the profit for the year is loss of approximately RMB993,000 attributable to the additional business generated by Gravitas Group. Revenue for the year includes approximately RMB12,407,000 generated by Gravitas Group.

Had the acquisition been completed on 1 January 2015, total Group's revenue for the year would have been approximately RMB428,405,000 and profit for the year ended 31 December 2015 would have been approximately RMB16,210,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

Acquisition of Talent Grand Investments Limited and its subsidiary (the "Talent Grand Group")

On 12 October 2015, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in Talent Grand Group at a consideration of HK$1. Gain on bargain purchase arising as a result of the acquisition was approximately HK$427,000 (equivalent to approximately RMB348,000). The acquisition has been completed on the same day.

Identifiable assets acquired and liabilities assumed

	RMB'000
Property, plant and equipment	47
Trade and other receivables	295
Cash and cash equivalents	6
Total identifiable net assets	348
Add: Cash consideration	—
Less: net identifiable assets acquired	(348)
Gain on bargain purchase (note 4)	(348)
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	6

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

(a) Acquisition of subsidiaries (Cont'd)

For the year ended 31 December 2015 (Cont'd)

Acquisition of Talent Grand Investments Limited and its subsidiary (the "Talent Grand Group") (Cont'd)

Included in the profit for the year is approximately RMB202,000 loss attributable to the additional business generated by Talent Grand Group. Revenue for the year includes approximately RMB3,000 generated by Talent Grand Group.

Had the acquisition been completed on 1 January 2015, total Group's revenue for the year would have been approximately RMB419,722,000 and profit for the year ended 31 December 2015 would have been approximately RMB16,186,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

(b) Disposal of subsidiaries

For the year ended 31 December 2016

On 9 November 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest in Master Step Management Limited, a direct wholly-owned subsidiary, for a cash consideration on HK$1. The disposal has been completed on the same day.

Net assets disposed

	RMB'000
Trade and other receivables	31
Cash and cash equivalents	15
	46
Release of exchange reserve	236
	282
Loss on disposal of a subsidiary	(282)
Total consideration received	—
Cash and cash equivalents disposed of	(15)
Net outflow of cash and cash equivalents in respect of disposal of a subsidiary	(15)

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Cont'd)

(b) Disposal of subsidiaries (Cont'd)

For the year ended 31 December 2015

On 10 August 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interests in Wealth Vantage Investments Limited, a direct wholly-owned subsidiary, for a cash consideration of HK$1. The disposal has been completed on the same day.

Net liabilities disposed

	RMB'000
Property, plant and equipment	122
Trade and other receivables	1,221
Trade and other payables	(2,559)
	(1,216)
Release of exchange reserve	(145)
	(1,361)
Gain on disposal of a subsidiary (note 4)	1,361
Total consideration received	—

29. COMMITMENTS

(i) Capital commitments

The Group has capital commitments in respect of capital injection of subsidiaries in the PRC amounting to approximately RMB7,650,000 as at 31 December 2016 (31 December 2015: Nil).

(ii) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases at the end of the reporting period are payables as follows:

	2016 RMB'000	2015 RMB'000
Less than one year	**4,748**	3,746
Between one and two years	**3,018**	807
Between two and three years	**289**	717
	8,055	5,270

The Group leased a number of properties under operating leases during the year. None of the leases include contingent rentals.

30. RETIREMENT BENEFITS

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. Details of the schemes of the subsidiaries are as follows:

Administrator	Beneficiary	Contribution rate
Beijing Municipal Government	Employees of Beijing OLM	19%
Shanghai Municipal Government	Employees of Shanghai OLM	20%
Chengdu Municipal Government, Sichuan Province	Employees of Chengdu OLM	20.5%
Hangzhou Municipal Government, Zhejiang Province	Employees of Beijing OLM Hangzhou Branch	14%
Guangzhou Municipal Government, Guangdong Province	Employees of Beijing OLM Guangzhou Branch	14%

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

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

The Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.

31. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, details of transactions between the Group and its related parties are disclosed below:

	2016 RMB'000	2015 RMB'000
Non-controlling interests		
— Provision for software maintenance and other services	**344**	767

(b) Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	**6,897**	8,175
Post-employment benefits	**279**	204
	7,176	8,379

(c) Contribution to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 30. As at 31 December 2016, there was no material outstanding contribution to post-employment benefit plans (2015: Nil).

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, foreign currency and equity price risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Customers of software business are usually required to settle the payment based on the agreed schedule in according to the sales contract. Customers with balances overdue are normally requested to settle all outstanding balances before further service is provided. Normally, the Group does not obtain collateral from its customers.

At the end of each reporting period, the Group has no significant concentrations of credit risk with any of its customers.

In respect of prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring prepayments over a certain amount. These evaluations focus on the supplier's past history and take into account information specific to the supplier as well as pertaining to the economic environment in which the supplier operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentrations of credit risk as 52% (2015: 46%) and 51% (2015: 48%) of the trade and other receivable were prepayments made to the Group's largest supplier and the five largest suppliers respectively.

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

It is expected that there is no significant credit risk associated with the cash and cash equivalents as they are placed with major banks which are located in the PRC and Hong Kong, which the management believes are of high credit quality.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidation statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

(b) Liquidity risk

The individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the board of directors of the respective subsidiaries. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Contractual maturities of financial liabilities

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities including estimated interest payments:

			2016		
	Carrying amount RMB'000	**Contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 year but less than 5 years RMB'000**
Non-derivative financial liabilities					
Borrowings	**30,250**	**(31,970)**	**(31,970)**	**—**	**—**
Trade and other payables excluding advance from customers	**69,667**	**(69,667)**	**(69,667)**	**—**	**—**
	99,917	**(101,637)**	**(101,637)**	**—**	**—**

			2015		
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000
Non-derivative financial liabilities					
Borrowings	6,317	(6,677)	(6,677)	—	—
Promissory notes	42,147	(49,705)	(49,705)	—	—
Trade and other payables excluding advance from customers	74,347	(74,347)	(74,347)	—	—
	122,811	(130,729)	(130,729)	—	—

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

(c) Interest rate risk

Other than bank balances and pledged bank deposits with variable interest rate and loan receivables with fixed interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of interest-bearing assets are not expected to change significantly.

The Group's interest rate risk arises primarily from cash and cash equivalents, time deposits, loan receivables and borrowings, issued at variable rates and at fixed rates which expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The interest rate profile of the Group's interest-bearing financial instruments at the end of each reporting period is as follows:

	2016		2015	
	Effective weighted average interest rates % (annual)	**RMB'000**	Effective weighted average interest rates % (annual)	RMB'000
Fixed rate instruments				
Loan receivables	**10.00**	**4,655**	12.00	168
Amount due from an associate	**12.00**	**10,742**	—	—
Borrowings — HK	**9.00**	**(4,476)**	—	—
Borrowings — HK	**5.51**	**(279)**	5.43	(919)
Borrowings — HK	**5.00**	**(1,495)**	5.00	(1,398)
Variable rate instruments				
Cash and cash equivalents	**0.35**	**97,120**	0.35	81,803
Pledged bank deposits	**0.35**	**5,213**	0.35	3,054
Borrowings	**5.26**	**(24,000)**	5.68	(4,000)

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

(c) Interest rate risk (Cont'd)

(ii) Sensitivity analysis

At the end of each reporting period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's (loss)/profit and (accumulated loss)/retained profits by approximately RMB60,000 (2015: RMB30,000). Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's (loss)/profit for the year and (accumulated loss)/retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's (loss)/profit for the year and (accumulated loss)/retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2015.

(d) Foreign currency risk

The Group's businesses are principally conducted in Renminbi and most of the Group's monetary assets and liabilities are denominated in Renminbi. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 21). All of these investments are listed.

At 31 December 2016, it is estimated that an increase/(decrease) of 5% in the relevant stock market index (for listed investments) as applicable, with all other variables held constant, would have increased/decreased the Group's after tax and retained profits as follows:

		2016 Effect on loss for the year and accumulated losses RMB'000		2015 Effect on profit for the year and retained profits RMB'000
Change in the relevant equity price risk variable:				
Increase	5%	**(2,095)**	5%	5,902
Decrease	(5%)	**2,095**	(5%)	(5,902)

The sensitivity analysis indicates the instantaneous change in the Group's (loss)/profit for the year and (accumulated loss)/retained profits that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables. The analysis is performed on the same basis for 2015.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

2016

	Fair value at 31 December 2016 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Recurring fair value measurements					
Assets:					
Trading securities	**41,895**	**41,895**	**—**	**—**	**41,895**

2015

	Fair value at 31 December 2015 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements					
Assets:					
Trading securities	118,031	118,031	—	—	118,031

During the years ended 31 December 2015 and 2016, there were no significant transfers between in Level 1 and 2, or transfers into or out of Level 3 (2015: Nil.)

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

(f) Fair value measurement (Cont'd)

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015.

There was no financial instruments carried at cost or amortised cost as at 31 December 2016.

As detailed in the following table, the directors of the Company consider that the carrying amounts of financial liabilities recorded at amortised cost in the consolidated financial statements of approximate their fair values.

At 31 December 2015

	Carrying amounts RMB'000	**Fair value** RMB'000
Financial liabilities		
Promissory notes	42,147	41,624

33. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES

(a) Company-level statement of financial position

	Notes	2016 RMB'000	2015 RMB'000
Non-current asset			
Amounts due from subsidiaries		**493,063**	397,574
Current assets			
Deposits and other receivables		**67**	76
Amount due from an associate		**11,159**	—
Cash and cash equivalents		**49**	84
		11,275	160
Non-current liability			
Amount due to subsidiaries		**1,525**	1,430
Current liabilities			
Other payables and accrued expenses		**1,146**	759
Promissory notes		**—**	42,147
Borrowings		**4,476**	—
		5,622	42,906
Net current assets/(liabilities)		**5,653**	(42,746)
Total assets less current liabilities		**498,716**	354,828
Net assets		**497,191**	353,398
Capital and reserves			
Share capital	27(a)	**42,528**	24,414
Reserves	33(b)	**454,663**	328,984
Total equity		**497,191**	353,398

Approved and authorised for issue by the Board of Directors on 28 March 2017.

Lam Kai Tai
Director

Wong Ho Sing
Director

33. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES (Cont'd)

(b) Company-level reserves

Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium RMB'000	**Exchange reserve** RMB'00	**Accumulated losses** RMB'000	**Total equity** RMB'000
Balance at 1 January 2015	244,194	(2,884)	(31,980)	209,330
Loss for the year (note 10)	—	—	(56,537)	(56,537)
Other comprehensive income	—	21,316	—	21,316
Total comprehensive income/ (expense) for the year	—	21,316	(56,537)	(35,221)
Shares issued by way of placing	91,303	—	—	91,303
Shares issue expenses	(2,860)	—	—	(2,860)
Share issued as consideration of acquisition of subsidiaries	66,432	—	—	66,432
Balance at 31 December 2015	399,069	18,432	(88,517)	328,984
Balance at and 1 January 2016	**399,069**	**18,432**	**(88,517)**	**328,984**
Loss for the year (note 10)	**—**	**—**	**(11,248)**	**(11,248)**
Other comprehensive income	**—**	**29,579**	**—**	**29,579**
Total comprehensive income/ (expense) for the year	**—**	**29,579**	**(11,248)**	**18,331**
Shares issued by way of placing	**111,092**	**—**	**—**	**111,092**
Shares issue expenses	**(3,744)**	**—**	**—**	**(3,744)**
Balance at 31 December 2016	**506,417**	**48,011**	**(99,765)**	**454,663**

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, the Group acquired 28% of the entire issued share capital of All Treasure by issuance of a credit instrument in the principal amount of HK$50,000,000 (equivalent to approximately RMB41,994,000) being part of the consideration. The Group redeemed the credit instrument during the year.

35. EVENTS AFTER THE REPORTING PERIOD

On 6 January 2017, the Company entered into a memorandum of understanding (the "MOU") with the sellers in respect of a proposed acquisition to acquire 100% of the entire issued share capital of a company, which was incorporated in Hong Kong with limited liability and is principally engaged in the business of securities broking and holds a license for Type 1 regulated activity (Dealing in Securities) under the Securities and Futures Ordinance, Cap. 571, Laws of Hong Kong. A refundable deposit of HK$1,500,000 was paid to the sellers upon signing of the MOU. In the event that the formal agreement is not signed, the deposit shall be refunded to the Company in full.

On 13 February 2017, Luck Success Development Limited (the "Offeror") and the Company jointly announce that Kingston Securities Limited will, for and on behalf of the Offeror, make a voluntary conditional cash offer to acquire all of the shares in the entire issued share capital of the Company (other than those shares already owned by or to be acquired by the Offeror and parties acting in concert with it) (the "Offer"). Please refer to the Company's announcements dated 13 February 2017, 20 February 2017, 6 March 2017 and 24 March 2017 for further information of the Offer. As at the date of this report, the Offer remain open for acceptances.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of the consolidated financial statements, the IASB has issued a few amendments and new standards which are not yet effective For the year ended 31 December 2016 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to IAS 7	Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to IAS 12	Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IFRS 2	Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to IFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 1(g) and 1(k). This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

IFRS 9, Financial instruments (Cont'd)

(a) Classification and measurement (Cont'd)

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(c) Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group preliminarily assesses that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 1(t). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

IFRS 15, Revenue from contracts with customers (Cont'd)

(a) Timing of revenue recognition (Cont'd)

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts IFRS 15 some of the Group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the IFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

IFRS 15, Revenue from contracts with customers (Cont'd)

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under IFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once IFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under IFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

IFRS 16, Leases

As disclosed in note 1(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.

37. COMPARATIVE FIGURE

Certain comparative figures are reclassified to conform with the current year's presentation.