CHINA TOUYUN TECH GROUP LIMITED
中國透雲科技集團有限公司

(formerly known as China Opto Holdings Limited)
(Incorporated in Bermuda with limited liability)
Stock Code: 1332

Annual Report
2016

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive directors
Mr. Wang Liang *(Chairman)*
Mr. Du Dong
Mr. Lo Yuen Wa Peter

Non-executive director
Mr. Chen Hui

Independent non-executive directors
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

AUDIT COMMITTEE

Mr. Ha Kee Choy Eugene *(Chairman)*
Mr. Cheung Wing Ping
Mr. To Shing Chuen

NOMINATION COMMITTEE

Mr. Wang Liang *(Chairman)*
Mr. Du Dong
Mr. Chen Hui
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

REMUNERATION COMMITTEE

Mr. To Shing Chuen *(Chairman)*
Mr. Wang Liang
Mr. Du Dong
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene

AUTHORISED REPRESENTATIVES

Mr. Du Dong
Mr. Lo Yuen Wa Peter

COMPANY SECRETARY

Ms. Yu Miu Cheung

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

8th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

INDEPENDENT AUDITORS

Moore Stephens CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
BNP Paribas, Hong Kong Branch

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.chinatouyun.com.hk

STOCK CODE

1332

To our shareholders,

On behalf of the board of directors of China Touyun Tech Group Limited (formerly known as China Opto Holdings Limited) and its subsidiaries (collectively the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2016.

BUSINESS REVIEW

During the year under review, our business suffered from volatile financial conditions and soft consumer demand caused by the subdued global growth and persistent economic stagnation. Against this background, the Group recorded the loss attributable to the shareholders of HK$1.2 billion as compared to the profit attributable to the shareholders of HK$255.3 million for the financial year 2015. The deteriorated performance was largely drawn to the loss of HK$360.9 million on treasury investments hammered hard by unpredictable and turbulent events and impairment losses on unlisted investments of HK$453.8 million. Conversely, the significant profit earned in 2015 was mainly derived from one-off net gains on the disposal of interests in subsidiaries of HK$352.6 million.

The Group diversified its business and acquired a business of QR codes on product packaging for the fast moving consumer goods sector in the PRC and business intelligence information technology solutions based on "one product, one QR code". The Group expanded its business scope to QR codes business for developing long-term goals to upgrade the information technology capabilities of its packaging business. Meanwhile, amid retail sales showed signs of softness and grew below expectation, the sale of consumable goods was particularly hard hit.

PROSPECTS

After the tumult of 2016, a broad slowdown in globalization and rising protectionism, coupled with unruly politics from Brexit to the policies of new US President, could be the obstacles on world trade in the year ahead. It is worried that anti-trade trends could spill over to corporate profits. To bring positive challenge from high technology sector to the uncertainty, the Group will enhance product strategy as the backbone for the new growth and expansion at a higher pace. The Group has strategically changed its focus on the business of QR codes on product packaging and solutions with research and development intensity. The Group is optimistic that this technology will create a significant platform expansion to widen revenue stream and generate earnings growth. The Group will further explore opportunities to amalgamate the business so as to provide a wide range of integrated services to meet the increasing needs of the customers.

CHANGE OF COMPANY NAME

Subsequent to the acquisition of business to provide QR codes on product packaging and related business intelligence IT solutions, the Company's English name has been changed to "China Touyun Tech Group Limited" and the Chinese name "中國透雲科技集團有限公司" is adopted to alignment with the future business development of the Group.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to express, on behalf of the board of directors of the Company, my sincere appreciation to the management and all staff for their dedication and valuable contributions. I also wish to thank all of our fellow directors for their valuable contribution and shareholders and valued partners for their generous support. We are looking forward to overcoming the challenges with their combined efforts and achieving the Group's success in the future.

Wang Liang
Chairman

Hong Kong, 24 March 2017

FINANCIAL REVIEW

The loss attributable to shareholders of the Company for the year ended 31 December 2016 was HK$1.2 billion as compared to the profit of HK$255.3 million for the financial year 2015. The loss was significantly due to the loss on treasury investments at HK$360.9 million and impairment losses on unlisted investments at HK$453.8 million suffered from pronounced stock market fluctuation and widespread slowdown in advanced economies and PRC.

The packaging business reported a revenue of HK$317.7 million for the year ended 31 December 2016 (2015: HK$341.3 million), a decrease of 6.9%. The sales revenue fell continually in the year, highlighting the persistent weakness in global demand of consumer products. The newly acquired business of QR codes on product packaging and solutions contributed a revenue of HK$23.1 million since August 2016, reflected only four months of operations. A segment loss of HK$251.9 million (2015: Profit of HK$12.8 million) was recorded mainly arising from the combined effect of profit contribution of HK$9.3 million from manufacturing of packaging boxes, one-off gain of HK$7.3 million from disposal of interest in an industrial property holding company, net off with impairment loss of goodwill arising from QR code business of HK$263.6 million.

The loss from treasury investment amounted to HK$360.9 million for the year ended 31 December 2016 (2015: HK$59.5 million), constituting the fair value loss and disposal loss of listed equity investments amounting to HK$172.8 million and HK$189.1 million respectively due to fall in victim of unexpected economic and political volatility and surprise.

In addition, an impairment loss of HK$453.8 million was recognised on the Group's unlisted investments purely for the decrease in assets value at the end of the reporting period.

During the year, the Group started its businesses into apparel industry, aiming to expand its business scope into the design and sale of fashion wears for business diversification. A group of companies which had been selling apparel products on online shopping platform was acquired in early 2016. However, the operating performance after the acquisition was far below expectation and their return on capital had not been accomplished. A stiff decision was made to dispose of this group before the end of the year to stop bleeding cash. A loss of HK$56.0 million was recorded attributable to minimal sales revenue of HK$0.9 million during the period.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2016, the Group held listed and unlisted investments of approximately HK$97.5 million and HK$566.2 million respectively, details of which were set out as follows:

Nature of investments	Number of shares held as at 31 December 2016	Percentage of shareholding as at 31 December 2016 %	Impairment loss for year ended 31 December 2016 HK$'000	Fair value/ carrying amount as at 31 December 2016 HK$'000	Fair value/ carrying amount as at 31 December 2015 HK$'000	Percentage to the Group's net assets as at 31 December 2016 %	Investment cost HK$'000
Available-for-sale investments							
Unlisted Investments							
Freewill Holdings Limited ("Freewill")	14,550,000	2.54	33,862	46,163	80,025	3.87	80,025
Co-Lead Holdings Limited ("Co-Lead")	225	3.95	22,603	67,397	90,000	5.65	90,000
Win Wind Capital Limited ("Win Wind")	13,600,000	11.78	397,369	316,631	–	26.53	714,000
			453,834	430,191	170,025	36.05	884,025

Nature of investments	Number of shares held as at 31 December 2016	Percentage of shareholding as at 31 December 2016 %	Share of loss of a joint venture for year ended 31 December 2016 HK$'000	Carrying amount as at 31 December 2016 HK$'000	Carrying amount as at 31 December 2015 HK$'000	Percentage to the Group's net assets as at 31 December 2016 %	Investment cost HK$'000
Investment in a joint venture							
Unlisted Investments							
FreeOpt Holdings Limited ("FreeOpt")	1,500,000	39.16%	(13,974)	136,026	–	11.40	150,000

Nature of investments	Number of shares held as at 31 December 2016	Percentage of shareholding as at 31 December 2016 %	Unrealised loss on fair value change for year ended 31 December 2016 HK$'000	Dividends received for year ended 31 December 2016 HK$'000	Fair value/ carrying amount as at 31 December 2016 HK$'000	Fair value/ carrying amount as at 31 December 2015 HK$'000	Percentage to the Group's net assets as at 31 December 2016 %	Investment cost HK$'000
Financial assets at fair value through profit or loss								
Listed Investments								
HengTen Networks Group Ltd. (136) ("HengTen")	250,000,000	0.34	65,903	–	97,500	–	8.17	163,403

Freewill is principally engaged in the businesses of property investment, investment advisory and financial services, investment in securities trading, and money lending.

Co-Lead is principally engaged in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

Win Wind is principally engaged in the financial services and money lending activities.

FreeOpt is principally engaged in the provision of finance and money lending businesses.

HengTen is principally engaged in investment and trading of securities, provision of finance, property investment, and manufacturing and sales of accessories for photographic products.

Facing with the threat to global economic growth as a result of rising political discontent and resentment towards globalization, the financial market outlooks are skeptically optimistic. Geopolitics is a focus issue that global uncertainty will hinder economic growth. The Group will closely monitor the investment portfolio from time to time to assess and manage actively the risks involved.

LIQUIDITY AND FINANCIAL STRUCTURE

The Group's financial position was prudently monitored and precisely managed throughout the year. As at 31 December 2016, the Group had short term borrowings with an effective interest rate of 8% per annum amounting to HK$12.0 million (2015: HK$201.1 million), and had cash balances amounting to HK$206.1 million (2015: HK$36.2 million). The gearing ratio (net borrowings to shareholders' equity) was zero (2015: 21.2%).

CAPITAL STRUCTURE

During the year, the Company issued 2,040,000,000 shares for the subscription of shares in Win Wind and 600,000,000 shares as part of consideration for the business acquisition of QR code business. In addition, the Company placed shares at subscription prices HK$0.16, HK$0.28 and HK$0.25 per share for the issue of 575,063,972 shares, 420,738,550 shares and 1,632,880,000 shares respectively, to raise net total cash proceeds of approximately HK$612.4 million. Up to the end of the fiscal year, the actual use of net proceeds was summarised as follows: (i) HK$92.0 million was applied to partial repayment of loan from Win Wind Resources Limited; (ii) HK$110.4 million and HK$3.2 million were used to satisfy the cash considerations of the sale shares and the sale loan, and legal and professional fee respectively for acquisition of QR code business; (iii) HK$263.4 million was utilised for full redemption of promissory note issued for acquisition of QR code business; (iv) HK$4.4 million was used towards the acquisition of plant and equipment for QR code business; and (v) HK$4.0 million was utilised for general working capital of the Group.

PLEDGE OF ASSETS

As at 31 December 2016, the Group's margin loan of HK$12.0 million (2015: HK$2.6 million) was secured by the Group's listed equity investment with carrying value of approximately HK$97.5 million (2015: HK$542.4 million).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any contingent liabilities (2015: Nil).

FOREIGN EXCHANGE RISK

The Group's revenues were mainly denominated in US dollars and Hong Kong dollars with little use of Reminbi while expenses were mainly conducted in Hong Kong dollars and Renminbi. In view of the prevailing financial market situation, the Group did not engage in any foreign exchange hedging products for the exposure of currency risk of Renminbi during the period. However, the Group will still closely monitor fluctuations in exchange rates and actively manage the currency risk involved.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year, the Company acquired indirectly the entire interests in 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd*) ("SHTY"), a foreign owned enterprise established in the PRC. The principal business of SHTY is the provision of QR codes on product packaging for the fast moving consumer goods sector in the PRC and business intelligence information technology solutions based on its "one product, one QR code".

Before the year end the Group disposed of a chain of companies which were principally engaged in the business of apparel products acquired early this year. The disposal was mainly due to unsatisfactory performance and the losses incurred by these companies after acquisition.

EMPLOYEES

As at 31 December 2016, the Group employed approximately 1,041 employees in Hong Kong and Mainland China. The Group's remuneration policy is commensurate with merit, qualification and competence of employees. In addition to salary and year-end bonus, the remuneration packages also comprised of share options scheme, provident fund contribution, medical and life insurance.

* *For identification purpose only*

EXECUTIVE DIRECTORS

Mr. WANG Liang, aged 31, has been appointed as an Executive Director of the Company since 1 September 2016 and the Chairman of the Board since 23 January 2017. He is the Chairman of the Nomination Committee and a member of the Executive Committee and the Remuneration Committee. He also serves as a Director of several subsidiaries of the Company. As Chairman, Mr. Wang is mainly responsible for leading the Board and managing its work to ensure that the Board effectively operates and fully discharges its responsibilities. In addition, he is also in charge of the business of provision of QR codes on product packaging and related business intelligence IT solutions. Mr. Wang holds a bachelor's degree in physics from Imperial College of Science, Technology and Medicine, University of London and a master's degree in international finance from The University of Westminster. He has extensive experience in the international finance and project management. He had been working in international investment banks and responsible for clients' project management, projects merger and acquisition and various initial public offerings. Mr. Wang was formerly an Executive Director (from January 2014 to February 2016), a Chairman (from August 2014 to February 2016), a Non-executive Director (from February 2016 to August 2016) and a Vice-chairman (from February 2016 to August 2016) of Tack Fiori International Group Limited (stock code: 928). He was also an Executive Director of China Ever Grand Financial Leasing Group Co., Ltd. (formerly known as PME Group Limited) (stock code: 379) from December 2012 to December 2014. The shares of the above companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. DU Dong, aged 31, has been appointed as an Executive Director of the Company since 15 December 2016. He is a member of the Executive Committee, the Nomination Committee and the Remuneration Committee. He also serves as a Director of several subsidiaries of the Company. Mr. Du is responsible for the daily management of the Group, recommending strategies to the Board, and determining and implementing operational decision. He holds a bachelor's degree of Science (Honors) in Computing Studies (Information Systems) from Hong Kong Baptist University. Mr. Du has extensive experience in investment, capital market, financing, merger and acquisitions of different projects with various investment banks and professional parties. He had been working in listed companies and responsible for investment, financing, projects merger and acquisition, covering coal mining, iron mining and gold mining, terminal and logistic services industry, education industry, financing lease industry and internet industry, etc. Mr. Du has a strong network in the capital market of Hong Kong and the PRC. He has been serving as a Vice President of China Ever Grand Financial Leasing Group Co., Ltd (formerly known as PME Group Limited) (stock code: 379) since November 2013. He was an Assistant to CEO of Theme International Holdings Limited (stock code: 990) from July 2010 to November 2013. The shares of these companies are listed on the Stock Exchange.

Mr. LO Yuen Wa Peter, aged 55, has been appointed as an Executive Director of the Company since 27 May 2015. He is a member of the Executive Committee and also serves as a Director of several subsidiaries of the Company. He is responsible for overseeing the corporate finance and management of the Group. Mr. Lo graduated from the University of Liverpool and obtained his professional qualification in Accountancy in the United Kingdom. He is a member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. He has 30 years of experience in auditing, accounting, investment, financial and corporate management. Mr. Lo was an Executive Director of HengTen Networks Group Limited (formerly known as Mascotte Holdings Limited) (stock code: 136) from July 2008 to March 2014 and an Executive Director, Managing Director and Acting Chairman of Rentian Technology Holdings Limited (formerly known as Forefront Group Limited) (stock code: 885) from April 2014 to April 2015. The shares of these companies are listed on the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Mr. CHEN Hui, aged 53, has been appointed as a Non-executive Director of the Company since 15 December 2016. He is also a member of the Nomination Committee. Mr. Chen has over 16 years solid experience in information technology. He is an expert in software and hardware engineering, automation and control, and possesses extensive knowledge in Internet of Thing and various sensors. He has been involved in development and application of nearly 40 patents. Mr. Chen has been appointed as a President of 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*) (formerly known as 上海質尊物聯網科技有限公司), an indirect wholly-owned subsidiary of the Company, since 2011. He was a General Manager of 質尊溯源電子科技有限公司 from 2009 to 2011, a General Manager of 上海質尊電子科技有限公司 from 2004 to 2009, and a Legal Representative of 上海華暉自控設備有限公司 from 2000 to 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEUNG Wing Ping, aged 50, has been appointed as an Independent Non-executive Director of the Company since 11 August 2015. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. He holds a bachelor's degree in accountancy with honours from City University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 20 years of experience in auditing and accounting fields. He was formerly an Executive Director of Eagle Ride Investment Holdings Limited (formerly known as Radford Capital Investment Limited) (stock code: 901) from June 2011 to November 2013, an Independent Non-executive Director of Mason Financial Holdings Limited ("Mason", formerly known as Willie International Holdings Limited) (stock code: 273) from October 2009 to June 2013 and re-designated as an Executive Director of Mason from July 2013 to September 2016. He is currently an Independent Non-executive Director of Freeman Fintech Corporation Limited (stock code: 279), Enerchina Holdings Limited (stock code: 622) and China Innovative Finance Group Limited (formerly known as Heritage International Holdings Limited) (stock code: 412). The shares of these companies are listed on the Stock Exchange.

Mr. HA Kee Choy Eugene, aged 60, has been appointed as an Independent Non-executive Director of the Company since 26 November 2014. He is also the Chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. Mr. Ha holds a master's degree in business administration and is a fellow of the Association of Chartered Certified Accountants. He has over 20 years of experience in the finance and banking industry and acts or/and acted as director of a number of private and listed companies in Hong Kong. Mr. Ha was an Independent Non-executive Director of China Innovative Finance Group Limited (formerly known as Heritage International Holdings Limited) (stock code: 412) from October 2005 to April 2015. He is currently an Independent Non-executive Director of Daqing Dairy Holdings Limited (stock code: 1007). The shares of these companies are listed on the Stock Exchange. He is also the director of a certified public accountants corporate practice in Hong Kong.

Mr. TO Shing Chuen, aged 66, has been appointed as an Independent Non-executive Director of the Company since 26 November 2014. He is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. Mr. To holds a bachelor's degree in arts and has over 20 years of experience in trading, garment and leather field. He enjoys excellent relationship with Mainland China companies. He is currently an Independent Non-executive Director of China Innovative Finance Group Limited (formerly known as Heritage International Holdings Limited) (stock code: 412).

* *For identification purpose only*

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (the "Board") considers that sound corporate management and governance practices are essential to the Company's healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 its own code of conduct regarding securities transactions by directors. In response to a specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

During the year under review, the Board was chaired by Dr. Lam How Mun Peter. It consisted of six executive directors and seven non-executive directors, five of whom were independent. Names and other biographical details of the existing members of the Board are set out under the heading of "Directors' Profile" on pages 9 to 10. The Board determined and kept under review the objectives of the Group. It made decisions on overall strategies and actions necessary for achieving these objectives, monitored and controlled financial and operating performance, formulated appropriate policies, and identified and ensured best practices of corporate governance. The structure and composition of the Board had provided it with an appropriate mix of skills, knowledge, experience and diversity. The Board reviews its structure and composition from time to time to ensure that appropriate expertise and independence are maintained.

The Company has received confirmation from each director that he has given sufficient time and attention to the affairs of the Company during the year. Directors have also disclosed to the Company the changes, if any, in the number and nature of offices they held in public companies or organizations and other significant commitment, including the identity of the public companies or organizations and an indication of the time involved.

Set out below are details of directors' attendance of board, committees and general meetings in 2016:

	Attendance/Number of meetings held					
Name of directors	**Regular board meeting**	**Audit committee meeting**	**Remuneration committee meeting**	**Nomination committee meeting**	**Annual general meeting**	**Special general meeting**
Executive Directors						
Poon Ho Yee Agnes *(Managing Director)*[1]	4/4	–	–	1/1	1/1	3/3
Du Dong [2]	–	–	–	–	–	1/1
Lin Ying [3]	–	–	–	–	–	–
Lo Yuen Wa Peter	4/4	–	–	–	1/1	4/4
Sun Dixie Hui [1]	4/4	–	–	–	0/1	3/3
Wang Liang [4]	1/1	–	–	–	–	0/2
Non-executive Directors						
Lam How Mun Peter *(Chairman)*[5]	4/4	–	1/1	1/1	1/1	3/4
Chen Hui [2]	–	–	–	–	–	0/1
Independent Non-executive Directors						
Chan Sze Hung [6]	2/2	0/1	1/1	1/1	0/1	0/1
Cheung Wing Ping	4/4	3/3	1/1	1/1	1/1	4/4
Ha Kee Choy Eugene	4/4	3/3	1/1	1/1	1/1	1/4
Man Wai Chuen [3]	–	–	1/1	–	–	–
To Shing Chuen	4/4	3/3	1/1	1/1	0/1	0/4

Notes:

[1] resigned on 15 December 2016
[2] appointed on 15 December 2016
[3] retired on 28 January 2016
[4] appointed on 1 September 2016
[5] resigned on 23 January 2017
[6] retired on 27 June 2016

During the year, the non-executive directors (including independent non-executive directors) have met once with the Chairman without the presence of the executive directors, to consider and discuss various matters in respect of the management of the Company.

The Chairman sets the agenda for the Board and takes the lead in the formulation of objectives, strategies and actions at the directorate level. He ensures that members of the Board receive accurate, timely and clear information, and that matters to be taken into consideration are given their due weight, so that sound decisions can be made. With the assistance of the Company Secretary, the Chairman ensures that the Board properly exercises its powers, holds its meetings and implements procedures in compliance with all rules and requirements, and full and proper records are maintained. Procedures are also put in place for each director to have access to supporting papers and relevant information for each scheduled meeting. All directors also have access to the services of the Company Secretary and her team, and may take independent professional advice upon request, at the Company's expense.

For the period from 1 January 2016 to 15 December 2016, the day-to-day management of the Group is delegated by the Board to the Managing Director who was supported by the various committees of the Board and management of the Company for recommending strategies to the Board, and determining and implementing operational decisions. The Managing Director assumed full accountability for the day-to-day management of the Group. The responsibilities of Managing Director were taken up by the Executive Directors after 15 December 2016. All committees of the Board have specific terms of reference clearly defining their respective powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions or recommendations. Through participating in the Company's board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all directors are able to make contribution required from them to the Board and to the development of the Company.

The Company provides directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company.

Mr. Wang Liang is the son of Ms. Qiao Yanfeng, the substantial shareholder of the Company. Ms. Qiao is deemed to be interested in 600,000,000 shares of the Company. Save as disclosed herein, there is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board.

During the year under review, all directors have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors. All directors have provided the Company with their records of the training they received for the year. A summary of the records of their training is as follows:

Name of directors	**Type of continuous professional development programmes**
Executive Directors	
Poon Ho Yee Agnes *(Managing Director)* [1]	A and B
Du Dong [2]	B
Lin Ying [3]	B
Lo Yuen Wa Peter	A and B
Sun Dixie Hui [1]	A and B
Wang Liang [4]	B
Non-executive Directors	
Lam How Mun Peter *(Chairman)* [5]	A and B
Chen Hui [2]	B
Independent Non-executive Directors	
Chan Sze Hung [6]	A and B
Cheung Wing Ping	A and B
Ha Kee Choy Eugene	A and B
Man Wai Chuen [3]	A and B
To Shing Chuen	B

Notes:

1 resigned on 15 December 2016
2 appointed on 15 December 2016
3 retired on 28 January 2016
4 appointed on 1 September 2016
5 resigned on 23 January 2017
6 retired on 27 June 2016
A attending face-to-face courses, seminars or conferences
B reading materials regarding updates on the Group's business and operation, finance, corporate governance or ethics and code of conduct

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated with any one individual. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of the committees of the Board, Managing Director was responsible for the day-to-day management of the Group, recommending strategies to the Board, and determining and implementing operational decisions. After the resignation of the Managing Director, the role of Chief Executive Officer has been performed collectively by all executive directors. The Board considers this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the Shareholders of the Company as a whole.

NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent.

All non-executive directors are appointed for a specific term of not more than three years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Company's Bye-laws.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board does not have a Corporate Governance Committee and its functions would be carried out by the Board as a whole.

AUDIT COMMITTEE

The Audit Committee currently comprised three independent non-executive directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. Ha Kee Choy Eugene. Mr. Man Wai Chuen retired and ceased to be member of Audit Committee on 28 January 2016. Mr. Chan Sze Hung retired and ceased to be member of Audit Committee on 27 June 2016. The major roles and functions of the Audit Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship" and on the Stock Exchange's website.

The Audit Committee has reviewed together with the management and independent auditors the accounting policies and practices adopted by the Group and discussed auditing, risk management and internal control system and financial reporting matters, including reviewing the Group's consolidated results for the year ended 31 December 2016. When reviewing the Company's interim and annual reports, the Audit Committee has focused not only on the impact of the changes in accounting policies and practices, but also on the compliance with applicable accounting standards, the Listing Rules and relevant legal requirements. It has also reviewed the financial statements before submission to the Board.

The Audit Committee has reviewed with the management, among other matters, the risk management and internal control systems covering all material controls, including financial, operational and compliance controls; and appointment of external auditors; discussed the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems including the adequacy of resources, training programmes and financial reporting function; considered major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and the arrangements for employees to raise concerns in confidence about possible improprieties in financial reporting, internal control and other matters. It has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee has reviewed the engagement of independent auditors and the effectiveness of the audit process.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprised two executive directors, Mr. Wang Liang and Mr. Du Dong, and three independent non-executive directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. To Shing Chuen. Mr. Chan Sze Hung retired and ceased to be the Chairman of Remuneration Committee on 27 June 2016. Mr. Man Wai Chuen retired and ceased to be the member of Remuneration Committee on 28 January 2016. Dr. Lam How Mun Peter resigned and ceased to be the member of Remuneration Committee on 23 January 2017. The major roles and functions of the Remuneration Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship" and on the Stock Exchange's website.

The Remuneration Policy for executive directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages competitive to attract, retain and motivate high quality executives to serve the Group. The fee for non-executive directors is determined with reference to each of their duties and level of responsibility with the Company and is reviewed on an annual basis.

During 2016, the Remuneration Committee has assessed the performance of the executive directors, reviewed and discussed, among other matters, the remuneration packages of existing directors and directors who were newly appointed during the year ended 31 December 2016, the remuneration of the non-executive directors, the existing share option scheme and the retirement benefit scheme. It has also reviewed the Remuneration Policy and its implementation. Being given the delegated responsibility, the Remuneration Committee has also determined the remuneration packages of the executive directors of the Company.

NOMINATION COMMITTEE

The Nomination Committee currently comprised two executive directors, Mr. Wang Liang and Mr. Du Dong, a non-executive director, Mr. Chen Hui, and three independent non-executive directors, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen. It is chaired by Mr. Wang Liang. Dr. Lam How Mun Peter resigned and ceased to be the Chairman of Nomination Committee on 23 January 2017. Mr. Man Wai Chuen retired and ceased to be a member of Nomination Committee on 28 January 2016. Mr. Chan Sze Hung retired and ceased to be a member of Nomination Committee on 27 June 2016. Ms. Poon Ho Yee Agnes resigned and ceased to be a member of Nomination Committee on 15 December 2016. The major roles and functions of the Nomination Committee are set out in the terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship" and on the Stock Exchange's website.

The Nomination Policy for directors is formulated with reference to the skills and experience of the Board appropriate for the requirements of the Group's business. The Nomination Committee will review the Board's structure, size and composition (including the skills, knowledge and experience) and diversity. It will assess the independence of independent non-executive directors. It will also make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and make recommendations on the appointment or re-appointment of directors and succession planning for directors, including the Chairman as appropriate. It is responsible for identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

The Company has adopted a Board Diversity Policy setting out the approach to achieve a diverse Board. Taking into account factors including the size of the Board, its composition of executive and non-executive directors, and the Company's principal activities and needs, selection of candidates shall be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During 2016, the Nomination Committee has reviewed and discussed, among other matters, the structure, size and composition including the skills, knowledge, experience and diversity of the Board and also assessed the independence of independent non-executive directors of the Board and made recommendations on the appointment of directors who were newly appointed in 2016 to the Board. It has also reviewed the Nomination Policy and the Board Diversity Policy and their implementation.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

During the year, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance at regular board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

INDEPENDENT AUDITORS' REMUNERATION

Ernst & Young resigned as auditors of the Company with effect from 16 November 2016 and Moore Stephens CPA Limited was appointed by the Board as auditors of the Company with effect from 16 November 2016 to fill the casual vacancy so arise.

During the year under review, the remuneration paid/payable to the Company's independent auditors, Moore Stephens CPA Limited amounted to a total of HK$1,041,000, of which HK$1,000,000 was for audit services and HK$41,000 was for non-audit services including tax and consultancy services.

In addition, the remuneration paid to the Company's previous auditors, Messrs. Ernst & Young amounted to a total of HK$822,000 for non-audit services including review, tax and consultancy services.

Furthermore, the remuneration paid/payable to the independent auditors of subsidiaries of the Company amounted to a total of HK$1,574,000 for audit services and HK$16,000 for non-audit services including tax services.

COMPANY SECRETARY

The Company has changed it's Company Secretary on 30 November 2016 and they have undertaken not less than 15 hours of relevant professional training during 2016.

SHAREHOLDERS' RIGHTS

The following is a brief summary of certain rights of shareholders, which are subject to applicable laws and regulations, including without limitation, the Companies Act 1981 of Bermuda (as amended from time to time), the Listing Rules and the Company's Bye-laws.

1. Convening special general meeting

Members of the Company may, by a written requisition, require the directors of the Company to convene a special general meeting ("SGM") for the transaction of any business specified in such requisition. A valid requisition may be made by a member or members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which at that date carries the voting rights at general meetings of the Company. The requisition must state the purpose(s) of the requisitioned SGM, and must be signed by the requisitionist(s). The requisition may consist of several documents in like form each signed by one or more requisitionists, which must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, for the attention of the Board or the Company Secretary.

If the directors fail to proceed to convene an SGM within 21 days from the date of deposit of the requisition, the requisitionist(s) (or any of them representing more than one-half of their total voting rights) may himself/themselves convene an SGM, which must be held within 3 months of the date of deposit of the requisition. The SGM must be convened by the requisitionist(s) in the same manner as nearly as possible as that in which the SGM is to be convened by the directors. The requisitionist(s) is/are entitled to be repaid any reasonable expenses he/they incur(s) as a result of the failure of the directors duly to convene an SGM. These expenses will be payable by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration to such defaulting directors in respect of their services.

2. Putting forward proposals at shareholders' meetings

Members of the Company may by a written requisition and at their expense (unless the Company otherwise resolves) require the Company to:

(a) give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company; and/or

(b) circulate to members of the Company entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that general meeting.

A valid requisition may be made by either:

(a) any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition the right to vote at the meeting to which the requisition relates; or

(b) not less than 100 members of the Company.

The requisition signed by the requisitionists (or two or more copies which between them bear the signatures of all the requisitionists) must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, for the attention of the Board or the Company Secretary and,

(a) in the case of a requisition requiring notice of a resolution to be moved at an annual general meeting, not less than 6 weeks before the annual general meeting; and

(b) in the case of any other requisition, not less than one week before the general meeting.

The requisitionists must deposit or tender with the requisition a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

3. Proposing a person for election as director

Shareholders may propose a person for election as director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship".

4. Sending enquiries to the Board

Shareholders may send any enquiries to the Board by mail, email or telephone to the Company Secretary, whose contact details are as follows:

Address:	8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong
Email:	chinatouyun@chinatouyun.com.hk
Telephone:	+852 2270 7202

INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy. The use and effectiveness of such policy are monitored and reviewed regularly by the Board. The Company recognises the importance of shareholders' privacy and therefore will not disclose shareholders' information without their consent, unless required by law to do so. To achieve equal access to information on the Company's latest major developments, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship". In addition to financial reports, all announcements and circulars of the Company including results announcements, notices of general meetings and associated explanatory documents released by the Company to the Stock Exchange are posted on the Company's website. Shareholders should direct their questions about their shareholdings to the Company's share registrars. For enquiries about the information of the Company, shareholders may contact the Company Secretary, whose contact details are set out under the heading of "Sending enquiries to the Board" above. Shareholders are encouraged to participate in the Company's general meetings where members of the Board will be available to answer their questions.

The Company's constitutional documents are made available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relationship" and on the Stock Exchange's website. There was no significant change in them during the year under review.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and maintaining appropriate and effective risk management and internal control systems. The Company has maintained an internal audit function which forms part of the permanent establishment of the Group and is internally resourced and staffed by qualified accounting personnel with suitable experience.

The internal audit function monitors the adequacy and effectiveness of the risk management and internal control systems established within the Company and its subsidiaries for safeguarding assets against unauthorized use, for maintaining proper accounting records, and for ensuring the reliability of financial information. Functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Group and to provide reasonable assurance against material misstatement, errors, losses or fraud. The work of the internal audit function is generally focused on identifying, monitoring and reporting on major risks faced by the Group, including those related to business operations, compliance with laws and regulations and financial reporting. The review of risk management and internal control systems is conducted on an ongoing basis by the internal audit function. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Board recognizes that the Group's internal control system plays a key role in both the management of risks and the assurance of continued compliance with laws and regulations by the Group. The Audit Committee has kept under review the Group's risk management and internal control systems. During the year, the Board has also conducted an annual review of the effectiveness of the Group's risk management and internal control systems. The review covers material controls, including financial, operational and compliance controls and risk management functions of the Group. The Company has also engaged an external auditors to conduct a review of internal controls of inventory management cycle of its subsidiary. No material internal control defect was noted in the review. Based on its review, the Audit Committee will advise the Board on the adequacy of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board considers that the Group has complied with the provisions on risk management and internal controls as stipulated in the CG Code. The Board is satisfied that the Group's risk management and internal control systems including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place.

RISKS AND UNCERTAINTIES

The Group is generally operating in an ever-changing business and economic environment. Both QR codes and manufacturing business are affected by consumer markets which are volatile and fragile combined with rising labour costs in Mainland China. Volatility in the securities market may also affect the Company's shares investments, resulting in unrealised and realised loss. Market risk for changes in interest rates will affect loans receivable and interest-bearing borrowing. In addition to market risks, the Company is also subject to foreign currency risk, credit risk, liquidity risk and capital risk in the normal course of the Group's business. Particulars of financial risk management of the Company are set out in note 44 to the financial statements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group continues to commit to comply with the relevant laws and regulations such as the Companies Act 1981 of Bermuda, Hong Kong Companies Ordinance Cap 622, Listing Rules, and laws and regulations implemented by relevant jurisdictions. The Company believes the existing laws and regulations do not have any significant effect on the Group's activities during the year ended 31 December 2016.

ENVIRONMENTAL POLICIES

The Group has developed environmental policies for operating safely and reducing our environmental footprint. Ongoing focus on the health, safety and wellbeing of its employees is the Group's commitment to sustainable future. The Group has fully supported employees who observe the environmental policies and take care of environment.

The Group constantly improves the awareness of employees with respect of energy saving, and reducing resources consumption and recycling of scrap materials. To reduce electricity consumption, lighting equipment are switched off and replaced with energy efficient ones. Staff is reminded that documents are not printed unless it is necessary, printed papers are reused and two-sided printing is encouraged. Scrap materials are undertaken to recycle in use of production. Sewage collection and treatment has been established in the factory to control water pollution.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group recognizes that our employees, customers and business associates are key elements for our commitment to a resilient and sustainable business. The Group endeavours to provide a safe workplace, where employees are treated with respect and have the potential to grow in their careers. The Group also endeavours to provide consistently high quality and large range of products and services to customers delivered in quick response. With the building of partnership atmosphere, the Group has developed a long-term relationship of loyalty and trust with suppliers and professional bodies, leading to improved products and work together to share best practices.

INSIDE INFORMATION

The Company has adopted a Disclosure of Inside Information Policy. It sets out a framework for the release and control of inside information to ensure that the Company is able to meet its legal and regulatory obligations and requirements as a listed corporation. The Board is generally responsible for ensuring that the Group complies with its disclosure obligations regarding inside information and has established a disclosure group comprising certain directors and management to assist it in determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. Inside information should be disclosed by way of an announcement in accordance with the requirements of the Securities and Futures Ordinance (the "SFO") and the Listing Rules. Before relevant information is fully disclosed to the public, the disclosure group will help the Board to ensure that such information is kept strictly confidential.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company, Moore Stephens CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 40 - 41.

ENVIRONMENTAL PROTECTION

In order to mitigate the environmental impact of the business, the Group encourages employees to make good use of resources and strives to realize sustainable development in addition to the treatment of three wastes.

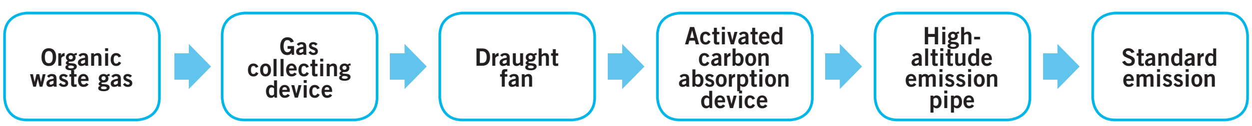
The Group's packaging business is mainly engaged in the manufacture and sales of packaging products by the two plants located in Guangdong, the PRC, which are responsible for manufacturing and production operation. The Group pays much attention to environmental protection, and conducts the disposal of air pollutants and sewage treatment carefully. In 2016, it strictly abided by the rules and regulations relating to the environmental protection in the Mainland China. The Group also actively promoted the recycling of waste materials, and strove to develop a sustainable development pattern. There were no heavy penalties or non-monetary sanctions due to the violation against laws and regulations relating to environmental protection during the year.

Treatment of Three Wastes

Air Pollution Treatment

Zhongshan Plant is specialized in the production of metal boxes, plastic boxes and paper boxes, during which organic waste including volatile organic compounds, non-methane hydrocarbon, ozone and xylol pollutants are emitted. In order to reduce the environmental impact of the pollutants, the plant disposes of the pollutants in consistency with the statutory emission standards according to the requirements of the Environmental Protection Bureau of Zhongshan, Guangdong, the PRC.

The plant disposes of the pollutants produced in the different production processes in strict compliance with relevant local standards. For instance, it disposes of the organic waste gas pollutants produced in the box molding and plastic blister processing in accordance with the secondary standard of the second period set forth in the local standard of Guangdong Province, the *Emission Limits of Air Pollutants*（*《大氣污染物排放限值》*）, and the secondary standard set forth in the *Emission Standards for Odor Pollutants*（*《惡臭污染物排放標準》*）, the dust produced in the polishing process and oil mist and waste gas emitted in the deoiling process in accordance with the secondary standard of the second period set forth in the local standard of Guangdong Province, the *Emission Limits of Air Pollutants*（*《大氣污染物排放限值》*）, the pollutants emitted in the gilding, printing and drying processes in accordance with the local standard of Guangdong Province, the *Emission Standard of Volatile Organic Compounds for Printing Industry*（*《印刷行業揮法性有機化合物排放標準》*）, as well as the organic waste gas produced in the laminating process with reference to the secondary emission limits of odor concentration index specified in the *Emission Standards for Odor Pollutants*（*《惡臭污染物排放標準》*）.



Procedures for treatment of organic waste gas

Greenhouse Gas Emission

The Group emitted 1,228.4 tonnes of carbon dioxide in 2016, including the Scope I (direct emission) and Scope II (indirect emission), among which 71.2 tonnes of carbon dioxide in Scope I were all generated from the fuel consumption by automobiles of the Group, and 1,157.2 tonnes of carbon dioxide in Scope II were produced in the power consumption in the operation of Shanghai Plant and Zhongshan Plant.

Greenhouse gas emission data	Unit: Tonnes of carbon dioxide equivalence
Scope I	71.2
Scope II	1,157.2
Total	1,228.4

ENVIRONMENTAL PROTECTION *(Continued)*

Treatment of Three Wastes *(Continued)*

Sewage Treatment

The Group focuses on the safety of water quality, so the sewage produced in the course of business operation shall be emitted after the required treatment, in order not to affect the water quality in the adjacent area. As a holder of the Pollutant Emission License of Guangdong Province, Zhongshan Plant has established self-built domestic sewage treatment facilities with a daily processing capacity of 972 tons of domestic sewage, which enables it to easily treat the sewage emission of approximately 243,000 tons per year. In addition, the Group strictly enforces the requirements of the primary standard of the second period set forth in the local standard of Guangdong Province, the *Emission Limits of Water Pollutants*（*《水污染物排放限值》*）(DB44/26-2001), in order to ensure that the treated sewage can meet the required standards before emission into the urban sewer and reduce the environmental impact.

Waste Disposal

Zhongshan Plant entrusts the qualified recycling company with the recycling of industrial waste such as waste paper, rubber scrap, iron scrap and aluminum scrap. The plant properly places the industrial waste in the designated region. The recyclable waste materials will be carried away by the waste disposal company upon registration for related work of recycling and treatment, and the unrecyclable waste materials will be disposed of and carried away by the waste disposal company on a daily basis.

Resource Consumption

The Group promotes the resource conservation consciousness, and encourages the full participation by employees. The plant cleans and maintains the equipment on a daily basis to extend the service life of the equipment; it also spreads messages to employees to save food when dining and save resources by turning off the unused water supply and power facilities. During 2016, the electricity consumed by Zhongshan Plant and Shanghai Plant amounted to 1,600,000 kilowatt-hours and 150,000 kilowatt-hours respectively, and the water consumed by Zhongshan Plant and Shanghai Plant amounted to 100,000 tons and 252 tons respectively.

	Unit	Zhongshan	Shanghai
Electricity Consumption	Kilowatt-hour	1,635,853	150,000
Gasoline	Liter	9,617	4,625
Diesel	Liter	12,295	N/A
Municipal water	Ton	100,017	252

In terms of the fuel consumption, Zhongshan Plant consumed 9,617 liters of gasoline and 12,295 liters of diesel during the year, and Shanghai Plant consumed 4,625 liters of gasoline. As for the use of packaging materials, Zhongshan Plant used plastic bags and cartons as main packaging materials, with the respective usage quantity reaching 4,500,000 and 800,000 during the year; while Shanghai Plant used fewer packaging materials. In order to reduce the material consumption and in line with the principle of environmental protection, the plastic transit boxes will be reused.

HUMAN RESOURCE MANAGEMENT

The Group realizes innovative integration of the Internet and traditional industries, introduces professional and innovative human resources as the primary criterion for talents, provides professional training and broad development prospects for human resource cultivation, and strives to build an elite team with high standard and high qualities.

People-oriented

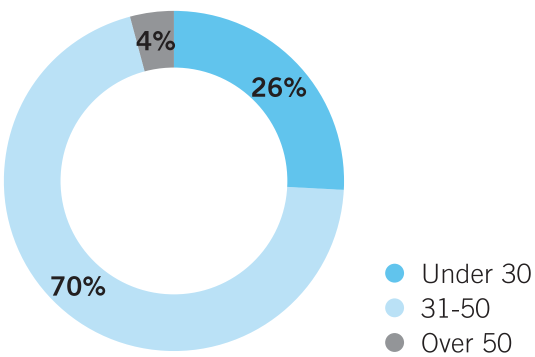
The Group regards employees as the cornerstone for the business development, and tries to create a sound and safe working environment and provide proper training and welfare for employees, so they can realize mutual growth and development while contributing to the performance of the Group. The Group strictly abides by the labor-related rules and regulations in the PRC during the operation and recruitment, such as the *Labor Law of the People's Republic of China*（*《中華人民共和國勞動法》*）, and relevant labor laws of Zhongshan City and Shanghai City, in order to ensure the legal compliance of employees of the Group, and protect the legitimate rights and interests of each employee. Each subsidiary of the Group has Employees Manual and Letter of Commitment, in order to fulfill different types of business and regulations, and guarantee the legal compliance in the operation of the Group. Zhongshan Plant also has the Social Responsibility Management Manual, which enables employees to further understand the Company's principles and policies on social responsibilities.

The Group has been committed to protecting the human rights and personal freedom of employees, and strictly prohibits any forced labor. The right of freedom of workers includes the freedom in employment, dismissal, overtime, action, etc. The Group will not limit the freedom of labor by any means such as withholding identity document or salaries, searching workers compulsorily, etc. It negotiates with workers' representatives and obtains their consent during the formulation of labor contracts and disciplines and submits the same to the Social Security Bureau for approval and filing. In addition, the Group abides by the provisions in the Labor Law not to employ any child laborer under 16 years old, and checks the identity document before commencement of work to prevent any child laborer at work. During 2016, no child labor was reported in the Group.

Employee Composition (Mainland China)

The employees of the Group are mainly in Zhongshan and Shanghai. The employees working in mainland plants are mainly at the age of 31-50, accounting for 70% of the total number of mainland employees. 68% of employees are female and approximately 32% are male. 12% of the employees of the Group have the bachelor's degree. During 2016, the Group had approximately 325 employees resigned while 398 were newly recruited, which in total led to a slight increase in the number of employees.

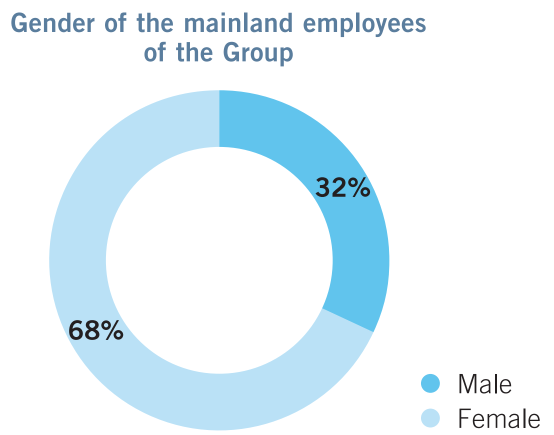
Age of mainland employees of the Group

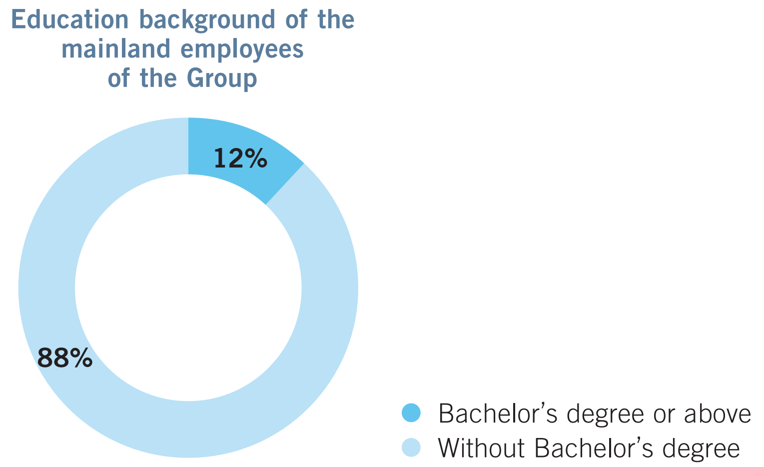


HUMAN RESOURCE MANAGEMENT *(Continued)*

People-oriented *(Continued)*

Employee Composition (Mainland China) *(Continued)*





Fair Working Environment

The Group has long been following the principle of fairness, openness and justice in terms of recruitment, remuneration, promotion, dismissal, working hours, holidays and other benefits and welfare policies, and prohibits the discrimination due to nationality, race or gender. The Group has a claim and complaint mechanism, through which any employees suffering from discrimination or unreasonable treatment can make complaints directly to the workers' representatives and the management of the Group. The Group will handle the complaints with care and give proper responses.

HUMAN RESOURCE MANAGEMENT *(Continued)*

People-oriented *(Continued)*

Human Resource Training

Adhering to the human-oriented principle, human resource management forms an essential part of the Group's strategy. The Group provides support for the career development and personal value enhancement to employees. The employee training procedures and annual training plan are in place to ensure the employees can get an appropriate understanding of the policies and procedures of the Group, thus to cultivate employees with the same goal and vision as the Group. The Group also conducts internal training and assessment in the form of teaching and on-the-job training according to the employees' training needs. The Group will invite the third-party professionals to provide assistance in the training for special operators, in order to help them to obtain the operation certifications, promote key employees to update their knowledge and improve working capability, so as to enhance their efficiency which can guarantee and push forward the realization of the strategic objectives of the Group.

During 2016, the Group provided orientation training and pre-job training for new employees on a monthly basis, in order to guarantee that they can adapt themselves to the work and master relevant working skills. In terms of the relevant computer skills, the Group also held trainings on JAVA encoding rules, SVN, LINUX and C++ encoding specifications. It also offered training courses for financial skills; for the marketing skills, the Group offered training courses for communication skills.

Health and Safety

The Group has been committed to protecting the health and safety of employees, and providing a safe, efficient and comfortable working environment for employees over the years. The Group attach importance to physical conditions of employees. All the employees shall go through the pre-job physical examination, annual physical examination, enjoy holidays and vacations, and sign the *Health Statement*（*《健康告知聲明書》*）, in order to guarantee that they can receive adequate recuperation with suitable health conditions for work, and prevent the occurrence of accidents.

The Group not only abides by the relevant labor standards and the regulations of the region where it operates, but also formulates strict internal guidance and system to maintain the safety and health of the Group. It has appointed safety and health professionals and the safety director (including those in respect of safety, fire control, first aid, medical treatment, etc.) to carry on the work of the safety and health of the Group, formulate and implement the safety and health plans of the Group as well as check, inspect and evaluate the safety and health situations of the Group's activities regularly, with an aim to providing and maintaining a safe and sanitary plant and thereby protecting the safety and health of all the employees. In addition to its internal policies, the Group also emphasizes to promptly eliminate hidden dangers of accidents, establish a proper accident report and investigation system, and encourage workers to report accidents and unsafe factors, in order to reduce potential hazards.

The Group emphasizes the popularization of occupational safety and health education. During 2016, the Group provided 1,697 hours' occupational safety and health training for 289 employees in total. It provides orientation training, pre-job training and re-designation training for each employee on occupational safety, ensuring that employees have sufficient knowledge of safe usage of machinery to reduce the occurrence of accidents. It arranges re-training at least once a year, and offers first-aid, firefighting, evacuation and escape drilling on a regular basis to prevent the occurance of accidents. Besides, first-aider courses are also offered in Zhongshan Plant to create a healthy and safe working environment for employees.

OPERATION COMPLIANCE

The Group is devoted to developing and continuously improving the quality management system, providing better products and experience for customers, establishing long-term and good relationship with customers, and building a good reputation of the Group.

Customer First

The Group has been engaged in the packaging business for over 25 years with diversified customer base including owners or brand dealers of clocks, watches, jewelry and glasses of international brands, as well as other customers such as traders of packaging products. It has maintained long-term business relationship with customers, and some of them have maintained cooperation for over 15 years. It has formulated different internal management procedures for customer experience management from the actual demands of customers. It has established the *Customer Satisfaction Measurement Procedures*, and made annual analysis with the *Customer Satisfaction Investigation Survey*, in order to improve the products of the Group. It has also established long-term and good relationship with customers in order to reduce the customer loss and build a good reputation.

In addition, the Group makes its products as the self-owned brand media via QR code, which promotes the direct relationship between the brand and consumers, provides all-round O2O marketing, anti-counterfeit tracing, warehouse logistics and consumer big data solutions for enterprises via the cloud computing and mobile Internet technology, satisfies the users' demands for product information and communication in various phases, and smoothens the communication between the brand and each consumer.

Incorrupt Enterprise

The incorrupt operation concept and conduct capabilities are the primary conditions for the outstanding performance of the Group. The Group actively publicizes the probity and self-discipline internally. The Group has formulated the *Incorrupt Conduct Rules for Employees*, which reasonably determines and strictly standardizes employees' remuneration packages, business expenditures and enhances incorruptible employment. Besides this, all employees shall also sign the *Policy for Employees Raising Concerns about Improprieties*, *Legal Compliance & Employees' Commitment Letter*, and labor rules relating to anti-corruption. The Group also requires all employees to consciously maintain personal conducts as law-abiding, incorrupt, honest and self-disciplined.

In order to show our stance in anti-corruption, the Group dispatches the *Incorrupt Conduct Rules of Employees* to its suppliers, and ensures no events like return in cash or gift presentation would take place and thus affect the mutual business relationship. Adhering to the principle of justice, equity and integrity, the Group prohibits bribery, commissioned debt repayment, kickbacks, lavish gifts, entertainment expenses or any transactions probably deemed as illegal, immoral or compromising in any commercial activities, so as to win recognition and trust among customers and partners.

The Group has also established the reporting, investigation and handling procedures for accidents and nonconformity items, and specified the accident reporting mechanism according to the rules and regulations. The Group will crack down upon any corruption, promptly make investigations, remedies and corrections, and impose proper punishments on illegal employees. The Group didn't report on the anti-corruption events during the year.

Supplier Management

The Group focuses on the quality and safety of raw materials, therefore, the Purchasing Department of Zhongshan Plant and Shanghai Plant chooses suppliers with strict standards, and conducts evaluation and assessment on a regular basis, in order to ensure all the materials are of good quality. All suppliers must pass the qualification evaluation to ensure that they have the relevant operation certificate and comply with relevant EU and US standards in terms of the product material test and packaging safety, before being included in the list.

OPERATION COMPLIANCE *(Continued)*

Supplier Management *(Continued)*

In addition, Zhongshan Plant has also conducted evaluations of suppliers on a regular basis, and canceled the qualification of the suppliers that fail to comply with standards and make improvement. Shanghai Plant has also formulated a set of supplier and purchase control procedures, which specify the standards for the evaluation and selection of suppliers, and stipulate on the procedural requirements of supplier control and management, in order to ensure the materials purchased can satisfy the requirements of the Group. In the process of evaluating the suppliers, the relevant departments will examine several aspects such as the production qualification, material quality, ISO system certification, etc., and check the samples provided by suppliers, in order to guarantee the high quality of materials. During 2016, the Group had 201 suppliers, 92 and 103 of which were mainly in Hong Kong and mainland, accounting for 97% of the number of total suppliers.

Product Liability

Intellectual Property Right and Data Protection

The Group is well aware of the importance of product and service quality and has been committed to developing and continuously improving the quality management system, and providing better products and experience for customers. With the business centered on the packages and labels, the Group attaches great importance to the management of intellectual property right and source code, protects the rights and interests of inventions and creations in accordance with the relevant provisions of the *Patent Law of the People's Republic of China*（《中華人民共和國專利法》）, and enhances the market competitiveness and economic benefits of the Group. To guarantee the integrity and non-disclosure of source codes and products, employees will firstly sign the confidentiality agreement upon joining in the Company, preventing the divulgence of relevant business secrets.

Quality Control

Zhongshan Plant has formulated the *Product Test Procedure*（《產品檢驗程序》）to inspect the raw materials, semi-finished products and finished products on a regular basis. In addition, upon receipt of the report on abnormal logo and quality, Shanghai Plant will make comprehensive analysis of the reasons for abnormality from the label and equipment and make immediate improvements in accordance with the *Non-conforming Product Control Procedure*（《不合格品控制程序》）and the *Corrective & Preventative Measures Control Procedures*（《糾正預防措施控制程序》）. During 2016, the QR code business of the Group in Shanghai only received one complaint about the product, which has been immediately followed up and improved by relevant departments in order to provide better service for customers. The packaging business in Zhongshan Plant didn't have significant replenishment for the year, and the Group has already made replenishment for relevant customers.

INVESTMENT IN COMMUNITY

Taking the community responsibility as its own duty, the Group actively participates in the public-welfare charity activities, and expresses its sincere gratitude to the society by strengthening the communication and cooperation with the community. The Group strives to become the science and technology industry in the community, and actively bears the community responsibilities, building a harmonious atmosphere for the community.

During 2016, the Group actively participated in different community activities such as the used-clothing recycling and public-welfare charity activities, in order to strengthen the communication and cooperation with the community. The Group also cooperated with Food Angel to hold the "Mooncake Presentation Plan", encouraging employees to participate in the activity, share resources and reduce the food wastage. During the "Zhongshan Ten Thousand People's Parade for Charity", the parade team comprising 50 members dispatched by the Group disseminated the culture of the Red-Cross, provided humanitarian assistance for the groups in difficulty, and built a good social atmosphere with mutual help and affection. The Group also participated in the voluntary work in 2016.

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2016.

CHANGE OF COMPANY NAME

Pursuant to special resolutions passed at the general meetings held on 15 March 2016 and 22 December 2016 and approved by the Registrar of Companies in Bermuda on 15 March 2016 and 22 December 2016 respectively, the name of the Company was changed from "China Optoelectronics Holding Group Co., Limited" to "China Opto Holdings Limited" and to "China Touyun Tech Group Limited". Its secondary name was changed from "中國光電控股集團有限公司" to "中國新進控股有限公司" and to "中國透雲科技集團有限公司".

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of corporate management services. The Group is principally engaged in the (i) design, development, manufacture and sale of packaging products; (ii) provision of QR codes on product packaging and related business intelligence IT solutions; (iii) investment and trading in securities; and (iv) money lending. Details of the principal activities of the Company's subsidiaries are set out in note 48 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 3 to 4 and the Management Discussion and Analysis on pages 5 to 8 of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Corporate Governance Report on page 19. Also, the financial risk management objectives and policies of the Group can be found in note 44 to the financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2016 are provided in note 47 to the financial statements. In addition, discussions on the Group's environmental policies, compliance with relevant laws and regulations and relationship with its key stakeholders which have a significant impact on the Group are contained in the Corporate Governance Report on pages 19 to 20.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 42 to 119.

The directors do not recommend the payment of any final dividend for the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 22 May 2017 to Friday, 26 May 2017, both days inclusive, for determining the eligibility of shareholders for attending and voting at the forthcoming annual general meeting of the Company to be held on 26 May 2017 (the "AGM"). In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged with Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Friday, 19 May 2017.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 120. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act 1981 of Bermuda (as amended from time to time) or in the Company's Bye-laws.

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

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company had no reserve available for distribution to shareholders as calculated in accordance with the Companies Act 1981 of Bermuda (as amended from time to time). The Company's share premium account in the amount of HK$1,769,428,000 may be distributed in the form of fully paid bonus share.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted in the aggregate for 59.1% of the total revenue for the year and sales to the largest customer included therein amounted to 29.1%. Purchases from the Group's five largest suppliers accounted in the aggregate for 65.4% of the total purchases for the year and purchases from the largest supplier included therein amounted to 28.9%.

None of the directors, their close associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:
Mr. Wang Liang *(Chairman)*
(appointed as Director on 1 September 2016 and Chairman on 23 January 2017)
Ms. Poon Ho Yee Agnes *(Managing Director) (resigned on 15 December 2016)*
Mr. Du Dong *(appointed on 15 December 2016)*
Ms. Lin Ying *(retired on 28 January 2016)*
Mr. Lo Yuen Wa Peter
Ms. Sun Dixie Hui *(resigned on 15 December 2016)*

Non-executive Directors:
Dr. Lam How Mun Peter *(Chairman) (resigned on 23 January 2017)*
Mr. Chen Hui *(appointed on 15 December 2016)*

Independent Non-executive Directors:
Mr. Chan Sze Hung *(retired on 27 June 2016)*
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. Man Wai Chuen *(retired on 28 January 2016)*
Mr. To Shing Chuen

In accordance with Bye-law 84(1) of the Company's Bye-laws, Mr. Ha Kee Choy Eugene and Mr. To Shing Chuen will retire by rotation and, being eligible, will offer themselves for re-election at the AGM.

Mr. Du Dong and Mr. Chen Hui, who were appointed under Bye-law 84(2) to fill the casual vacancy on the Board, shall hold office until the forthcoming annual general meeting of the Company and then being eligible, offer themselves for re-election as well. All other directors will continue to be in office.

The Company has received from each of the Independent Non-executive Directors, Mr. Chan Sze Hung, Mr. Cheung Wing Ping, Mr. Ha Kee Choy Eugene, Mr. Man Wai Chuen and Mr. To Shing Chuen, the written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmations and considers all of them to remain independent during their term of office.

DIRECTORS' BIOGRAPHIES

Biographical details of the existing directors of the Company are set out on pages 9 to 10.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the AGM has a service contract with any company in the Group which is not terminable by such company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance in relation to the business of the Group 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 end of the year or at any time during the year.

REMUNERATION DETAILS

Details of the directors' remuneration and the five highest paid employees in the Group are set out in notes 9 and 10 to the financial statements respectively.

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications and competence of individual employee which are reviewed regularly in order to provide compensation packages at market rates sufficient to reward successful performance and attract, retain and motivate employees. The Company has adopted a share option scheme as a long-term incentive to eligible employees and directors, details of which are set out in note 34 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2016, details of the interests and short positions of each of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in shares of the Company (long positions)

Name of directors	Capacity in which interests are held	Number of shares held	Approximate percentage (Note)
Mr. Wang Liang	Beneficial owner	2,240,000,000	22.86
Dr. Lam How Mun Peter *(resigned on 23 January 2017)*	Beneficial owner	398,150	0.01

Note: Approximate percentage refers to the number of shares which a director held expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions" above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

EQUITY-LINKED AGREEMENTS

Subscription of New Shares under Specific Mandate

On 2 December 2015, the Company entered into the Subscription and Cancellation Agreement with Freeman Securities Limited (the "Subscriber") which is a licenced broker holding the First Warrants and the Second Warrants as nominee on behalf of the ultimate beneficial owners of the First Warrants and the Second Warrants. The Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Pursuant to the Subscription and Cancellation Agreement, it was agreed that (i) in consideration of the Company's acceptance of the cancellation of all of the First Warrants and the Second Warrants, the Subscriber conditionally agreed to subscribe for the 575,063,972 ordinary shares of the Company (the "Subscription Shares") at the subscription price of HK$0.16 per share; and (ii) in consideration of the Subscriber's subscription of the Subscription Shares, the Company conditionally agreed to cancel the whole of the First Warrants and the Second Warrants, upon and in accordance with the terms of the Subscription and Cancellation Agreement.

The closing price of the Share as quoted on the Stock Exchange on 30 November 2015 was HK$0.19 per share, being the last trading date immediately prior to the date of Subscription and Cancellation Agreement.

Completion of the subscription of the Subscription Shares under specific mandate and cancellation of the whole of the First Warrants and the Second Warrants were taken place on 4 February 2016 simultaneously pursuant to the entry into of Subscription and Cancellation Agreement. The subscription money of HK$92,010,000 was received by the Company.

Details of the above event and capitalised terms used were set out and defined in the Company's circular dated 13 January 2016 and the 2015 Annual Report.

Issue of Consideration Shares under Specific Mandate

The Company intended to diversify its business to securities investment and trading business as well as money lending business. In December 2015, the Company invested in the convertible note issued by Win Wind Capital Limited ("Win Wind") in the principal amount of HK$150,000,000 due 28 December 2018 (the "Convertible Note"), the Company considered that further investment through the subscription of Win Wind's shares may achieve a synergy effect between the Company and Win Wind. The Company believed that it could capture more business and investment opportunities by engaging in the securities investment and trading business as well as money lending business.

On 30 March 2016, the Company entered into a subscription agreement with Win Wind (the "Subscription Agreement"), pursuant to which both parties have conditionally agreed that (i) the Company shall subscribe for, and Win Wind shall issue and allot, 13,600,000 ordinary shares of the Company (the "WW Subscription Shares") (representing approximately 13.36% of the issued share capital of Win Wind as at 17 June 2016 and approximately 11.78% of the enlarged issued share capital of Win Wind immediately after the issue of the WW Subscription Shares) credited as fully paid to the Company (or its nominees) at a price of HK$30.00 per each WW Subscription Share, free from all encumbrances, for a total consideration of HK$408,000,000; (ii) Win Wind shall subscribe for, and the Company shall issue and allot, 2,040,000,000 ordinary shares of the Company (the "CO Subscription Shares") (representing approximately 39.97% of the issued share capital of the Company as at 17 June 2016 and approximately 28.56% of the enlarged issued share capital of the Company immediately after the issue of the CO Subscription Shares) credited as fully paid to Win Wind (or its nominees) at a price of HK$0.20 per each CO Subscription Share under the specific mandate, free from all encumbrances, for a total consideration of HK$408,000,000; and (iii) Win Wind shall fully redeem the Convertible Note held by Big Focus Limited, the wholly-owned subsidiary of the Company. The closing price of the share as quoted on the Stock Exchange on 30 March 2016 was HK$0.335 per share, being the date of Subscription Agreement.

On 19 July 2016, the CO Subscription Shares were fully allotted and issued, and such CO Subscription Shares were credited as fully paid to Win Wind (or its nominee) at a price of HK$0.20 per CO Subscription Share under the specific mandate, free from all encumbrances, for a total consideration of HK$408,000,000.

Placing of New Shares under General Mandate

On 10 August 2016, the Company entered into the sale and purchase agreement (the "S&P Agreement") with TY Technology Group Limited (the "Vendor") to acquire the entire issued share capital of Apex Capital Business Limited ("Apex") (the "Acquisition"). Apex is an investment holding company incorporated in the British Virgin Islands which directly holds Fortune Road International Limited ("Fortune Road"), an investment holding company incorporated in Hong Kong which directly in turn holds 上海透雲物聯網科技有限公司. Pursuant to the S&P Agreement, (1) the Company agreed to purchase, and the Vendor agreed to sell the entire issued capital of Apex at the consideration of HK$513,000,000, which was satisfied as to (i) 600,000,000 consideration shares issued under the general mandate at an issue price of HK$0.335 per share; (ii) HK$258,000,000 by the issuance of promissory note; and (iii) the remaining balance of HK$54,000,000 by cash upon completion; and (2) the Company agreed to acquire the entire amount of the shareholder's loan of HK$56,400,000 due by Fortune Road to Ms. Qiao Yanfeng as at 30 June 2016, which is interest-free and without fixed repayment term settled in the cash payment from the Company to Ms. Qiao Yanfeng.

To fund the Acquisition, on 10 August 2016, the Company entered into a placing agreement (the "Placing Agreement") with Enhanced Securities Limited (the "Placing Agent"), pursuant to which the Company agreed to place 420,738,550 ordinary shares (the "Placing Share") at a placing price of HK$0.28 per Placing Share to not less than six placees who are professional, institutional or other investors selected by the Placing Agent. The placees and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. The closing price of the share as quoted on the Stock Exchange on 10 August 2016 was HK$0.335 per share, being the date of Placing Agreement.

The placing of the Placing Shares under the general mandate at placing price of HK$0.28 per Placing Share was completed on 18 August 2016 and the subscription money of HK$117,807,000 was received by the Company. After taking into account the relevant expenses in connection with the share issuance of approximately HK$3,544,000, the net price per Subscription Share issued is about HK$0.272.

The Company further required funding for (i) the early redemption of the promissory note with principal amount of HK$258,000,000 and payment of accrued interest; and (ii) the expansion and development of the Company's QR codes packaging business.

On 9 November 2016, the Company entered into a placing agreement (the "Nov Placing Agreement") with China Everbright Securities (HK) Limited (the "Placing Manager"), pursuant to which the Company placed 1,632,880,000 ordinary shares (the "Nov Placing Shares") at a placing price of HK$0.25 per Nov Placing Share to not less than six placees who are professional, institutional or other investors selected by the Placing Manager. The placees and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. The closing price of the share as quoted on the Stock Exchange on 9 November 2016, being the date of Nov Placing Agreement was HK$0.295 per share.

The placing of the Nov Placing Shares under the general mandate at the placing price of HK$0.25 per each Nov Placing Share was completed on 28 November 2016 and the subscription money of HK$408,220,000 was received by the Company. After taking into account the relevant expenses in connection with shares issuance of approximately HK$2,072,000, the net price per each Nov Placing Share issued is about HK$0.249.

Save as disclosed above, the section headed "Share Options" on page 34 and note 34 to the financial statements, no equity-linked agreements were entered unto during the year or which subsisted at the end of the year under review.

SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 18 May 2012, details of which were disclosed in the Prospectus and are set out in note 34 to the financial statements. No share option has been grant or exercise during the year.

Pursuant to the Extraordinary General Meeting held on 20 October 2016 and the approval granted by the Listing Committee of the Stock Exchange, the scheme mandate limit in respect of which share options may be granted under the Share Option Scheme is refreshed and not permitted to exceed 816,443,130 shares, representing:

(i) 8.33% of the total number of shares of the Company as at 31 December 2016; and

(ii) 8.33% of the total number of shares of the Company as at the latest practicable date.

During the period from the date of listing of the Company on 12 July 2012 to 31 December 2016, the total number of share options exercised, lapsed and cancelled under the Share Option Scheme is 359,414,982 shares.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2016, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held (long position)	Approximate percentage [2]
Mr. Wang Liang	Beneficial owner	2,240,000,000	22.86
Ms. Qiao Yanfeng	Interest in controlled corporations	600,000,000 [1]	6.12
Mr. Qin Fen	Beneficial owner	789,880,000	8.06

Notes:

1. Ms. Qiao Yanfeng ("Ms. Qiao") is deemed to be interested in 600,000,000 shares through TY Technology Group Limited which is in turn owned as to 90% by Wise Tech Enterprises Incorporated (wholly-owned by Ms. Qiao) and 10% by Truthful Bright International Holding Limited (wholly-owned by Ms. Qiao).

2. Approximate percentage refers to the number of shares which a shareholder held expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, subject to the statues, every director of the Company shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

CONNECTED TRANSACTIONS

During the year and up to the date of this report, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MANAGEMENT CONTRACT

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events which took place subsequent to the reporting period are set out in note 47 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2016 and up to the date of this report as required under the Listing Rules.

INDEPENDENT AUDITORS

During the year, Ernst & Young resigned as auditors of the Company and Moore Stephens CPA Limited were appointed auditors to fill the casual vacancy so arising. There have been no other changes of the Company's auditors in the past three years. A resolution for the reappointment of Moore Stephens CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wang Liang
Chairman

Hong Kong, 24 March 2017

MOORE STEPHENS

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moorestephens.com.hk

大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Members of China Touyun Tech Group Limited
(Formerly known as China Opto Holdings Limited)
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Touyun Tech Group Limited (formerly known as China Opto Holdings Limited) and its subsidiaries ("the Group") set out on pages 42 to 119, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How the matter was addressed in our audit
Purchase price allocation of a business combination	
During the year ended 31 December 2016, the Group acquired Apex Capital Business Limited and its subsidiaries (the "Apex Group") which has been engaged in the provision of QR code on products packaging and solutions and, online advertising display services in People's Republic of China (the "QR Code business") for a consideration of HK$605 million. HKFRS 3 "Business Combinations" requires an acquirer to recognise identifiable assets and liabilities of an acquiree at the date of acquisition. Other than those assets and liabilities of the Apex Group described in note 36, the management of the Company had not identified other assets and liabilities. Goodwill of HK$530 million had been recognised at the date of the acquisition. Details of the acquisition are set out in note 36 to the consolidated financial statements.	Our procedures to address the matter included: • Reviewed the relevant sale and purchase agreement to understand the key terms and conditions as part of the process to identify the assets and liabilities of the Apex Group; • Assessed and challenged the management's identification of assets and liabilities as at the date of acquisition; • Assessed the fair value of non-cash consideration paid by the Group, being the promissory note and shares issued at the date of acquisition; • Discussed with the independent external valuer engaged by the Group the methodologies and assumptions used in arriving at the fair value of the identifiable assets and liabilities of the Apex Group at the date of acquisition and assessed the reasonableness of methodologies and assumptions being used; • Checked, on a sample basis, the accuracy and reliance of the input data used; and • Assessed the competency of the independent external valuer taking into account its experience and qualifications.

Key audit matter

Impairment assessment of goodwill

The acquisition of the Apex Group as described above resulted in the Group recognising goodwill of HK$530 million at the date of acquisition. Goodwill is required to be assessed for impairment in the period in which the acquisition takes place in accordance with the applicable accounting standard.

Since the acquisition, the growth of the QR Code business was not as good as expected. An impairment loss of approximately HK$264 million was recognised for the year ended 31 December 2016.

Impairment assessment is subjective and highly judgemental and has a high degree of estimation uncertainty. We therefore identified the impairment assessment of goodwill as a key audit matter.

Details of the impairment assessment of goodwill are set out in note 18 to the consolidated financial statements.

How the matter was addressed in our audit

Our procedures to address the matter included:

- Obtained the cash flow forecast approved by the directors of the Company for impairment assessment;
- Discussed with the management of the Company and the independent external valuer engaged by the Group and assessed the reasonableness of the valuation methodology;
- Discussed with the management of the Company and the independent external valuer and challenged the reasonableness of key assumptions being used based on our knowledge of the business and industry, including the discount rate, sale growth rate, sale quantity and unit selling price;
- Checked, on a sample basis, the accuracy and reliance of the input data used;
- Assessed the competency of the independent external valuer taking into account its experience and qualifications; and
- Compared the recoverable amount with the carrying amount of the cash-generating unit ("CGU") to assess whether adequacy of impairment loss has been made by the Group.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of available-for-sale investments Details of the Group's available-for-sale investments are set out in note 20 to the consolidated financial statements. During the year ended 31 December 2016, the Group subscribed for 13,600,000 shares representing 11.78% of the enlarged share capital of an unlisted private company incorporated in the British Virgin Islands ("BVI"). The consideration was satisfied by issuance of 2,040,000,000 ordinary shares of the Company. The cost of investment amounted to HK$714 million. An impairment indicator was identified by the management of the Company taking into account significant loss incurred by the investee. Accordingly, the Group recognised an impairment loss of HK$397 million for the year ended 31 December 2016. Impairment assessment of the unquoted equity investment is highly judgemental and involves a high degree of estimation uncertainty. We therefore identified the impairment assessment as a key audit matter.	Our procedures to address the matter included: • Obtained the latest management accounts of the investee for impairment assessment; • Discussed with the management of the Company and the investee the bases used in determining the carrying amount of the major assets and liabilities of the investee; and • Assessed and challenged the management's estimates of the recoverable amount of the investee.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 21 March 2016.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement, management discussion and analysis, corporate governance report and directors' report but does not include the financial statements and our auditor's report thereon.

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Chan King Keung
Practising Certificate Number: P06057

Hong Kong, 24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
FAIR VALUE LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	5	**(361,874)**	(57,484)
REVENUE	5	**324,251**	343,451
Cost of sales		**(236,457)**	(280,722)
GROSS PROFIT		**87,794**	62,729
Other income, gains and losses, net	6	**(716,291)**	358,686
Selling and distribution expenses		**(17,568)**	(13,468)
Administrative expenses		**(74,789)**	(93,778)
Finance costs	8	**(10,060)**	(422)
Share of result of a joint venture	19	**(15,050)**	–
(LOSS)/PROFIT BEFORE TAX	7	**(1,107,838)**	256,263
Income tax	11	**(26)**	(1,060)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(1,107,864)**	255,203
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	12	**(55,959)**	–
(LOSS)/PROFIT FOR THE YEAR		**(1,163,823)**	255,203
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– from continuing operations		**(1,094,866)**	255,259
– from discontinued operations		**(55,959)**	–
(Loss)/profit for the year attributable to owners of the Company		**(1,150,825)**	255,259
LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS FROM CONTINUING OPERATIONS		**(12,998)**	(56)
Loss for the year attributable to non-controlling interests		**(12,998)**	(56)
		(1,163,823)	255,203
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	14		
– from continuing and discontinued operations Basic and diluted		**HK(17.69) cents**	HK6.98 cents
– from continuing operations Basic and diluted		**HK(16.83) cents**	HK6.98 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
(LOSS)/PROFIT FOR THE YEAR	**(1,163,823)**	255,203
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
– Changes in fair value	**(8,800)**	33,154
– Reclassification adjustments of fair value loss/(gains) on disposal of available-for-sales investments to profit or loss, net of tax	**5,390**	(31,266)
Exchange differences on translation of foreign operations	**(3,388)**	(398)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(6,798)**	1,490
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(1,170,621)**	256,693
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(1,157,623)**	256,749
Non-controlling interests	**(12,998)**	(56)
	(1,170,621)	256,693

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**27,975**	6,195
Intangible assets	17	**2,517**	–
Goodwill	18	**266,514**	–
Interests in a joint venture	19	**136,026**	–
Available-for-sale investments	20	**430,191**	195,065
Prepayments	24	**2,196**	2,196
Total non-current assets		**865,419**	203,456
CURRENT ASSETS			
Inventories	21	**20,925**	27,989
Trade and bills receivables	22	**64,794**	37,932
Loan and interest receivables	23	**–**	30,223
Prepayments, deposits and other receivables	24	**12,253**	9,371
Financial assets at fair value through profit or loss	25	**97,500**	667,376
Cash and cash equivalents	26	**206,054**	36,179
		401,526	809,070
Assets of a disposal group classified as held for sale	27	**–**	2,278
Total current assets		**401,526**	811,348
CURRENT LIABILITIES			
Trade and bills payables	28	**25,566**	16,343
Other payables and accruals	29	**35,773**	18,014
Tax payable		**–**	138
Interest-bearing other borrowings	31	**12,022**	201,053
Total current liabilities		**73,361**	235,548
NET CURRENT ASSETS		**328,165**	575,800
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,193,584**	779,256
NON-CURRENT LIABILITIES			
Deferred tax liabilities	32	**172**	146
Net assets		**1,193,412**	779,110
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**97,973**	45,286
Reserves	35	**1,086,946**	733,824
		1,184,919	779,110
Non-controlling interests		**8,493**	–
Total equity		**1,193,412**	779,110

Wang Liang
Director

Lo Yuen Wa Peter
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Note	Attributable to owners of the parent											
		Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 (note 35(a))	Contributed surplus HK$'000 (note 35(b))	Other equity instrument HK$'000 (note 35(c))	Share option reserve HK$'000 (note 35(d))	Available–for-sale investment revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		14,377	18,733	45,291	(12,861)	–	–	1,522	42	205,951	273,055	1,974	275,029
Profit for the year		–	–	–	–	–	–	–	–	255,259	255,259	(56)	255,203
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:													
Available-for-sale investments:													
– Change in fair value		–	–	–	–	–	–	33,154	–	–	33,154	–	33,154
– Reclassification adjustment of fair value gains on disposal of available-for-sales investments to profit or loss		–	–	–	–	–	–	(31,266)	–	–	(31,266)	–	(31,266)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(398)	–	(398)	–	(398)
Total comprehensive income for the year		–	–	–	–	–	–	1,888	(398)	255,259	256,749	(56)	256,693
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	(1,918)	(1,918)
First Bonus Issue	33	14,376	–	–	(14,376)	–	–	–	–	–	–	–	–
Second Bonus Issue	33	7,188	–	–	(7,188)	–	–	–	–	–	–	–	–
Equity-settled share option arrangements	33	–	–	–	–	–	51,700	–	–	–	51,700	–	51,700
Issue of shares upon exercise of share options	33	3,594	141,554	–	–	–	(51,700)	–	–	–	93,448	–	93,448
Placing of new shares	33	5,751	86,259	–	–	–	–	–	–	–	92,010	–	92,010
Equity instrument issued		–	–	–	–	14,915	–	–	–	–	14,915	–	14,915
Share issue expenses	33	–	(2,767)	–	–	–	–	–	–	–	(2,767)	–	(2,767)
At 31 December 2015		45,286	243,779*	45,291*	(34,425)*	14,915*	–*	3,410*	(356)*	461,210*	779,110	–	779,110

	Notes	**Attributable to owners of the parent**											
		Issued capital HK$'000	**Share premium account HK$'000**	**Capital reserve HK$'000 (note 35(a))**	**Contributed surplus HK$'000 (note 35(b))**	**Other equity instrument HK$'000 (note 35(c))**	**Share option reserve HK$'000 (note 35(d))**	**Available–for-sale investment revaluation reserve HK$'000**	**Translation reserve HK$'000**	**Retained profits/ (Accumulated losses) HK$'000**	**Total HK$'000**	**Non–controlling interests HK$'000**	**Total equity HK$'000**
At 1 January 2016		**45,286**	**243,779**	**45,291**	**(34,425)**	**14,915**	**–**	**3,410**	**(356)**	**461,210**	**779,110**	**–**	**779,110**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,150,825)**	**(1,150,825)**	**(12,998)**	**(1,163,823)**
Other comprehensive (loss)/income that will be reclassified to profit or loss in subsequent periods:													
Available-for-sale investments:													
– Change in fair value		**–**	**–**	**–**	**–**	**–**	**–**	**(8,800)**	**–**	**–**	**(8,800)**	**–**	**(8,800)**
– Reclassification adjustment of fair value loss on disposal of available-for-sales investments to profit or loss		**–**	**–**	**–**	**–**	**–**	**–**	**5,390**	**–**	**–**	**5,390**	**–**	**5,390**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,388)**	**–**	**(3,388)**	**–**	**(3,388)**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(3,410)**	**(3,388)**	**(1,150,825)**	**(1,157,623)**	**(12,998)**	**(1,170,621)**
Capital contribution from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**112**	**112**
Transaction with non-controlling interests	38	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11**	**11**	**21,379**	**21,390**
Issue of shares	33	**5,751**	**101,174**	**–**	**–**	**(14,915)**	**–**	**–**	**–**	**–**	**92,010**	**–**	**92,010**
Issue of shares	33	**20,400**	**693,600**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**714,000**	**–**	**714,000**
Placing of new shares	33	**4,207**	**113,600**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**117,807**	**–**	**117,807**
Issue of shares	33	**6,000**	**231,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**237,000**	**–**	**237,000**
Placing of new shares	33	**16,329**	**391,891**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**408,220**	**–**	**408,220**
Share issue expenses	33	**–**	**(5,616)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,616)**	**–**	**(5,616)**
At 31 December 2016		**97,973**	**1,769,428***	**45,291***	**(34,425)***	**–***	**–***	**–***	**(3,744)***	**(689,604)***	**1,184,919**	**8,493**	**1,193,412**

* These reserve accounts comprise the consolidated reserves of HK$1,086,946,000 (2015: HK$733,824,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax			
– Continuing operations		**(1,107,838)**	256,263
– Discontinued operations		**(55,959)**	–
		(1,163,797)	256,263
Adjustments for:			
Amortisation of intangible assets	17	**132**	–
Amortisation of prepaid land lease payments	16	**–**	268
Bank interest income		**(211)**	(106)
Depreciation	15	**3,225**	2,805
Fair value losses/(gains), net:			
Available-for-sale investments (transfer from equity on disposal, net of transaction costs)	6	**5,451**	(30,585)
Equity investments at fair value through profit or loss		**361,874**	57,484
Equity-settled share option expense	7	**–**	51,700
Finance costs	8	**10,060**	422
Gain on deemed partial disposal of a joint venture	19	**(1,076)**	–
Gain on disposal of subsidiaries, net	37	**(6,009)**	(352,620)
Gain on disposal of an associate	6	**–**	(5,744)
Share of result of a joint venture	19	**15,050**	–
Loss on disposal of property, plant and equipment and the associated prepaid land lease payments, net	6	**–**	18,227
Loss on extinguishment of financial liabilities at fair value through profit or loss	6	**–**	9,164
Impairment loss of available-for-sale investments	6	**453,834**	–
(Reversal of)/impairment loss of trade receivables, net	6	**(85)**	3,699
Impairment loss of goodwill	6	**263,558**	–
Other receivables written off	6	**1,798**	–
Write-down of inventories to net realisable value	7	**20,830**	558
Write-down of property, plant and equipment	15	**3,010**	–
		(32,356)	11,535
Decrease in inventories		**7,707**	8,777
Decrease/(increase) in trade and bills receivables, prepayments, deposits and other receivables		**14,348**	(1,407)
Decrease/(increase) in loan and interest receivables		**30,223**	(30,223)
Decrease/(increase) in financial assets at fair value through profit or loss		**208,002**	(423,110)
Increase/(decrease) in trade and bills payables, and other payables and accruals		**7,964**	(22,842)
Cash generated from/(used in) operations		**235,888**	(457,270)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash generated from/(used in) operations		**235,888**	(457,270)
Interest received		**211**	106
Interest paid		**(10,060)**	(115)
Hong Kong Profits Tax paid		**(141)**	(1,660)
Net cash flows from/(used in) operating activities		**225,898**	(458,939)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	15	**(6,306)**	(214)
Purchases of available-for-sale investments		**–**	(170,025)
Proceeds from disposal of available-for-sale investments		**16,179**	84,849
Proceeds from disposal of property, plant and equipment and the associated prepaid land lease payments		**–**	32,352
Disposal of subsidiaries	37	**17,815**	113,247
Disposal of an associate		**–**	5,744
Acquisition of subsidiaries	36	**(119,718)**	–
Decrease in pledged time deposits		**–**	3,023
Investment in a joint venture	19	**(150,000)**	–
Net cash flows (used in)/from investing activities		**(242,030)**	68,976
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placing of new shares	33	**618,037**	92,010
Share issue expenses	33	**(5,616)**	(2,767)
Proceeds from issue of share warrants	30	**–**	5,751
Proceeds from issue of shares upon exercise of share options		**–**	93,448
New interest-bearing other borrowings	31	**12,022**	201,053
Repayment of promissory note		**(258,000)**	–
Repayment of interest-bearing other borrowings		**(201,053)**	–
Capital injection by non-controlling interest upon incorporation of a subsidiary		**112**	–
Capital injection by non-controlling interest into a subsidiary	38	**21,390**	–
Net cash flows from financing activities		**186,892**	389,495
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**170,760**	(468)
Cash and cash equivalents at beginning of year		**36,179**	37,034
Effect of foreign exchange rate changes, net		**(885)**	(387)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**206,054**	36,179

1. CORPORATE AND GROUP INFORMATION

China Touyun Tech Group Limited (the "Company") (formerly known as China Opto Holdings Limited) is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The principal place of business of the Company is located at 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively refer to as the "Group") are the manufacture and sale of packaging products, provision of QR codes on products packaging and solutions, online advertising display services; investment and trading in securities and money lending.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements include applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared under the historical cost convention, except for listed equity investments classified as available-for-sale investments and financial assets at fair value through profit or loss which have been measured at fair value. A disposal group held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2(d).

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional currency. All values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

Basis of consolidation *(Continued)*

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Changes in accounting policies and disclosures

In the preparation of the consolidated financial statements for the year ended 31 December 2016, the Group has applied, for the first time, the following new and revised standards issued by the HKICPA.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Cycle – 2012-2014	

Except for those impacts described below, the adoption of the above new and revised standards has had no significant effect on these consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Changes in accounting policies and disclosures *(Continued)*

The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material (even if the HKFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasise that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 "Business Combinations". Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The amendments also require that a joint operator to disclose the relevant information required by HKFRS 3 and other standards for business combinations. The amendments require prospective application for annual periods beginning on or after 1 January 2016. The Group did not have any such transactions in the current year and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

HKFRS 14 permits eligible first-time adopters of HKFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. HKFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances. Since the Group is an existing HKFRS preparer and is not involved in any rate regulated activities, this standard does not apply.

The cycle of annual improvements contains amendments to four standards, details are as follow:–

The amendments introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Changes in accounting policies and disclosures *(Continued)*

The amendments to HKFRS 7 provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendment to HKFRS 7 clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The Group did not have any defined benefit scheme.

These amendments do not have any impact on the Group's consolidated financial statements.

(c) Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not yet effective.

		Effective for annual reporting periods beginning on or after
HKAS 28 and HKFRS 10 Amendments	Sale or contribution of assets between an investor and its associate or joint venture	To be determined*
HKAS 7 Amendments	Disclosure Initiative	1 January 2017
HKAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 Amendments	Classification and Measurement of share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

HKAS 7 Amendments

The amendments require an entity to make disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

HKAS 12 Amendments

The amendments provide a number of guidance to help entities assess and estimate whether sufficient taxable profits will be available against which it can utilise a deductible temporary difference. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

HKFRS 2 Amendments

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments;

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature; and

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

During the year, the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments and hence the directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

HKFRS 9 "Financial Instruments"

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

HKFRS 9 "Financial Instruments" *(Continued)*

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is still in the process of assessing the impact of HKFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 16 "Leases"

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

HKFRS 16 "Leases" *(Continued)*

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

The Group is in the process of assessing the impact of HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

(d) Summary of significant accounting policies

Investment in an associate and a joint venture

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

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

The Group's investment in an associate and an joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of an associate and a joint venture is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture is eliminated to the extent of the Group's investment in an associate or a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or joint venture is included as part of the Group's investment in an associate or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Investment in an associate and a joint venture *(Continued)*

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

Gains or losses on dilution of equity interest in associates or joint venture are recognised in profit or loss.

Business combinations and goodwill

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

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 and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

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

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

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

Land and buildings	2% to 5% or over the unexpired terms of the leases, and not longer than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Furniture, fixtures and equipment	10% to 33 $^{1}/_{3}$%
Motor vehicles	20% to 25%
Plant and machinery	10% to 33 $^{1}/_{3}$%
Moulds	15%

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

Non-current assets and disposal groups held for sale

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Leases

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in that statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends on theses financial assets.

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

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

Loans and receivables

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Available-for-sale financial investments

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities, at initial recognition, are recognised at fair value.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing other borrowings and financial liabilities at fair value through profit or loss.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

After initial recognition, the Group's financial liabilities that include trade and bills payable, other payables and accruals and interest-bearing other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

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

Derecognition of financial liabilities

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Revenue recognition

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

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

(b) gains or losses on trading of securities are recognised on a trade date basis when the relevant transaction are executed;

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

(d) revenue from online advertising display services is recognised on a straight line basis over the performance period for which the advertisements are displayed;

(e) service income is recognised when the services have been rendered;

(f) rental income, on a time proportion basis over the lease terms; and

(g) dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Share-based payments *(Continued)*

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension schemes

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

The Group also operates a Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance (the "ORSO") retirement benefit scheme for those employees who are eligible to participate in the ORSO scheme. This scheme operates in a way similar to the MPF Scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited employer's contributions.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Other employee benefits *(Continued)*

Pension schemes (Continued)

The employees of the Group's subsidiary which operates in People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Foreign currencies

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Summary of significant accounting policies *(Continued)*

Foreign currencies *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment assessment on goodwill

The Group determines whether goodwill is impaired at least on an annual basis. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2016, the carrying amount of goodwill is HK$266,514,000 net of impairment loss of HK$263,558,000 being recognised in profit or loss for the year ended 31 December 2016 (2015: Nil). Details of the recoverable amount calculation are disclosed in note 18.

Impairment of available-for-sale investments that are measured at cost less impairment

Determining whether available-for-sale investments are impaired requires an estimation of future cash flows discounted at the current market rate of return of similar assets or recent transaction price and the assessment of the ability for repayment by the investees. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of available-for-sale investments was HK$430,191,000 (2015: HK$195,065,000) as set out in note 20.

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

Estimation uncertainty *(Continued)*

Provision for obsolete and slow-moving inventories

The Group has a general provision policy on inventories based on ageing. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves a comparison of the carrying values of aged inventory items with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance needs to be made in respect of any obsolete and defective inventories identified.

Impairment of loans and receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a loan and receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the amount of unrecognised tax losses are set out in note 32 to the financial statements.

4. SEGMENT INFORMATION

The Group has two reportable segments from continuing operations. The segments are managed separately as each business offers different products or provides different services and requires different business strategies.

The trading of apparel products segment was disposed of on 21 November 2016 and was presented as discontinued operations during the year ended 31 December 2016 and hence the segment information in this note does not include information relating to discontinued operations.

The following summary describes the operations in each of the Group's reportable segments:

Continuing operations:

Packaging products segment	–	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units, provision of QR code on product packaging and solutions and online advertising display services
Treasury investment segment	–	Investments and trading in securities and money lending

4. SEGMENT INFORMATION *(Continued)*

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

There was no inter-segment sale or transfer during the year (2015: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

	Continuing operations					
	Packaging products		Treasury investment		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Group's revenue	**317,746**	341,349	**6,505**	2,102	**324,251**	343,451
Fair value losses on financial assets at fair value through profit or loss, net	**–**	–	**(361,874)**	(57,484)	**(361,874)**	(57,484)
Segment revenue	**317,746**	341,349	**(355,369)**	(55,382)	**(37,623)**	285,967
Segment results	**(251,922)**	12,837	**(360,884)**	(59,538)	**(612,806)**	(46,701)
Corporate and unallocated income, gains and losses					**(452,757)**	335,093
Corporate and unallocated expenses					**(17,165)**	(31,707)
Share of result of a joint venture					**(15,050)**	–
Finance costs					**(10,060)**	(422)
(Loss)/profit before tax					**(1,107,838)**	256,263

4. SEGMENT INFORMATION *(Continued)*

	Continuing operations					
	Packaging products		Treasury investment		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:						
Capital expenditure	**6,306**	214	**–**	–	**6,306**	214
Bank interest income						
– operating segment	**208**	105	**–**	–	**208**	105
– unallocated					**–**	1
					208	106
Depreciation						
– operating segment	**2,526**	2,683	**–**	–	**2,526**	2,683
– unallocated					**–**	122
					2,526	2,805
Write-down of inventories to net realisable value	**–**	558	**–**	–	**–**	558
Loss on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	**–**	(18,227)	**–**	–	**–**	(18,227)
(Reversal of)/impairment loss of trade receivables, net	**(85)**	3,699	**–**	–	**(85)**	3,699
Other receivable written off	**1,798**	–	**–**	–	**1,798**	–
Impairment loss of goodwill	**263,558**	–	**–**	–	**263,558**	–

4. SEGMENT INFORMATION *(Continued)*

Revenue from external customers based on the locations of these customers is analysed as follows:

	2016 HK$'000	2015 HK$'000
Packaging products		
– Hong Kong and the PRC	**171,925**	155,533
– Europe	**80,725**	103,158
– North and South America	**43,841**	57,671
– Others	**21,255**	24,987
	317,746	341,349
Treasury investment		
– Hong Kong	**(355,369)**	(55,382)
Segment revenue	**(37,623)**	285,967

The geographical locations of the Group's non-current assets, except for goodwill are analysed as follows:

	2016 HK$'000	2015 HK$'000
Hong Kong	**568,348**	196,096
Mainland China	**30,557**	7,360
	598,905	203,456

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue derived from customers in the packaging products segment which individually accounted for more than 10% of the Group's revenue is as follows:

	2016 HK$'000	2015 HK$'000
Customer A	**94,452**	94,127

5. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, value of services rendered, net fair value gains and losses on financial assets at fair value through profit or loss and interest income and dividend income on the investment portfolio. The amounts of each significant category of revenue recognised in revenue during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
Manufacturing and sales of packaging products	**294,673**	341,349
Provision of QR code on products packaging and solutions	**12,818**	–
Online advertising display services income	**10,255**	–
Interest income from convertible notes	**1,668**	210
Interest income from loans receivables	**4,837**	1,646
Dividend income from financial assets at fair value through profit or loss	**–**	246
	324,251	343,451
Fair value losses on financial assets at fair value through profit or loss, net*	**(361,874)**	(57,484)

* The gross proceeds from the disposal of listed equity investments at fair value through profit or loss for the year were approximately HK$356,927,000 (2015: HK$677,990,000).

6. OTHER INCOME, GAINS AND LOSSES, NET

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

	Notes	**2016** **HK$'000**	2015 HK$'000
Bank interest income		**208**	106
Sale of scrap materials		**320**	341
Gain on disposal of subsidiaries	37	**7,295**	352,620
(Loss)/gain on disposal of available-for-sale investment, net		**(5,451)**	30,585
Gain on disposal of an associate		**–**	5,744
Gain on deemed partial disposal of a joint venture	19	**1,076**	–
Rental income		**–**	240
Foreign exchange differences, net		**(727)**	(71)
Impairment loss of goodwill	18	**(263,558)**	–
Reversal of/(impairment loss of) trade receivables, net	22	**85**	(3,699)
Impairment loss of available-for-sale investments	20	**(453,834)**	–
Other receivables written off		**(1,798)**	–
Loss on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net		**–**	(18,227)
Loss on extinguishment of financial liabilities at fair value through profit or loss		**–**	(9,164)
Others		**93**	211
		(716,291)	358,686

7. (LOSS)/PROFIT BEFORE TAX

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

	Notes	**2016 HK$'000**	2015 HK$'000
Continuing operations:			
Auditors' remuneration		**1,000**	1,270
Cost of inventories sold		**236,457**	280,164
Depreciation		**2,526**	2,805
Amortisation of prepaid land lease payments		**–**	268
Amortisation of intangible assets	17	**132**	–
Minimum lease payments under operating leases		**9,795**	3,034
Research and development cost		**3,148**	–
Employee benefits expenses (including directors' remuneration (note 9)):			
Wages and salaries		**95,258**	75,071
Pension scheme contributions		**9,957**	9,377
		105,215	84,448
Equity-settled share option expense	34	**–**	51,700
Direct operating expenses (including repairs and maintenance) arising on rental-earning properties		**–**	44
Write-down of inventories to net realisable value*		**–**	558
Discontinued operations:			
Auditors' remuneration		**39**	–
Cost of inventories sold		**387**	–
Depreciation		**699**	–
Employee benefits expenses (including directors' remuneration (note 9)):			
Wages and salaries		**3,610**	–
Pension scheme contributions		**66**	–
		3,676	–
Write-down of property, plant and equipment	15	**3,010**	–
Write-down of inventories to net realisable value		**20,830**	–

* This item is included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK$'000	2015 HK$'000
Interest expense on other borrowings	**4,653**	422
Interest expense on promissory note	**5,407**	–
	10,060	422

9. DIRECTORS' REMUNERATION

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

	2016 HK$'000	2015 HK$'000
Fees	**1,578**	1,508
Other emoluments:		
Salaries, allowances and benefits in kind	**5,228**	4,410
Pension scheme contributions	**212**	193
	7,018	6,111

(a) Independent non-executive directors

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

	Notes	2016 HK$'000	2015 HK$'000
Mr. Cheung Wing Ping	(i)	**240**	94
Mr. Chan Sze Hung	(ii)	**118**	240
Mr. Ha Kee Choy Eugene		**240**	240
Mr. To Shing Chuen		**240**	240
Mr. Man Wai Chuen	(iii)	**18**	94
		856	908

Notes:

(i) Appointed on 11 August 2015
(ii) Retired on 27 June 2016
(iii) Appointed on 11 August 2015 and retired on 28 January 2016

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

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

Year ended 31 December 2016	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Mr. Wang Liang	(i)	–	433	20	453
Mr. Du Dong	(ii)	–	48	–	48
Ms. Poon Ho Yee Agnes	(iii)	–	2,494	115	2,609
Mr. Lo Yuen Wa Peter	(iv)	–	975	18	993
Ms. Sun Dixie Hui	(iii)	–	1,247	58	1,305
Ms. Lin Ying	(v)	–	31	1	32
		–	5,228	212	5,440
Non-executive directors:					
Mr. Chen Hui	(ii)	2	–	–	2
Dr. Lam How Mun Peter		720	–	–	720
		722	–	–	722
		722	5,228	212	6,162

Year ended 31 December 2015	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
Ms. Poon Ho Yee Agnes	(iii)	–	2,470	114	2,584
Mr. Lo Yuen Wa Peter	(iv)	–	572	16	588
Ms. Sun Dixie Hui	(iii)	–	1,300	60	1,360
Ms. Lin Ying	(v)	–	68	3	71
		–	4,410	193	4,603
Non-executive director:					
Dr. Lam How Mun Peter		600	–	–	600
		600	4,410	193	5,203

Notes:

(i) Appointed on 1 September 2016
(ii) Appointed on 15 December 2016
(iii) Resigned on 15 December 2016
(iv) Appointed on 27 May 2015
(v) Appointed on 29 October 2015 and retired on 28 January 2016

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2015: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the three (2015: three) highest paid employees are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**3,103**	2,992
Pension scheme contributions	**147**	141
	3,250	3,133

The number of highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2016	2015
HK$1,000,001 to HK$1,500,000	**3**	3

11. INCOME TAX

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

	Note	2016 HK$'000	2015 HK$'000
Continuing Operations:			
Current tax – Hong Kong Profits Tax			
Provision for the year		**–**	1,002
Under-provision in prior years		**–**	62
Current tax – PRC Corporate Income Tax			
Provision for the year		**–**	–
		–	1,064
Deferred tax	32	**26**	(4)
		26	1,060

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) and PRC Corporate Income Tax is calculated at 15% and 25% (2015: 25%), on the estimated assessable profits derived from Hong Kong and the PRC respectively. No provision for Hong Kong Profits Tax had been made during the current year as the Group did not generate any assessable profits arising in Hong Kong. The Group's subsidiaries established in the PRC either did not generate any assessable profit arising in the PRC or have tax losses brought forward from prior years to offset against their assessable profits generated during the years ended 31 December 2016 and 2015.

11. INCOME TAX *(Continued)*

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2016 HK$'000	2015 HK$'000
(Loss)/profit before tax		
– continuing operations	**(1,107,838)**	256,263
– discontinued operations	**(55,959)**	–
	(1,163,797)	256,263
Tax at applicable statutory tax rate	**(191,979)**	42,297
Income from offshore manufacturing operation not subject to tax	**(103)**	(908)
Adjustments in respect of current tax of previous periods	**–**	62
Losses attributable to a joint venture	**2,483**	–
Income not subject to tax	**(1,672)**	(59,266)
Expenses not deductible for tax	**150,991**	14,115
Tax losses utilised from previous periods	**(806)**	(39)
Tax losses not recognised	**40,519**	4,818
Others	**593**	(19)
Income tax expense	**26**	1,060

12. DISCONTINUED OPERATIONS

As disclosed in note 36, on 7 March 2016, Bay Wisdom Limited ("Bay Wisdom"), a wholly owned subsidiary of the Group acquired four subsidiaries (collectively referred to as "Bay Wisdom Group") which are principally engaged in the trading of apparel products. As disclosed in note 37, the Group disposed of its entire equity interest in Bay Wisdom Group on 21 November 2016.

The apparel products business was classified as discontinued operations and the related results for the period from 7 March 2016, date of acquisition, to 21 November 2016, date of disposal, were as follows:

	Note	2016 HK$'000
Revenue		**880**
Cost of sales		**(21,217)**
Gross loss		**(20,337)**
Other income, gains and losses		**(3,007)**
Selling and distribution expenses		**(4,719)**
Administrative expenses		**(26,610)**
Loss before tax		**(54,673)**
Income tax		**–**
Loss after tax		**(54,673)**
Loss on disposal of subsidiaries	37	**(1,286)**
Loss for the year from discontinued operations		**(55,959)**

12. DISCONTINUED OPERATIONS *(Continued)*

The net cash flows of discontinued operations for the period from 7 March 2016 to 21 November 2016 were as follows:

	2016 **HK$'000**
Net cash used in operating activities	**(33,786)**
Net cash generated from financing activities	**33,439**
Net cash outflows from discontinued operations	**(347)**

13. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2015: Nil).

14. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(i) From continuing and discontinued operations

The calculations of basic and diluted (loss)/earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2016 and 2015 are based on the following data:

	2016 **HK$'000**	2015 HK$'000
(Loss)/profit for the year attributable to equity shareholders of the Company	**(1,150,825)**	255,259
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**6,503,700**	3,655,792

14. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(Continued)*

(ii) From continuing operations

The calculations of basic and diluted (loss)/earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2016 and 2015 are based on the following data:

	2016 **HK$'000**	2015 HK$'000
(Loss)/profit for the year attributable to equity shareholders of the Company	**(1,094,866)**	255,259
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**6,503,700**	3,655,792

The weighted average number of ordinary shares for the purposes of calculating basis (loss)/earnings per share for the year ended 31 December 2016 has been adjusted to reflect the placing of shares during the year. Details of issue of shares are set out in note 33 to the consolidated financial statements.

Diluted (loss)/earnings per share for the years ended 31 December 2016 and 2015 were the same as the basic (loss)/earnings per share as there were no potential ordinary shares outstanding for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2016:									
Cost		**4,083**	**129**	**8,697**	**3,074**	**9,849**	**652**	**–**	**26,484**
Accumulated depreciation		**(1,795)**	**(125)**	**(7,613)**	**(2,671)**	**(7,472)**	**(613)**	**–**	**(20,289)**
Net carrying amount		**2,288**	**4**	**1,084**	**403**	**2,377**	**39**	**–**	**6,195**
At 1 January 2016, net of accumulated depreciation		**2,288**	**4**	**1,084**	**403**	**2,377**	**39**	**–**	**6,195**
Additions		**–**	**–**	**295**	**1,736**	**98**	**–**	**4,177**	**6,306**
Acquisition of subsidiaries	36	**–**	**1,155**	**5,184**	**698**	**4,448**	**–**	**11,328**	**22,813**
Disposal of subsidiaries	37	**–**	**–**	**(141)**	**–**	**–**	**–**	**–**	**(141)**
Depreciation provided during the year		**(86)**	**(212)**	**(1,409)**	**(706)**	**(779)**	**(33)**	**–**	**(3,225)**
Written-off	7	**–**	**–**	**(3,010)**	**–**	**–**	**–**	**–**	**(3,010)**
Exchange realignment		**–**	**(45)**	**(61)**	**(31)**	**(209)**	**–**	**(617)**	**(963)**
At 31 December 2016, net of accumulated depreciation		**2,202**	**902**	**1,942**	**2,100**	**5,935**	**6**	**14,888**	**27,975**
At 31 December 2016:									
Cost		**4,083**	**1,182**	**8,277**	**5,459**	**13,972**	**652**	**14,888**	**48,513**
Accumulated depreciation		**(1,881)**	**(280)**	**(6,335)**	**(3,359)**	**(8,037)**	**(646)**	**–**	**(20,538)**
Net carrying amount		**2,202**	**902**	**1,942**	**2,100**	**5,935**	**6**	**14,888**	**27,975**

	Notes	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Total HK$'000
At 1 January 2015:								
Cost		108,846	3,622	9,177	3,074	10,720	652	136,091
Accumulated depreciation		(29,096)	(3,097)	(7,694)	(2,404)	(7,747)	(548)	(50,586)
Net carrying amount		79,750	525	1,483	670	2,973	104	85,505
At 1 January 2015, net of accumulated depreciation		79,750	525	1,483	670	2,973	104	85,505
Additions		–	90	97	–	27	–	214
Assets included as held for sale	27	(2,278)	–	–	–	–	–	(2,278)
Disposals		(39,713)	(390)	–	–	–	–	(40,103)
Disposal of subsidiaries	37	(34,129)	(46)	(154)	–	(9)	–	(34,338)
Depreciation provided during the year		(1,342)	(175)	(342)	(267)	(614)	(65)	(2,805)
At 31 December 2015, net of accumulated depreciation		2,288	4	1,084	403	2,377	39	6,195
At 31 December 2015:								
Cost		4,083	129	8,697	3,074	9,849	652	26,484
Accumulated depreciation		(1,795)	(125)	(7,613)	(2,671)	(7,472)	(613)	(20,289)
Net carrying amount		2,288	4	1,084	403	2,377	39	6,195

16. PREPAID LAND LEASE PAYMENTS

	HK$'000
At 1 January 2015	12,940
Amortisation recognised during the year	(268)
Disposal	(12,672)
At 31 December 2015, 1 January 2016 and 31 December 2016	–

17. INTANGIBLE ASSETS

	Notes	**Patent HK$'000**
At 1 January 2015, 31 December 2015 and 1 January 2016, net of accumulated amortisation		**–**
Arising on acquisition of a subsidiary	36	**2,947**
Amortisation charge for the year	7	**(132)**
Exchange alignment		**(298)**
At 31 December 2016, net of accumulated amortisation		**2,517**
At 31 December 2016		
Cost		**2,649**
Accumulated amortisation		**(132)**
Net carrying amount		**2,517**

18. GOODWILL

	Notes	**HK$'000**
At 1 January 2015, 31 December 2015 and 1 January 2016, net of accumulated impairment losses		**–**
Acquisition of subsidiaries	36	**533,947**
Disposal of subsidiaries	37	**(3,875)**
Impairment loss for continuing operations		**(263,558)**
At 31 December 2016, net of accumulated impairment losses		**266,514**
At 31 December 2016		
Cost		**530,072**
Accumulated impairment losses		**(263,558)**
Net carrying amount		**266,514**

The goodwill has been allocated to two CGUs: (1) a group of subsidiaries engaged in the trading of apparel products (the "WWM Group") that were acquired and disposed of in 2016 (see notes 36 and 37) and (2) a group of subsidiaries engaged in the provision of QR code on products packaging and solutions acquired in 2016 (the "Apex Group") (see note 36).

18. GOODWILL *(Continued)*

For the Apex Group that is considered as a CGU, 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. The CGU's cash flow beyond the five-year period is extrapolated using a 3% growth rate. The growth rate used does not exceed the long-term average growth rates for the businesses in which the CGU operates. The pre-tax discount rate used of 22.16% for QR code business reflects specific risks relating to the relevant unit. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

The recoverable amount of the CGU was calculated based on value in use that is lower than the carrying value of the CGU by approximately HK$263,558,000 and accordingly impairment loss of HK$263,558,000 was recognised in profit or loss for the year ended 31 December 2016. In the opinion of the Company's directors, a decrease in the revenue growth rate by 3% per annum and gross margin by 3% per annum would cause the carrying amount of the CGU to exceed its recoverable amount by approximately HK$86,388,000 and HK$39,496,000 respectively.

19. INTERESTS IN A JOINT VENTURE

	2016 **HK$'000**	2015 HK$'000
At beginning of the year	**–**	–
Capital injection	**150,000**	–
Gain on deemed partial disposal of interests in a joint venture	**1,076**	–
Share of loss for the year	**(15,050)**	–
Share of net assets	**136,026**	–

Particulars of the Group's interests in a joint venture as at 31 December 2016 is as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest	Percentage of profit sharing	Principal activities
FreeOpt Holdings Limited ("FreeOpt")	Ordinary share without par value	Republic of Marshall Islands/ Hong Kong	39.16	39.16	Investment holding and money lending

On 30 December 2015, Marvel Galaxy Limited ("MGL") (an indirect wholly-owned subsidiary of the Company) entered into a joint venture agreement with Freeman Financial Investment Corporation ("FFIC") (a wholly-owned subsidiary of Freeman Financial Corporation Limited), pursuant to which MGL and FFIC conditionally agreed to cooperate to set-up the joint venture to carry out business of provision of financial services and money lending by contributing HK$150 million each to the initial share capital of the joint venture so that MGL and FFIC will each hold 50% equity interest in the joint venture. Further details of the joint venture contribution were disclosed in the announcement of the Company dated 30 December 2015. The Group's capital contribution of HK$150,000,000 was made on 5 January 2016.

Thereafter, FreeOpt effected an increase in registered capital whereby FFIC and certain independent third party new investors injected additional capital to FreeOpt amounting to HK$83,000,000 in aggregate. As a result of such increase in registered capital, the Group's equity interest in FreeOpt was diluted from 50% to 39.16% and a gain on deemed partial disposal of HK$1,076,000 was recognised. Despite the dilution in equity interest, the Group was still able to exert joint control over relevant activities of FreeOpt. Accordingly, the Group continues to account for such investment as a joint venture.

19. INTERESTS IN A JOINT VENTURE *(Continued)*

The following table illustrates the summarised financial information, extracted from the management accounts of FreeOpt, reconciled to the carrying amount in the consolidated financial statements.

Summarised consolidated statement of financial position

	2016 HK$'000
CURRENT ASSETS	
Loan receivables	295,000
Loan interest receivable	1,161
Prepayments	13
Cash and cash equivalents	52,989
Total current assets	349,163
CURRENT LIABILITIES	
Other payable	12
Tax payables	1,792
Total current liabilities	1,804
Net assets	347,359
EQUITY	
Share capital	383,000
Accumulated losses	(35,641)
Total equity	347,359

Summarised consolidated statement of comprehensive income

	2016 HK$'000
Revenue	16,733
Loss on disposal of financial assets at fair value through profit or loss, net	(50,000)
Administrative expenses	(583)
Loss before tax	(33,850)
Income tax	(1,791)
Loss for the year	(35,641)

19. INTERESTS IN A JOINT VENTURE *(Continued)*

Reconciliation summarised financial statement

Reconciliation of the summarised financial information presented to the carrying amount of its interests in a joint venture.

	HK$'000
Opening net assets as at 1 January 2016	–
Initial capital injection	300,000
Second capital injection by other shareholders of FreeOpt	83,000
Loss and total comprehensive loss for the year	(35,641)
Closing net assets as at 31 December 2016	347,359
Percentage of the Group's interest in FreeOpt	39.16%
Carrying value as at 31 December 2016	136,026

The Group has no contingent liabilities in relation to its interest in FreeOpt.

20. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2016 HK$'000	2015 HK$'000
Listed equity investments, at fair value	(a)	–	25,040
Unlisted equity investments, at cost	(b)		
Company A	(c)	67,397	90,000
Company B	(d)	46,163	80,025
Company C	(e)	316,631	–
		430,191	195,065

Notes:

(a) As at 31 December 2015, the Group's listed available-for-sale investments with an aggregate carrying value of HK$25,040,000 were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group (note 31). All listed available-for-sale investments were disposed of during the year ended 31 December 2016.

(b) The unlisted equity investments relate to investments in three (2015: two) private entities, which are held for long-term strategic purpose. Company A, Company B and Company C are engaged in the provision of advisory and financial services, property holding, investment in securities trading and money lending.

These available-for-sale investments are measured at cost less impairment at the end of reporting period because the range of the reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: *(Continued)*

(c) During the year ended 31 December 2016, Company A and its subsidiaries incurred significant losses due to the drop in values of their investments. The management of the Company reviewed Company A and its subsidiaries' latest financial position and net asset value per share, and concluded that there was objective evidence of impairment as at 31 December 2016. The Group recognised an impairment loss of approximately HK$22,603,000 in the consolidated statement of profit or loss for the year ended 31 December 2016 with reference to the latest financial information. As at 31 December 2016, the Group had shareholding of 3.95% (2015: 3.98%) and the carrying amount of the investment is approximately HK$67,397,000 (2015: HK$90,000,000).

(d) As at 31 December 2016, the Group owned approximately 2.54% (2015: 2.71%) of the issued share capital of Company B. The management of the Company assessed the recent market transactions to determine whether there was any impairment indicator and concluded that the fair value of the investments is significantly lower than the cost of investment and concluded to recognise an impairment of HK$33,862,000 for the year ended 31 December 2016.

(e) During the year ended 31 December 2016, the Group has subscribed for 13,600,000 shares of Company C representing 11.78% of enlarged share capital of Company C satisfied by issuance of 2,040,000,000 shares of the Company. The cost of investment of HK$714,000,000 was satisfied by the issuance of 2,040,000,000 shares of the Company and was determined based on the market price of the Company's shares of HK$0.35 per share on completion date at 19 July 2016. The fair value of the 11.78% equity interest in Company C on initial recognition was determined based on the market value of the shares issued by the Company at the acquisition date as the directors of the Company are in the opinion that the fair value of the shares issued of the Company is more reliably measured. The management of the Company performed the impairment assessment taking into account the carrying amount of net assets of Company C and its subsidiaries as at 31 December 2016. Due to significant loss incurred by Company C and its subsidiaries since the acquisition date, an impairment loss of approximately HK$397,369,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2016.

21. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Raw materials	**3,771**	6,135
Work in progress	**7,750**	7,879
Finished goods	**9,404**	13,975
	20,925	27,989

22. TRADE AND BILLS RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Trade and bills receivables	**64,872**	38,352
Impairment	**(78)**	(420)
	64,794	37,932

The Group's trading terms with its customers in relation to packaging products segment are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

22. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2016 **HK$'000**	2015 HK$'000
Within 1 month	**34,952**	22,425
1 to 2 months	**13,001**	9,523
2 to 3 months	**3,536**	4,944
Over 3 months	**13,305**	1,040
	64,794	37,932

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

	2016 **HK$'000**	2015 HK$'000
At 1 January	**420**	340
Impairment losses recognised	**143**	3,767
Amount written off as uncollectible	**(257)**	(3,619)
Impairment losses reversed	**(228)**	(68)
	78	420

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of HK$78,000 (2015: HK$420,000) with a carrying amount before provision of HK$78,000 (2015: HK$420,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default for payments.

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

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**26,428**	30,756
Less than 1 month past due	**5,466**	5,125
Over 1 month past due	**32,900**	2,051
	64,794	37,932

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

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

23. LOAN AND INTEREST RECEIVABLES

	2016 HK$'000	2015 HK$'000
Loan and interest receivables, unsecured	–	30,223

Notes:

(i) The loan receivables are stated at amortised cost at an effective interest rates of 12% per annum and the credit term is 1 year. The carrying amount of the loan receivable approximates to its fair value. The loan receivables were fully settled during the year ended 31 December 2016.

(ii) An aged analysis of the loan and interest receivables that are not individually nor collectively considered to be impaired as at the end of the reporting period, based on the payment due date is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	–	30,223

Receivable that was neither past due nor impaired relates to a borrower for whom there was no recent history of default.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepayments	8,625	9,842
Deposits	2,277	1,600
Other receivables	3,547	125
	14,449	11,567
Less: Prepayments classified as non-current assets	(2,196)	(2,196)
Current portion	12,253	9,371

None of the above assets is either past due or impaired.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed equity investments, at market value (note i)	97,500	517,376
Unlisted convertible note, at fair value (note ii)	–	150,000
	97,500	667,376

Notes:

(i) The above financial assets at 31 December 2016 were classified as held for trading and were measured at fair value through profit or loss.

(ii) Designated by the management on fair value through profit or loss on initial recognition.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

As at 31 December 2016, the Group's listed equity investments with an aggregate carrying value of HK$97,500,000 (2015: HK$517,376,000) were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group (note 31).

On 23 December 2015, the Group has subscribed for convertible note of an unlisted private company with principal amount of HK$150,000,000 with a maturity date on 22 December 2018. The convertible note holder shall have the rights to convert the convertible note into 5,000,000 ordinary shares of the issuer at a conversion price of HK$30.

On 19 July 2016, the convertible note was early redeemed by the issuer at face value.

Assuming the portfolio of the Group's listed equity investments has remained unchanged, the market value of the Group's listed equity investments at the date of approval of these financial statements was HK$38,750,000.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**206,054**	36,179

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$62,215,000 (2015: HK$16,026,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

27. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

On 8 December 2015, the Group entered into a conditional agreement with an independent third party to dispose of the Group's entire equity interest in Permate Production Inc. ("Permate"), which is principally engaged in the holding of a property located in the PRC, together with the assignment of benefits and interest in the loan advanced by Qualipak Manufacturing Limited, the immediate holding company of Permate, at a consideration of RMB9,000,000 (equivalent to HK$10,669,000). The transaction was completed on 29 February 2016 as disclosed in note 37 and the only asset of Permate as at 31 December 2015 was included in asset classified as held for sale.

27. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

The asset of Permate (excluding inter-company loan which is eliminated in consolidation) as at 31 December 2015 is as follows:

	2015 HK$'000
Asset	
Property	2,278
Asset classified as held for sale	2,278

28. TRADE AND BILLS PAYABLES

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

	2016 **HK$'000**	2015 HK$'000
Within 1 month	**14,375**	12,797
1 to 2 months	**6,748**	2,507
2 to 3 months	**1,706**	810
Over 3 months	**2,737**	229
	25,566	16,343

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

29. OTHER PAYABLES AND ACCRUALS

	2016 **HK$'000**	2015 HK$'000
Deposits received	**8,378**	7,696
Other payables	**2,679**	1,010
Accruals	**24,716**	9,308
	35,773	18,014

Other payables are non-interest-bearing and are normally settled within three months.

30. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives embedded in the Company's unlisted warrants:

	2015 HK$'000
As at 1 January 2015	–
Issuance of warrants	5,751
Extinguished during the year	(5,751)
As at 31 December 2015, 1 January 2016 and 31 December 2016	–

On 25 June 2015, the Group issued 287,531,980 and 287,531,992 unlisted warrants, with a mandatory exercise right and at the subscription prices of HK$0.56 and HK$0.608, respectively, per warrant, at a placing price of HK$0.01 per warrant (the "Share Warrants"), to 16 independent placees pursuant to certain conditional placing agreements and supplemental agreements dated 21 April 2015, 29 April 2015, 13 May 2015, 15 May 2015 and 8 June 2015. Details of this transaction are set out in the Company's circular dated 9 June 2015.

Pursuant to an agreement dated 2 December 2015 (the "Subscription and Cancellation Agreement") entered into between the Company and the holders of the Share Warrants, the Company agreed to cancel all the outstanding Share Warrants and the holders of the Share Warrants agreed to subscribe for a total of 575,063,972 new shares of the Company at HK$0.16 per share. The subscription was completed on 4 February 2016.

31. INTEREST-BEARING OTHER BORROWINGS

		2016			2015		
	Notes	**Contractual interest rate (%)**	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current:							
Other loans – secured	(i)	**8.00**	**On demand**	**12,022**	8.00	On demand	2,553
Other loans – unsecured	(ii)	**–**	**–**	**–**	Prime rate+ 3.00	2016	198,500
				12,022			201,053

31. INTEREST-BEARING OTHER BORROWINGS *(Continued)*

	2016 HK$'000	2015 HK$'000
Analysed into:		
Margin loans repayable on demand	**12,022**	2,553
Other loans repayable within one year	**–**	198,500
	12,022	201,053

Notes:

(i) At 31 December 2016, the Group's margin loan of HK$12,022,000 was secured by the Group's listed equity investments at fair value through profit or loss with an aggregate carrying value of HK$97,500,000 (note 25).

At 31 December 2015, the Group's margin loan of HK$2,553,000 was secured by the Group's listed available-for-sale investments and listed equity investments at fair value through profit or loss with aggregate carrying values of HK$25,040,000 (note 20) and HK$517,376,000 (note 25), respectively.

(ii) During the year ended 31 December 2016, the unsecured other loans were fully repaid.

32. DEFERRED TAX LIABILITIES

The movements in deferred tax (assets)/liabilities during the year are as follows:

	Notes	Losses available for offsetting against future taxable profits HK$'000	Unrealised fair value gain on financial assets at fair value through profit or loss HK$'000	Fair value adjustment of inventories on business combination HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2015		–	–	–	968	968
Charged/(credited) to profit or loss during the year	11	(13,358)	13,358	–	(4)	(4)
Disposals of subsidiaries		–	–	–	(818)	(818)
At 31 December 2015 and 1 January 2016		**(13,358)**	**13,358**	**–**	**146**	**146**
Charged/(credited) to profit or loss during the year	11	**13,358**	**(13,358)**	**–**	**26**	**26**
Arising on acquisition of subsidiaries	36	**–**	**–**	**2,552**	**–**	**2,552**
Derecognition on disposal of subsidiaries	37	**–**	**–**	**(2,552)**	**–**	**(2,552)**
At 31 December 2016		**–**	**–**	**–**	**172**	**172**

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

32. DEFERRED TAX LIABILITIES *(Continued)*

At 31 December 2016, no deferred tax liabilities has been recognised for withholding taxes as the Group's subsidiaries established in PRC do not have any unremitted retained earnings as at 31 December 2016.

The Group had tax losses arising in Hong Kong of HK$357,555,000 (2015: HK$110,158,000) (subject to agreement by the Inland Revenue Department) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of HK$2,991,000 (2015: HK$127,000) that will expire in one to five years for offsetting against future taxable profits. No deferred tax assets have been recognised in respect of tax losses for year ended 31 December 2016 (2015: HK$80,958,000). Deferred tax assets have not been recognised in respect of the remaining tax losses of HK$357,555,000 (2015: HK$29,200,000) as it is not considered probable that there would be sufficient future taxable profits to utilise such amount.

33. SHARE CAPITAL

Shares

	2016 HK$'000	2015 HK$'000
Authorised: 50,000,000,000 ordinary shares of HK$0.01 each (2015: 10,000,000,000 ordinary shares of HK$0.01 each)	**500,000**	100,000
Issued and fully paid: 9,797,311,301 ordinary shares of HK$0.01 each (2015: 4,528,628,779 ordinary shares of HK$0.01 each)	**97,973**	45,286

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2015		143,765,993	14,377	18,733	33,110
Share Subdivision	(a)	1,293,893,937	–	–	–
First Bonus Issue	(b)	1,437,659,930	14,376	–	14,376
Second Bonus Issue	(c)	718,829,965	7,188	–	7,188
Exercise of share options	(d)	359,414,982	3,594	141,554	145,148
Placing of new shares	(e)	575,063,972	5,751	86,259	92,010
		4,528,628,779	45,286	246,546	291,832
Share issue expenses		–	–	(2,767)	(2,767)
At 31 December 2015 and 1 January 2016		**4,528,628,779**	**45,286**	**243,779**	**289,065**
Issue of shares	(f)	**575,063,972**	**5,751**	**101,174**	**106,925**
Issue of shares	(g)	**2,040,000,000**	**20,400**	**693,600**	**714,000**
Placing of new shares	(h)	**420,738,550**	**4,207**	**113,600**	**117,807**
Issue of shares	(i)	**600,000,000**	**6,000**	**231,000**	**237,000**
Placing of new shares	(j)	**1,632,880,000**	**16,329**	**391,891**	**408,220**
		9,797,311,301	**97,973**	**1,775,044**	**1,873,017**
Share issue expenses		**–**	**–**	**(5,616)**	**(5,616)**
At 31 December 2016		**9,797,311,301**	**97,973**	**1,769,428**	**1,867,401**

33. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Notes:

For the year ended 31 December 2015

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 31 December 2014, every one issued and unissued existing ordinary share of HK$0.10 in the share capital of the Company was subdivided into ten subdivided shares of HK$0.01 each (the "Share Subdivision"). The Share Subdivision was completed on 2 January 2015.

(b) Pursuant to another ordinary resolution passed by the shareholders of the Company at the same special general meeting of the Company held on 31 December 2014, the shareholders of the Company also approved a bonus issue (the "First Bonus Issue") on the basis of one bonus share for every one share (after the Share Subdivision) held by qualifying shareholders whose names appear on the register of members of the Company on the record date, being the date for determining the entitlement to the First Bonus Issue. The First Bonus Issue was completed on 15 January 2015.

(c) Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 18 May 2015, the shareholders of the Company approved another bonus issue (the "Second Bonus Issue") on the basis of one bonus share for every four shares held by qualifying shareholders whose names appear on the register of members of the Company on the record date, being the date for determining the entitlement to the Second Bonus Issue. The Second Bonus Issue was completed on 3 June 2015.

(d) The subscription rights attaching to 359,414,982 share options were exercised at the subscription price of HK$0.26 per share (note 34), resulting in the issue of 359,414,982 shares for a total cash consideration, before expenses, of approximately HK$93,448,000. An amount of HK$51,700,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

(e) On 11 December 2015, the Company allotted and issued 575,063,972 ordinary shares to certain independent third parties at a subscription price of HK$0.16 per share and raised a total of approximately HK$92,010,000, before expenses, as additional working capital of the Company.

For the year ended 31 December 2016

(f) As disclosed in note 30, the holders of the Share Warrants agreed to subscribe for a total of 575,063,972 new shares of the Group at HK$0.16 per share (the "Subscription"). The aggregate subscription price is approximately HK$92,010,000. The subscription was completed on 4 February 2016. The share capital of the Company was increased by approximately HK$5,751,000 and the share premium of approximately HK$86,259,000 was credited to the share premium account. The other equity instrument reserve of approximately HK$14,915,000 was transferred to the share premium account upon Subscription.

(g) On 19 July 2016, the Company allotted and issued 2,040,000,000 shares to Win Wind Capital Limited to subscribe for 11.78% of its enlarged shares. The share price of the Company was HK$0.35 per share at the date of completion of acquisition. The share capital of the Company was increased by approximately HK$20,400,000 and the share premium of approximately HK$693,600,000 was credited to the share premium account.

(h) On 19 August 2016, the Company allotted and issued 420,738,550 ordinary shares to certain independent third parties at a subscription price of HK$0.28 per share and raised a total of approximately HK$117,807,000, before expenses, which was used to satisfy the cash considerations for the acquisition of the Apex Group and the related shareholder's loan, the remainder of which will be used towards working capital purpose of the Group. The share capital of the Company was increased by approximately HK$4,207,000 and the share premium of approximately HK$113,600,000 was credited to the share premium account.

(i) On 19 August 2016, the Company allotted and issued 600,000,000 shares to TY Technology Group Limited as part of the consideration for acquisition of the Apex Group. The transaction was completed on 19 August 2016. The market price of the Company's shares at the acquisition date was HK$0.395 per share. The share capital of the Company was increased by approximately HK$6,000,000 and the share premium of approximately HK$231,000,000 was credited to the share premium account.

33. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Notes: *(Continued)*

For the year ended 31 December 2016 (Continued)

(j) On 28 November 2016, the Company allotted and issued 1,632,880,000 shares to certain independent third parties at a subscription price of HK$0.25 per share and raised a total of approximately HK$408,220,000, before expenses which was used to redeem the promissory note and to expand and develop the Company's newly acquired QR code business. The share capital of the Company was increased by approximately HK$16,329,000 and the share premium of approximately HK$391,891,000 was credited to the share premium account.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

34. SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the "Eligible Group"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

"Related Group" means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on the date of approval of the refreshment of the Scheme mandate limit on 20 October 2016. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associate, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associate, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of offer of the share options.

34. SHARE OPTION SCHEME *(Continued)*

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an issued ordinary share of the Company on the date of offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2016		2015	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**–**	**–**	–	–
Granted during the year	**–**	**–**	0.26	359,415
Exercised during the year	**–**	**–**	0.26	(359,415)
At 31 December		**–**		–

The fair value of the share options granted during the year was HK$51,700,000, which the Group has recognised as equity-settled share option expense during the year ended 31 December 2015.

The fair value of equity-settled share options granted during the year ended 31 December 2015 was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.0
Historical volatility (%)	68.37
Risk-free interest rate (%)	1.86
Expected life of options (year)	10
Weighted average share price (HK$ per share)	0.26

The expected life of the options was based on the historical data over the past three years and was not necessarily indicative of the exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

At the end of the reporting period and date of approval of these financial statements, the Company had no share options outstanding under the Scheme.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 45.

(a) Capital reserve

The Group's capital reserve represents the deemed capital contribution from the then controlling shareholder pursuant to the reorganisation in 2012.

(b) Contributed surplus

The contributed surplus of the Group represents the capital contributions from the equity holders of the subsidiaries now comprising the Group before the completion of the reorganisation in 2012 and the par value of the Company's shares issued to the then controlling shareholder for the acquisition of a subsidiary pursuant to the reorganisation.

(c) Other equity instrument

Other equity instrument represents the fair value of equity-settled forward contract concluded under the Subscription and Cancellation Agreement and was transferred to the share premium account upon completion of the relevant shares subscription as disclosed in note 33(f).

(d) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2(d) to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire after the vesting period.

36. ACQUISITION OF SUBSIDIARIES

On 7 March 2016, the Group entered into a sale and purchase agreement with four independent third parties, to acquire the 100% equity interests in Gilderton Limited, Tre 29 Group (Hong Kong) Limited, 北京埃迪歐亞商貿有限責任公司 and 橋登(北京)商貿有限公司 (collectively referred to as the "WWM Group"), which sold apparel products under the brand 'World We Made', at an aggregate cash consideration of HK$32,500,000. The transaction was completed on the same date.

On 10 August 2016, the Group entered into another sale and purchase agreement with an independent third party to acquire the 100% equity interests of Apex Capital Business Limited and its subsidiaries, Fortune Road International Limited and 上海透雲物聯網科技有限公司 ("SHTY") (collectively referred to as the "Apex Group"). The amount of goodwill arising as result of the acquisition was HK$530,072,000. The Apex Group is engaged in the provision of QR code on products packaging and solutions. The transaction was completed on 19 August 2016. The consideration for the acquisition was satisfied in full by the allotment and issue of 600,000,000 shares of HK$0.01 each and issuance of HK$258,000,000 promissory note. The fair value of the shares issued was determined by reference to their quoted market price of HK$0.395 at the date of acquisition, which amounted to HK$237,000,000. The promissory note with the principal value of HK$258,000,000 and maturity date on 18 August 2017 was interest bearing at 7.5% per annum and accrued interest payable upon maturity. The fair value of promissory note was HK$258,000,000 at the issue date based on the valuation of the directors of the Company. The promissory note was early settled on 29 November 2016 at face value with the accrued interests.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

The carrying amount of the identifiable assets and liabilities of the WWM Group and the Apex Group recognised at the date of acquisition were as follows respectively:

	Notes	WWM Group HK$'000	Apex Group HK$'000	Total amount recognised on acquisition HK$'000
Property, plant and equipment	15	3,542	19,271	22,813
Intangible assets	17	–	2,947	2,947
Cash and cash equivalents		2,058	21,124	23,182
Inventories		22,963	2,935	25,898
Trade and bill receivables		–	37,967	37,967
Prepayments, deposits and other receivables		6,107	9,624	15,731
Trade payables		(3,318)	(15,191)	(18,509)
Other payables and accruals		(175)	(3,349)	(3,524)
Deferred tax liabilities	32	(2,552)	–	(2,552)
Total identifiable net assets recognised		28,625	75,328	103,953
Goodwill on acquisition	18	3,875	530,072	533,947
		32,500	605,400	637,900
Satisfied by:				
Cash		32,500	110,400	142,900
Promissory note		–	258,000	258,000
Issuance of shares		–	237,000	237,000
		32,500	605,400	637,900

The Group incurred transaction costs of HK$3,384,000 for the acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Goodwill arising on acquisition

Goodwill arose from the acquisition of the Apex Group because the cost of the business combination effectively included amounts in relation to the benefit of strengthening packaging business by upgrading the information technology capabilities of its packaging business, future revenue growth and future market development of the Apex Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria of identifiable assets.

None of goodwill arising on this acquisition is expected to be deductible for tax purpose.

Included in the loss for the year is loss of HK$268,463,000 attributable to the additional business generated by the Apex Group. The revenue included in the consolidated statement of profit or loss and other comprehensive income since 19 August 2016 contributed by the Apex Group was HK$23,073,000.

If the acquisition of the Apex Group had occurred on 1 January 2016, the Group's revenue (excluding fair value losses on financial assets at fair value through profit or loss) and loss for the year would have been HK$383,133,000 and HK$1,150,962,000 respectively. 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 an acquisition been completed 19 August 2016, nor is it intended to be a projection of future results.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

Goodwill arising on acquisition *(Continued)*

As analysis of the cash flows in respect of the acquisition of WWM Group and Apex Group are as follows:

	WWM Group HK$'000	Apex Group HK$'000	Total HK$'000
Cash consideration	(32,500)	(110,400)	(142,900)
Cash and cash equivalents acquired	2,058	21,124	23,182
Net outflow of cash and cash equivalents included in cash flows from investing activities	(30,442)	(89,276)	(119,718)

37. DISPOSALS OF SUBSIDIARIES

Year ended 31 December 2016

Details of the net assets of the subsidiaries disposed of and their financial impacts are summarised as follows:

	Notes	Permate HK$'000 (note 27)	Bay Wisdom Group HK$'000 (note a)	Total HK$'000
Net assets disposed of:				
Goodwill	18	–	3,875	3,875
Property, plant and equipment	27, 15	2,278	141	2,419
Inventories		–	4,270	4,270
Trade receivables		–	197	197
Other receivables		–	6,061	6,061
Cash and cash equivalents		–	1,711	1,711
Trade payables		–	(1,571)	(1,571)
Other payables		–	(893)	(893)
Deferred tax liabilities	32	–	(2,552)	(2,552)
		2,278	11,239	13,517
Professional fees and expenses incurred on disposal		1,096	47	1,143
Gain/(loss) on disposals of subsidiaries		7,295	(1,286)	6,009
		10,669	10,000	20,669
Satisfied by:				
Cash		10,669	10,000	20,669

37. DISPOSALS OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2016 *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	Permate HK$'000 (note 27)	Bay Wisdom Group HK$'000 (note a)	Total HK$'000
Cash consideration	10,669	10,000	20,669
Cash and bank balances disposed of	–	(1,711)	(1,711)
Professional fees and expenses	(1,096)	(47)	(1,143)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	9,573	8,242	17,815

Note:

(a) Bay Wisdom Group

On 21 November 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Bay Wisdom Group acquired on 7 March 2016, which is principally engaged in the trading of apparel products, at a consideration of HK$10,000,000. The disposal of the Bay Wisdom Group was completed on the same date.

37. DISPOSALS OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2015

Details of the net assets of the subsidiaries disposed of and their financial impacts are summarised as follows:

	Note	King Place HK$'000	Empire New Assets HK$'000 (note a)	Theme Production House HK$'000 (note b)	Top Concept Group HK$'000 (note c)	Total HK$'000
Net assets disposed of:						
Property, plant and equipment		29,544	29,272	182	4,884	63,882
Deferred tax assets		–	–	17		17
Inventories		–	–	343	–	343
Trade and bills receivables		–	–	5,058	–	5,058
Prepayments, deposits and other receivables		3,111	3,065	322	32	6,530
Tax recoverable		37	–	1,038	–	1,075
Cash and cash equivalents		–	–	7,957	–	7,957
Trade and bills payables		–	–	(9,235)	–	(9,235)
Other payables and accruals		(2)	(2)	(1,767)	(129)	(1,900)
Tax payable		–	(66)	–	(1)	(67)
Deferred tax liabilities		(573)	(627)	–	(208)	(1,408)
Non-controlling interests		–	–	(1,918)	–	(1,918)
		32,117	31,642	1,997	4,578	70,334
Professional fees and expenses		1,121	699	77	249	2,146
Gain on disposal of subsidiaries	6	58,762	279,509	5,426	8,923	352,620
		92,000	311,850	7,500	13,750	425,100
Satisfied by:						
Cash		92,000	10,100	7,500	13,750	123,350
Consideration shares (classified as financial assets at fair value through profit or loss)		–	301,750	–	–	301,750
		92,000	311,850	7,500	13,750	425,100

37. DISPOSALS OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2015 *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	King Place HK$'000	Empire New Assets HK$'000 (note a)	Theme Production House HK$'000 (note b)	Top Concept Group HK$'000 (note c)	Total HK$'000
Cash consideration	92,000	10,100	7,500	13,750	123,350
Cash and bank balances disposed of	–	–	(7,957)	–	(7,957)
Professional fees and expenses	(1,121)	(699)	(77)	(249)	(2,146)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	90,879	9,401	(534)	13,501	113,247

Notes:

(a) Empire New Assets Limited ("Empire New Assets")

On 16 February 2015, the Group entered into a conditional agreement with Million Brilliance Limited, an independent third party and an indirect wholly-owned subsidiary of Skyway Securities Group Limited ("Skyway Securities") (formerly known as Mission Capital Holdings Limited), to dispose of the Group's entire equity interest in Empire New Assets, which is principally engaged in the holding of a property located in Hong Kong, together with the assignment of benefits and interest in the loan advanced by Qualipak Development Limited, the then immediate holding company of Empire New Assets, at an aggregate consideration of HK$90,000,000. The consideration was satisfied as to HK$10,100,000 in cash and HK$79,900,000 by the issuance of 850,000,000 consideration shares by Skyway Securities at an issue price of HK$0.094 per share (the "Consideration Shares"). The Consideration Shares were issued on 20 May 2015 with a total market value of HK$301,750,000 (HK$0.355 per share) and therefore, the fair value of the total consideration for this disposal was HK$311,850,000.

(b) Theme Production House Limited ("Theme Production House")

On 4 May 2015, the Group entered into a conditional agreement with the non-controlling shareholder of Theme Production House to dispose of the Group's 51% equity interest in Theme Production House, which is principally engaged in the trading of display units, at a consideration of HK$7,500,000. The disposal of Theme Production House was completed on 26 May 2015.

(c) Top Concept Limited ("Top Concept")

On 31 August 2015, the Group entered into a conditional agreement with Future Master Investments Limited, an independent third party, to dispose of the Group's entire equity interest in Top Concept, together with its subsidiary, Wisdom Way Limited, (collectively the "Top Concept Group"), which is principally engaged in the holding of a property located in Hong Kong, together with the assignment of benefits and interest in the loan advanced by Qualipak Manufacturing Limited, the then immediate holding company of Top Concept, at a consideration of HK$13,750,000. The disposal of Top Concept was completed on 9 September 2015.

38. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Deemed disposal of interest in a subsidiary without loss of control

On 5 December 2016, an independent third party injected HK$21,390,000 for subscribing 9.9% of the enlarged share capital of Genius Spring Limited, an indirectly owned subsidiary of the Company. The carrying amount of the non-controlling interests in Genius Spring Limited as at the transaction date was HK$21,379,000. The Group recognised an increase in non-controlling interests of HK$21,379,000 and an increase in equity attributable to owners of the Company of HK$11,000. The effect of changes in the ownership interest of Genius Spring Limited on the equity attributable to owners of the Group during the year is summarised as follows:

	2016 **HK$'000**	2015 HK$'000
Carrying amount of non-controlling interests disposed of	**(21,379)**	–
Consideration received from non-controlling interests	**21,390**	–
Gain on disposal within equity	**11**	–

39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Key management compensation

During both years, compensation of key management personnel represents directors' remuneration and those of senior staff as stated in notes 9 and 10 respectively. The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

40. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises, manufacturing plants and car parks under operating lease arrangements. The leases for the office premises are negotiated for terms of two to three years, and those for the manufacturing plants and car parks are negotiated for a term of one year.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**8,149**	279
In the second to fifth years, inclusive	**1,010**	2,450
	9,159	2,729

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitments at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**1,697**	–
Capital contribution to a joint venture	**–**	150,000
	1,697	150,000

The property, plant and equipment are the commitment for the construction in progress at the end of the reporting period.

42. FINANCIAL INSTRUMENTS BY CATEGORY AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Except for available-for-sale investments and financial assets at fair value through profit or loss as set out in notes 20 and 25 respectively, the financial assets and liabilities of the Company and the Group as at 31 December 2016 and 2015 are loans and receivables and financial liabilities at amortised cost, respectively.

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and interest-bearing other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by a director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments classified as available-for-sale investments and financial assets at fair value through profit or loss are based on quoted market prices. The directors believe that the estimated fair values, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2016

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Listed equity instruments	**97,500**	**–**	**–**	**97,500**

As at 31 December 2015

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investments:				
Listed equity investments	25,040	–	–	25,040
Financial assets at fair value through profit or loss:				
Listed equity instruments	517,376	–	–	517,376
Unlisted convertible note	–	150,000	–	150,000
	542,416	150,000	–	692,416

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: None).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, deposits and other receivables, available-for-sale investments, financial assets at fair value through profit or loss, interest-bearing other borrowings, trade and bills payables and other payables and accruals. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2(d) to the financial statements.

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

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

Interest rate risk

The Group's exposure to changes in market interest rates relates primarily to the Group's interest-bearing other borrowings with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise. As at 31 December 2016, the Group did not have any interest bearing borrowings with floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2016		
HK$	–	–
HK$	–	–
2015		
HK$	100	(1,985)
HK$	(100)	1,985

Foreign currency risk

The Group operates in both Hong Kong and the PRC and sells its products internationally. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily through sales, purchases, deposits, trade and other receivables and trade and other payables that are denominated in a currency other than the functional currency of the operations in which they relate. The currencies giving rise to this risk are primarily US$ and RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against HK$ may have impact on the operating results of the Group. The Group's exposure to currency risk arising from US$ against HK$ is considered by the directors as insignificant since HK$ is pledged to US$.

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

Foreign currency risk *(Continued)*

There are limited hedging instruments available to the Group to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. The Group may decide to enter into hedging transactions in the future and management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2016		
If HK$ weakens against RMB	**3**	**245**
If HK$ strengthens against RMB	**(3)**	**(245)**
2015		
If HK$ weakens against RMB	3	163
If HK$ strengthens against RMB	(3)	(163)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of trade and bills receivables, loan and interest receivables and other receivables as disclosed in notes 22, 23 and 24 to the financial statements, respectively. In addition, the Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

Liquidity risk

The Group's liquidity risk is minimal in the current year and the Group managed the risk by matching the raising of loans or equity funding to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

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

	On demand HK$'000
At 31 December 2016	
Trade and bills payables	**25,566**
Other payables and accruals	**27,395**
Interest-bearing other borrowings	**12,022**
	64,983

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

Liquidity risk *(Continued)*

	On demand HK$'000
At 31 December 2015	
Trade and bills payables	16,343
Other payables and accruals	10,318
Interest-bearing other borrowings	201,053
	227,714

Equity price risk

Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 20), and financial assets at fair value through profit or loss (note 25).

The Group's listed equity investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2016	**High/low 2016**	1 January 2016
Hong Kong – Hang Seng Index	**22,001**	**24,364/18,279**	21,914

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

Equity price risk *(Continued)*

The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these equity investments.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of financial investments HK$'000	Increase/ (decrease) in price %	Increase/ (decrease) in equity HK$'000
2016			
Equity securities listed in Hong Kong:			
Available-for-sale	–	–	–
Available-for-sale	–	–	–
Equity securities listed in Hong Kong:			
Held-for-trading	**97,500**	**33.29**	**32,459**
Held-for-trading	**97,500**	**(33.29)**	**(32,459)**
2015			
Equity securities listed in Hong Kong:			
Available-for-sale	25,040	40.36	10,106
Available-for-sale	25,040	(40.36)	(10,106)
Equity securities listed in Hong Kong:			
Held-for-trading	517,376	40.36	208,809
Held-for-trading	517,376	(40.36)	(208,809)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders, to procure adequate financial resources from shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

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

Capital management *(Continued)*

The Group monitors capital using a net debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. Net debt includes trade and bills payables, other payables and accruals and interest– bearing other borrowings, less cash and cash equivalents and excludes assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale. Adjusted capital includes equity attributable to owners of the parent and net debt. The net debt-to-adjusted capital ratios as at the end of the reporting periods were as follows:

	Group	
	2016	2015
	HK$'000	HK$'000
Trade and bills payables	**25,566**	16,343
Other payables and accruals	**35,773**	18,014
Interest-bearing other borrowings	**12,022**	201,053
Less: Cash and cash equivalents	**(206,054)**	(36,179)
Net (cash)/debt	**(132,693)**	199,231
Equity attributable to owners of the parent	**1,184,919**	779,110
Adjusted capital	**N/A**	978,341
Net debt-to-adjusted capital ratio	**N/A**	0.20

45. COMPARATIVE FIGURES

Net fair value losses on financial assets at fair value through profit or loss were included in the Group's revenue while they are presented separately in the consolidated statement of profit or loss and other comprehensive income in current year. Certain items of other expenses have been reclassified to other income, gains and losses. Accordingly, the related comparative figures as set out in the consolidated financial statements and the related notes thereto have been restated to conform to the current year's presentation.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**347,068**	47,890
CURRENT ASSETS		
Prepayments and other receivables	**5,313**	515
Due from subsidiaries	**1,095,574**	477,974
Cash and cash equivalents	**119,077**	121
Total current assets	**1,219,964**	478,610
CURRENT LIABILITIES		
Other payables and accruals	**310**	2,087
Due to subsidiaries	**–**	1,751
Interest-bearing other borrowings	**–**	198,500
Total current liabilities	**310**	202,338
NET CURRENT ASSETS	**1,219,654**	276,272
Net assets	**1,566,722**	324,162
EQUITY		
Issued capital	**97,973**	45,286
Reserves (note)	**1,468,749**	278,876
Total equity	**1,566,722**	324,162

Wang Liang
Director

Lo Yuen Wa Peter
Director

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

Note:

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

	Share premium account HK$'000	Contributed surplus HK$'000 (note 35(b))	Other equity instrument HK$'000 (note 35(c))	Share option reserve HK$'000 (note 35(d))	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2015	18,733	34,951	–	–	38,517	92,201
Total comprehensive loss for the year	–	–	–	–	(31,722)	(31,722)
Equity-instrument issued	–	–	14,915	–	–	14,915
First Bonus Issue	–	(14,376)	–	–	–	(14,376)
Second Bonus Issue	–	(7,188)	–	–	–	(7,188)
Equity-settled share option arrangements	–	–	–	51,700	–	51,700
Issue of shares upon exercise of share options	141,554	–	–	(51,700)	–	89,854
Placing of new shares	86,259	–	–	–	–	86,259
Share issue expenses	(2,767)	–	–	–	–	(2,767)
At 31 December 2015 and 1 January 2016	**243,779**	**13,387**	**14,915**	**–**	**6,795**	**278,876**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(320,861)**	**(320,861)**
Issue of shares	**101,174**	**–**	**(14,915)**	**–**	**–**	**86,259**
Issue of shares	**693,600**	**–**	**–**	**–**	**–**	**693,600**
Placing of new shares	**113,600**	**–**	**–**	**–**	**–**	**113,600**
Issue of shares	**231,000**	**–**	**–**	**–**	**–**	**231,000**
Placing of new shares	**391,891**	**–**	**–**	**–**	**–**	**391,891**
Share issue expenses	**(5,616)**	**–**	**–**	**–**	**–**	**(5,616)**
At 31 December 2016	**1,769,428**	**13,387**	**–**	**–**	**(314,066)**	**1,468,749**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation on 29 December 2011 over the previous nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of the contributed surplus in certain circumstances.

47. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to announcement of the Company dated 24 January 2017, 上海透雲物聯網科技有限公司, an indirect wholly-owned subsidiary of the Company, agreed to acquire 信碼互通(北京)科技有限公司 (Sigmatrix Technology Co., Limited) (the "Sigmatrix") in the PRC, under the relevant acquisition agreement dated 24 January 2017 (the "Acquisition"). Further, pursuant to announcement of the Company dated 21 February 2017, following further negotiations with the seller of the Sigmatrix, the parties to the Acquisition have agreed to revise downwards the consideration of the Acquisition from RMB78 million to RMB55 million which is expected to be completed between March and April 2017.

47. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(b) On 25 January 2017, the Company granted a total of 119,700,000 share options carrying the rights to subscribe for 119,700,000 ordinary shares of the Company to certain employees pursuant to the Company's share option scheme adopted on 18 May 2012. The share options will be vested on 2 July 2018 and are exercisable by the grantees for a period of 4 years from 2 July 2018 to 1 July 2022, both days inclusive, at an exercise price of HK$0.335 per share. The closing price of the Company's shares immediately before the grant date was HK$0.285 per share.

48. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Apex Capital Business Limited	BVI	Ordinary US$100	100 (2015: –)	–	Investment holding
Era Bright Limited	Hong Kong	Ordinary HK$1	–	100 (2015:100)	Money lending
Genius Spring Limited (note 38)	BVI/Hong Kong	Ordinary US$999	–	90.1 (2015:100)	Securities investment and trading
Qualipak Development Limited	BVI	Ordinary US$10,000	100 (2015: 100)	–	Investment holding
Qualipak Manufacturing Limited	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857^	–	100 (2015: 100)	Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units
Qualipak Production (Shenzhen) Company Limited*/# (確必達包裝製造(深圳)有限公司)	PRC	Registered and paid-up US$1,000,000	–	100 (2015: 100)	Manufacture and sale of packaging products
Qualipak Production Inc.	BVI	Ordinary US$10,000	–	100 (2015: 100)	Property holding
Joy Forever Limited	Hong Kong	Ordinary HK$1	–	100 (2015: –)	Provision of corporate management services

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shanghai TY Technology Co.Ltd. */# (上海透雲物聯網科技有限公司)	PRC	Registered RMB200,000,000 and paid-up RMB100,000,000	–	100 (2015:-)	Provision of QR codes on product packaging and related business intelligence IT solutions
Victor Choice Global Limited	BVI	Ordinary US$100	–	100 (2015: 100)	Investment holding

Notes:

\# Registered as a wholly-owned foreign enterprise under the PRC law
* Direct translation from the Chinese name which is for identification purposes only
^ The non-voting deferred shares have restricted rights on the distribution of profits, capital and voting

Details of subsidiaries disposed of during the year are summarised in note 37 to the financial statements.

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

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2017.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

	Years ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**(37,623)**	285,967	397,040	436,402	389,304
(LOSS)/PROFIT BEFORE TAX	**(1,107,838)**	256,263	13,156	19,712	26,171
Income tax	**(26)**	(1,060)	(1,766)	(2,780)	(3,256)
(LOSS)/PROFIT FOR THE YEAR	**(1,107,864)**	255,203	11,390	16,932	22,915
Loss for the year from discontinued operations	**(55,959)**	–	–	–	–
(LOSS)/PROFIT FOR THE YEAR	**(1,163,823)**	255,203	11,390	16,932	22,915
Attributable to:					
Owners of the Company	**(1,150,825)**	255,259	10,349	13,435	20,341
Non-controlling interests	**(12,998)**	(56)	1,041	3,497	2,574
	(1,163,823)	255,203	11,390	16,932	22,915

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,266,945**	1,014,804	345,542	321,159	311,137
Total liabilities	**(73,533)**	(235,694)	(70,513)	(59,025)	(61,829)
Non-controlling interests	**(8,493)**	–	(1,974)	(933)	(1,601)
	1,184,919	779,110	273,055	261,201	247,707

The summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, has been extracted from the published audited financial statements.