Addchance Holdings Limited
互益集團有限公司

(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3344)

2016
Annual Report

TABLE OF CONTENTS

FINANCIAL HIGHLIGHTS

Key Financial Results

	Year ended 31st December,					
	2016	2015	Changes	2014	2013	2012
	HK$'000	HK$'000	+/-%	HK$'000	HK$'000	HK$'000
Turnover	**467,138**	961,072	-51.4%	1,016,283	1,401,667	1,450,209
Gross (Loss) Profit	**(328,546)**	(499,932)	-34.3%	72,256	322,923	278,468
(Loss) Profit for the year	**(349,768)**	(951,129)	-63.2%	(184,258)	59,455	30,561
(Loss) earnings per share (in HK dollars)	**(0.46)**	(1.55)	-70.3%	(0.42)	0.13	0.07

Financial Ratios

	Year ended 31st December,				
	2016	2015	2014	2013	2012
Profitability ratios:					
Gross margin (%)	**n/a**	n/a	7.1	23.0	19.2
Net margin (%)	**n/a**	n/a	n/a	4.2	2.1
Liquidity ratios:					
Current ratio (times)	**0.40**	0.61	1.03	1.13	1.15
Stock turnover (days) *(Note 1)*	**21**	101	398	298	238
Debtors turnover (days) *(Note 2)*	**40**	54	87	155	147
Creditors turnover (days) *(Note 3)*	**9**	16	25	28	35
Capital adequacy ratio:					
Gearing ratio (%) *(Note 4)*	**77.1**	58.3	43.1	43.5	43.8

Notes:

1. The number of stock turnover days is equal to inventory at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.

2. The number of debtors' turnover days is equal to trade and bills receivables at the end of the year divided by the sales of the year and then multiplied by 365 days.

3. The number of creditors' turnover days is equal to trade and bills payable at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.

4. The gearing ratio is equal to total bank and other borrowings at the end of the year divided by total assets at the end of the year.

EXECUTIVE DIRECTORS

Mr. SUNG Kim Ping *(Chairman)*
(retired on 7th May, 2016)
Mr. WONG Chiu Hong
(resigned on 12th October, 2016)
Mr. LO Ping
Mr. YEUNG Choi Yee
(retired on 7th May, 2016)
Mr. TSANG Fai (resigned on 1st June, 2016)
Mr. ZHENG Jun
Mr. CHEUNG Tat Chung
(Chief Executive Officer)
(appointed on 13th August, 2016)

NON-EXECUTIVE DIRECTORS

Mr. CHUI Chi Yun, Robert
Mr. WU Kehao (retired on 7th May, 2016)
Mr. ZHAO Xu
(appointed on 13th August, 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. HUANG Yunjie (retired on 7th May, 2016)
Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

COMPANY SECRETARY

Ms. HUI Wai Man, Shirley

MEMBERS OF AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Ms. HUANG Yunjie (retired on 7th May, 2016)
Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

MEMBERS OF CORPORATE GOVERNANCE COMMITTEE

Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

AUTHORIZED REPRESENTATIVES

Mr. CHUI Chi Yun, Robert
Ms. HUI Wai Man, Shirley

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1118, 11/F
Peninsula Centre
67 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Shanghai Commercial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust
Company (Cayman) Limited
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24 Shedden Road,
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAWS

F. Zimmern & Co.

WEBSITE

www.addchance.com.hk
www.irasia.com/listco/hk/addchance/index.htm

STOCK CODE

3344

CHAIRMAN'S STATEMENT

In 2016, the global economy continued to be affected by the uncertainties including the slowdown of growth in the US, impact of the Brexit referendum on investor confidence, the sluggish Japanese economy and the likely slowdown in growth of the Chinese economy. A further depreciation of Renminbi leaded to the domestic demand and aggravated the downward trend of the economy, and together with the weak performance in domestic market demand of the textile industry have added challenges to the business environment. As Europe and Britain are the major customers of the Company, with a weakening Euro and British Pound, the profit margin of the Company was directly affected during the year.

Under such unfavorable circumstances and the leadership of the Board, all staff of the Company has put great effort in overcoming challenges. During the year, the Company successfully completed the transfer of equity interest in Luoding Addchance Limited (羅定忠益房地產有限公司) located in Yanjiang Fifth Road, Luoding City, generating a gain on disposal and reducing the liabilities of RMB155 million, and production in the dyeing and finishing factory which operated in the original address was suspended since April 2016 and the relocation was completed. As the operation of the dyeing and finishing factory was affected by the suspension, the Company purchased a new site of approximately 95 mu in Shuangdong Town Industry Park (雙東鎮工業園) of Luoding City. Currently, construction of the new dyeing and finishing factory is almost completed and is pending approval from the local environmental protection department. It is expected that the relevant approval will be granted in the third quarter of 2017 and the dyeing and finishing factory is expected to commence operation in the first quarter of 2018. In the future, with the establishment of the new dyeing and finishing factory, it is planned that the equipment procurement and production process will be conducted based on the principle of low consumption and recycling, energy saving and emission reduction, and we are committed to achieving the goals of green production and zero emission of hazardous chemicals in the production chain of textile products so as to improve the environment and reduce the hazards on human health while improving production capacity.

Facing the current environmental protection awareness around the world, especially the active combating of unqualified dyeing factories in Yangtze River Delta and Pearl River Delta by the State Environmental Protection Authority in these two years, we believe that competitors currently failing to meet the requirements of environmental protection would be eliminated which is beneficial to the development of our dyeing factories.

On the other hand, given the increasingly fierce competition in the Southeast Asian countries including Vietnam, Bangladesh and Burma which are enjoying low operation costs and tax concessions, together with the increase in the operation costs including raw materials and salaries, and the weak demand in the domestic and overseas markets as well as the decrease in the price of sweaters, the performance of the Company's operation was not satisfactory in the past few years. The Company has made efforts to cope with the situation by broadening the source of revenue and reducing expenditure, adjusting personnel deployment, reorganization of internal systems and structure, enhancement of product structure and optimization of technologies.

During the year, the Company conducted a comprehensive internal review including the closure of certain inefficient factories and layoff of the idle and redundant employees, the cost of operation for the period has already been lowered effectively, the operation efficiencies of employees has also been enhanced by providing trainings, and the incentive system will be implemented for stimulating the motivation of employees. During this year, the attrition rate of production had vicariously lowered and the operation efficiency has been increased.

The Company plans to optimize its businesses and strengthen the research and development capability and product design so as to enhance its ability of handling individual orders with high profit margins and develop high-end and premium products. The Directors believe that in the future, the Company will take up bulk orders with low-medium prices so as to secure the operation of the Company at the base level on one hand, and to explore markets with premium products in small quantity, such as cashmere knitwear, functional sweaters and hosiery with antibacterial, anti-UV and medical functions on the other hand, so as to increase the profit of products. Under the current market environment, demand from the ultimate purchasers in China is still higher than that of the US and European countries, and the Company intends to increase the sales and promotion within China.

In addition, cost control is achieved through effective management for reducing the manufacturing costs. The Company also gradually optimizes the production equipment and process of the subsidiaries by upgrading their existing equipment with the addition of energy saving configuration so as to save energy by almost 20%-30% for certain major production equipment. Apart from the existing basis, the Company plans to increase the automation of production technologies so as to rely less on labour force and promote the future growth of the business of the Company.

Due to fluctuation in the international energy market, the gas and oil prices during the year decreased from USD60-70 per barrel in 2015 to USD40-50 per barrel at present. As energy development is affected by the current uncertainties, the Board had seriously considered to temporarily put aside the investment project in Shanxi. The Board will closely monitor the market changes, and to reconsider the project upon improvement of the market environment.

The Group invested and held 51% equity interest in the oil trading projects last year, which mainly include the international trading and offshore oil supply businesses in the coastal countries of Southeast Asia. With a stable market and long-term customers, the Company could enjoy stable income from the investment. With the continuous exploration of potential customers and expansion of market coverage on the basis of the existing market development, important income contribution will be made to the Group.

Subsequent to 31st December, 2016, the Company has acquired approximately 71% equity interest in an asset management company, which was licensed by the Hong Kong Securities and Futures Commission to conduct type 9 regulated activities of the Securities and Futures Ordinance. The business of the asset management company mainly includes setting up and management of funds for clients in return for management fees, subscription fees, fund performance fees and redemption fees as revenue to the Company. The investment targets of the funds of the asset management company include investment in global equities, bonds, derivatives and private equity. The asset management company has established an equity investment and fund management company in Qianhai district, Shenzhen, and such company has been approved by the Financial Development and Services Office of the People's Government of Shenzhen Municipality (深圳市人民政府金融發展服務辦公室) and has obtained the qualification of Qualified Foreign Limited Partner, to raise funds onshore and offshore, set up funds and receive management fees which will bring considerable revenue for the Company.

Looking forward, as the textile industry has remained sluggish for a few years and customers have adopted the de-stocking policy in response to the weak market, the number of orders decreased. Under such situation, some competitors with less strengths were eliminated, and the Directors of the Company now consider that opportunities will re-arrange in the market in future and the Company will maintain the sustainable development and stability of the business in full efforts. To strengthen the competitiveness of the Company, the Group will continue to diversify into businesses with better prospects so as to eliminate the effect of the business downturn in the textile industry.

During the year, the Board of Director has negotiated with the Bank Group regarding the restructuring of the debt of the Company. On the other side, the Company is searching for the new investors to join the Company. Currently, the Company has reached a debt restructuring agreement with the Bank Group. On the other hand, as at the reporting date, the Company was successful to find new investors and has received additional financial resources in total of HK$344 million from the new investors. In the coming 12 months, the Company has sufficient operating funds for debt restructuring and for production and operation. If appropriate, the Company will consider investing in new business in order to maximize the return to the shareholders.

MR. LO PING
Executive Director

Hong Kong, 31st March, 2017

BUSINESS REVIEW AND PROSPECTS

Business Review

We are pleased to report the audited results of the Group for the year ended 31st December, 2016. The Group's consolidated revenue continuously decreased by approximately 51.4% to approximately HK$467.1 million, while the net loss decreased by approximately 63.2% from approximately HK$951.1 million in 2015 to approximately HK$349.8 million for the year ended 31st December, 2016. Other than the written down of inventories and the impairment loss recognised in respect of property, plant and equipment and prepaid lease payments of approximately HK$217.5 million and HK$59.1 million respectively, the impairment losses recognised on trade and other receivables of approximately HK$9.4 million, the impairment loss recognised on available-for-sale investments of approximately HK$42.1 million and the gain on disposal of a subsidiary of approximately HK$329.0 million, the loss contributed by the core business operations was approximately HK$350.7 million, representing a decrease of the loss contributed by the core business operations by approximately 22.0% compared to the 2015.

Over the past few years, there was a significant increase in loss of the Group due to the decrease in revenue given the unfavourable economic environment of textile industry as the cotton prices showed a volatile and downward trend and the necessity to sell the Group's inventories at low prices as a result of the cash flow problems faced by the Group. The Group's revenue decreased by approximately 51.4% as compared with 2015 was mainly due to the sluggish demand in domestic and overseas markets, as well as diminishing tradition advantages and the declining price of commodities and both the export and import demand of China continued to decrease and further adversely affected by the tight cash flow position faced by the Group. Coupled with the weak growth in end-user spending, cotton prices showed a volatile trend. The volatile cotton price had accordingly resulted in the reduction of average selling price of the Group's textile products. Substantial fluctuation in exchange rates and the intensified international competition and the rapid development of textile products in the neighbouring countries such as Bangladesh, the market demand from European customers decreased as a whole and orders from Europe continued to decrease during the year.

As mentioned in the Company's announcement dated 10th June, 2015 and the interim report of the Company for the six months ended 30th June, 2016, the Group has breached certain loan covenants of certain bank facilities and failed to make repayment of certain bank borrowings when they became due. The banks have demanded in writing that the Group shall make immediate repayment of the overdue amounts or they may consider commencing legal proceedings against the Group. As a result of such breach, the banking facilities available to the Group have been reduced substantially and resulted a tight operating cash flow problem during 2016 which further affect the business of the Group.

Furthermore, as a result of further decrease in revenue, the Group was yet to effectively leverage down the average production costs which adversely affected the baseline for our textile business in 2016 and the net gross loss margin further increased in 2016. In order to cope with the decrease in revenue, the Group has reduced the operating cost during 2016 such as reducing the number of employees from approximately 9,600 employees at the beginning of 2016 to approximately 4,000 employees at the end of 2016.

In order to broaden and diversify the business of the Group, an indirect wholly owned subsidiary acquired 51% interest of Group Profit Holdings Limited on 4th August, 2016. Group Profit Holdings Limited is principally engaged in petroleum trading business in South East Asia. Net revenue contributed by petroleum trading was amounted to approximately HK$33,000 during the year ended 31st December, 2016.

Prospects

The Group has strategically shifted the sales focus on knitting business by utilising the competitive advantages of the low labour cost in the Group's production plants in Cambodia. The Group currently has three operating factories in Cambodia which are all engaged in the manufacturing and trading of knitted products. Two factories in Cambodia had been long established and shall continue to mainly focus on serving traditional textile customers. One factory in Cambodia commenced its operation since 2013 which has incorporated the "green factory" system to produce middle to high-end textile products with environmentally friendly features. With the ever growing sense of environmental protection and social responsibility of customers in development countries, the "green factory" policy and measures adopted by the Group in Cambodia will certainly be one of the attractive factors to those customers in considering to place order with the Group. Together with the diversification of products range to high end products and the recruitment of new senior management members, which could bring in new management experience and potential clientele, the Company expects that it could attract more new customers than before. Furthermore, the Directors intend to focus on consolidating its business operations in Cambodia. After the streamlining of the Group's production, it is expected that the operations in Cambodia shall be optimised. The Directors will also continue to adopt cost control measures to further reduce the operating costs in the Cambodia factories, such as to reduce the number of employees during 2017. The Company considers that the restructured operation in Cambodia has the ability to serve as a driving force of the textile business of the Company. In addition, in order to control and further reduce the operating costs and the excessive capacity currently the Group has, the Group has entered into a disposal agreements of two PRC subsidiaries in January 2017.

With the view of the current challenging market environment of textile industry, the Group also intended to diversify its business and stepped into other different businesses. The Group has already acquired 13% equity interest in a company engaged in natural gas business in Shanxi province, the PRC during 2015. On 4th August, 2016, an indirect wholly owned subsidiary acquired 51% interest of Group Profit Holdings Limited, which is principally engaged in petroleum trading business in South East Asia. On 6th January, 2017, a direct wholly-owned subsidiary of the Company has entered into a sale and purchase agreement in relation to the proposed acquisition of 51% equity interest in a PRC company principally engaged in information technology development and consultation, database management, and sale of computer equipment and software where the Directors considered that such proposed acquisition as a good opportunity, i) to reinforce its strategic plan for improving the textile business; ii) to broaden its source of income; and iii) to diversify into a promising and fast growing industry given that (a) it creates synergy effect with the business of the Group and helps to form part of the Group's plan to rejuvenate its textile business, and (b) its promising business outlook also offers the opportunity to the Group to broaden its business and income stream, which in turn is good for stabilising the operation and business development of the Group.

Looking forward, the global economy will undoubtedly remain uncertain. However, as necessity goods, the rigid demand for textile products will continue to exist. Besides, with a further diversification of the businesses and the successful entering into of the debt restructuring deed with the banks regarding the overdue bank borrowings in March 2017, we believe that we are now in a much better position to grasp any market opportunities, to mitigate the impacts of the market's current volatility and to rejuvenate the performance of the Group so as to pursue a satisfactory return to our shareholders.

FINANCIAL REVIEW

Turnover

The Group is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarns, the provision of dyeing services and knitting services and the trading of cotton and yarns. Its major products include dyed yarns made of over 200 different types of cotton, cashmere, ramie, rayon, acrylic, polyester, silk, wool, nylon, linen and a mixture of the above, and knitted sweaters including cardigans and pullovers as well as socks and hosiery products.

The Group's total revenue for the year ended 31st December, 2016 was approximately HK$467.1 million. Comparing with the year ended 31st December, 2015, the revenue dropped by approximately 51.4%, representing a decrease from approximately HK$961.1 million to HK$467.1 million. Production and sales of knitted sweaters and dyed yarn remained as the principal operation of the Group.

The Group's turnover of the sweater business decreased by 60.9%, from approximately HK$587.9 million for the year ended 31st December, 2015 to approximately HK$229.7 million for the year ended 31st December, 2016, representing approximately 49.2% of the Group's total turnover. Similar to previous year, the Group's sales contribution of sweater business was mainly from the orders from Europe and North America. The Group has continued to focus sales to overseas customers by utilizing the competitive advantages of low labour cost in our production plants in Cambodia. Such competitive advantages allowed the Group to grasp larger market shares. Our sweater products were still mainly exported to Europe. With the expansion of our green factory in Cambodia, the Group will focus our products to those middle to high-end textile products with environmental-friendly features. Besides, textile products imported from Cambodia are subject to tax exemption for those European customers and again, this has strengthened the bargaining power of the Group.

Sales generated from the dyed yarn continued to decrease by 40.4%, from approximately HK$262.2 million for the year ended 31st December, 2015 to approximately HK$156.2 million for the year ended 31st December, 2016, representing 33.4% of the Group's total turnover. Similar to the year ended 31st December, 2015, the average yarn selling prices in the PRC market continued to drop for the year ended 31st December, 2016 resulting from the pessimistic and cautious approach adopted by those cotton and dyed yarns customers. Besides, the dyed yarn operation in Luoding was suspended during the year ended 31st December, 2016 due to the relocation of the factory in Luoding which also affected the sales for the year.

Although the overall dyed yarn business is weak, the revenue generated from the provision of dyeing services increased from approximately HK$33.0 million to HK$38.2 million for the year ended 31st December, 2016. As similar to 2015, most of the Group's dyed yarn was still sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang.

The production and sales of cotton yarns is another core business segment of the Group and it represents approximately 7.7% of the Group's turnover during the year ended 31st December, 2016. As a result of the termination of the cotton temporary reserve policy, the PRC cotton price has dropped rapidly since 2014 and has remained at a relatively low level although it showed a gradual upward trend during the year. Therefore, our selling price of those cotton yarn products remained at a low level. Revenue generated from the sales of cotton yarns therefore decreased by 46.7% to approximately HK$36.2 million.

Cost of Sales

With the decrease in sales of 51.4%, the cost of sales also decreased substantially for the year ended 31st December, 2016. Apart from the write-down of inventories of approximately HK$217.5 million (2015: approximately HK$280.8 million), the drop in cost of sales was approximately 45.5% which is in line with the drop in sales for 2016.

Gross loss and gross loss margin

The Group recorded a gross loss of approximately HK$328.5 million (2015: HK$499.9 million) for the year ended 31st December, 2016. Among the total gross loss, there was write-down of inventories of approximately HK$217.5 million (2015: HK$280.8 million) as at year end. Similar to 2015, the Group made provision on those inventories with age over nine months and those costs above the net realizable value. Although the Group adopted different measures to reduce the cost, with the continuous decrease in sales, the variable and fixed production costs are unable to be leveraged down substantially so as the sales volumes are not optimized in the production cycles. The Group will continuously try to manage the gross profit margin by improving the operating efficiency as well as the factory utilization rate.

Net loss margin

Except for the written-down of inventories as at year end of approximately HK$217.5 million (2015: HK$280.8 million), the impairment losses recognised in respect of property, plant and equipment and prepaid lease payments of approximately HK$59.1 million (2015: HK$140.1 million) and impairment losses recognised on trade and other receivables of approximately HK$9.4 million (2015: HK$67.3 million) and the impairment loss recognised on available-for-sale investments of approximately HK$42.1 million (2015: HK$47.3 million), and the gain on disposal of a subsidiary of approximately HK$329.0 million, a net loss of approximately HK$350.7 million (2015: HK$415.6 million) was from the core business of the Group.

With the overall unfavourable economic environment of the textile industry and intense competition from the neighbouring countries and the decrease in salesorders, the majority of the business segments continuously suffered a loss for the year ended 31st December, 2016.

If the orders from sweaters business can be further increased and resumed to the optimum level, it is anticipated that the overall margin for the year ending 31st December, 2017 will be improved. The Group will continuously strive for orders with better profit margin and use its best endeavours to overcome the challenges by sharpening its competitive edge.

Selling and distribution costs

Selling and distribution costs mainly included transportation costs, accessories and packing expenses. For the year ended 31st December, 2016, the Group's selling and distribution costs was approximately HK$35.2 million (2015: HK$61.6 million), representing a drop by 42.8% as compared to that of 2015 and approximately 7.5% (2015: 6.4%) of the Group's revenue.

Administrative expenses

Administrative expenses of approximately HK$146.6 million (2015: HK$135.0 million) mainly consisted of staff cost, including employees' salary and welfare and redundancy costs, directors' remuneration, professional fees and depreciation. The increase during 2016 was mainly due to the increase in staff cost as a result of redundancy and increase in professional fee as a result of increase of financing and acquisition projects.

Finance costs

Finance costs mainly comprised interests on bank and other borrowings which decreased to approximately HK$39.0 million (2015: HK$52.9 million) representing approximately 8.3% (2015: 5.5%) of the Group's revenue. The finance cost decreased as compared to 2015 as a result of decrease in overall bank and other borrowings of the Group.

Borrowings

As at 31st December, 2016, the Group had outstanding bank and other borrowings of approximately HK$679.4 million (2015: HK$997.8 million), in which approximately HK$20.9 million (2015: HK$9.9 million) was classified as falling due more than one year and the remaining balance of approximately HK$658.5 million (2015: HK$987.9 million) was classified as falling due within one year. The total bank and other borrowings decreased by approximately HK$318.4 million when comparing with the balance as at 31st December, 2015 as a result of repayment during the year.

In the second half of 2015, certain bankers have demanded the Group for immediate repayment of the aggregate amount of approximately HK$667.0 million. In March 2017, the Group finally entered into a debt restructuring deed for the then outstanding amount of HK$527 million of defaulted bank borrowings where the repayment of bank borrowings could be reduced to HK$380 million subject to certain terms and conditions.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2016, the Group's cash and cash equivalents have increased slightly from approximately HK$40.3 million to approximately HK$44.6 million. The Group's total assets was approximately HK$881.7 million (2015: HK$1,712.1 million) as at year end.

More net cash was used for operating activities for the year ended 31st December, 2016 with the net effect of the deteriorating operating profit, the decrease in inventories and trade receivables and more net cash was used for repayment of bank borrowings during the year. However, more cash was generated from investing activities mainly due to the disposal of a subsidiary. In addition, placement of 141,000,000 shares with net proceeds of approximately HK$42.2 million was completed on 26th August, 2016. As a result, the net cash and cash equivalents slightly increased to approximately HK$44.6 million as at 31st December, 2016 from HK$40.3 million last year.

The Group mainly met its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings and equity financing. The Group will continue to focus on reducing the net gearing ratio by improving profitability, procuring the disposal of non-core or idle assets and implementing tighter control over costs, working capital and capital expenditure.

On 6th January, 2017, the Company entered into four subscription agreements with four independent subscribers respectively, pursuant to which those subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a maximum of 4,550,000,000 shares in total to the subscribers at the price of HK$0.08 per share with gross proceeds of approximately HK$364 million. Up to the date of this report, subscriptions of three of the subscribers with an aggregate of 4,300,000,000 shares have been completed. Details of which have been disclosed in the announcements of the Company dated 6th January, 2017 and 17th March, 2017 and the circular of the Company dated 28th February, 2017.

The sales and purchases of the Group were denominated in Hong Kong dollar, US dollar and Renminbi. Fluctuations in foreign currencies such as the US dollar and the Renminbi remained a concern of the Group. To mitigate the foreign currency risk, the Group will consider to enter into appropriate hedging arrangements from time to time.

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2016 was improved to approximately 21 days (2015: 101 days). With the written-down of stocks of approximately HK$217.5 million (2015: HK$280.8 million) as at year end, those aged stocks were excluded and therefore resulted in the significant improvement on the stock turnover days. The Group will continuously monitor its inventory level to a secure level in the coming year.

Debtors' turnover days

The debtors' turnover days was decreased to 40 days for the year ended 31st December, 2016 from 54 days last year. Credit control on debt collection and new customers selection procedures are still being made in a stringent manner. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers subject to the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors only when the Company has distributable reserve and is expected to take into account various factors such as the Group's financial results, shareholders' interests, general business conditions and strategies, the Group's capital requirements, contractual restrictions on the payment of dividends by the Company to its shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant. Taking into account the accumulated loss of the Company, the Board does not recommend the payment of final dividend for the year ended 31st December, 2016.

I. INTRODUCTION

The Group devotes itself to the sustainable development and upholds to the performance of social responsibilities. The Group firmly believes that the environmental protection is a key issue in the current society. It starts from itself and firmly follows the concept of energy saving and environmental protection in the business on every aspect to make its contribution to solving the global climate changes. The Group prepares the Environmental, Social and Governance Report this year with the purpose to make truthful disclosure of its work on environmental protection and social responsibilities. From the management to the employees, the Group integrates environmental protection and social issues into their work and life and wishes to make progress in saving energy, reducing emission and performing social responsibilities year by year.

II. REPORTING PERIOD AND CONTENTS

The scope of business covered by this Environmental, Social and Governance Report includes relevant subsidiaries under operation in Hong Kong Special Administrative Region, Mainland China and Cambodia. The period covered by this Report is the 2016 Financial Year ("2016 FY"), i.e. from 1 January, 2016 to 31 December, 2016.

III. STAKEHOLDERS PARTICIPATION

In the preparation of the Environmental, Social and Governance Report of the Group, the stakeholders participation will facilitate in analyzing of the concerns and importance evaluation of all individual and organizational stakeholders on the environmental, social and governance issues of the Group. The stakeholders of the Group include employees, clients, suppliers, shareholders and investors of the Group, regulatory authorities, media and governmental authorities. We believe that the stakeholders participation will have certain influence on the Group in preparing guidelines and strategies on sustainable development and the performance of social responsibilities and it is the basis for the preparation and implementation of the strategies of the group.

The Group has conducted a survey on the stakeholders participation in the 2016 FY. We conducted the survey through various communication channels, such as online questionnaires, telephone interviews, face-to-face interviews or the distribution of questionnaires. The management of the Group conducted a survey on stakeholders with significant influence and heavy dependence on the Group. They gave their advices and suggestions on the environmental and social issues involved in the operation of the Group. During the 2016 FY, the stakeholders of the Group attached higher importance to environmental policies, energy consumption, pollutants control, supply chain management as well as operation and management compliance. This Environmental, Social and Governance Report will cover all topics with high importance and describe the work conducted and progresses achieved by the Group in such aspects. The Group will pay more attention to such aspects in the long-term operation, prepare corresponding strategies and plans, improve policies and set long-term targets.

IV. SUSTAINABLE ENVIRONMENT

The Group is highly concerned about the influence and potential risks of its production and operation on the environment and the surrounding ecological system. It conducts operation with awareness on environmental protection in a way responsible for the environment. It strictly abides by relevant laws and regulations on environment in all places where the Group has operations, including the *Law of the People's Republic of China on Environmental Protection,* the *Law of the People's Republic of China on Air Pollution Prevention,* the *Law of the People's Republic of China on Noise Pollution Prevention,* the *Law of the People's Republic of China on Water Pollution Prevention,* the *Law of the People's Republic of China on Solid Waste Pollution Prevention,* the *Law of the People's Republic of China on Energy Saving,* the *Law of the People's Republic of China on Environmental Impact Assessment,* the *Law of the People's Republic of China on the Promotion of Clean Production,* the *Law of the People's Republic of China on the Promotion of Circular Economy,* the *Water Law of the People's Republic of China and the Environmental Protection Law of Cambodia*. The Group implements energy-saving measures in its office and plants to reduce the consumption of electricity and the emission of greenhouse gases. The Group also adopts policies to encourage the recycling and use of environmental stationery. With various measures on saving the use of paper and energy, it can more efficiently use resources and reduce waste.

The Group is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarns, the provision of dyeing services and knitting services and the trading of cotton and yarns. Its major products include dyed yarns made of over 200 different types of cotton, cashmere, ramie, rayon, acrylic, polyester, silk, wool, nylon, linen and a mixture of the above, and knitted sweaters including cardigans and pullovers as well as socks and hosiery products. As a result, the influence on the environment is mainly from the emission of water and solid waste. This Report will list relevant emission and control measures of the Group in the following sections.

A.1. Emissions

Treatment of waste water

The Group strictly abides by the *Law of the People's Republic of China on Water Pollution Prevention,* the *Water Law of the People's Republic of China* and the *Law of Cambodia on Environmental Protection and Natural Resources Administration (Waste Water Pollution Control)* in the treatment of waste water. The emission of waste water by the Group includes the industrial waste water from the operation and the domestic waste water from the daily water use by employees. As some subsidiaries of the Group do not need industrial water, they have no record on the emission of waste water. The water for most subsidiaries is taken from rivers or the rainfall collected and they have no washing water divisions. As a result, they have no tap water supplies and emission issues. Plants with waste water have their biochemical treatment pools for waste water inside them. The waste water generated from the plants of the Group has significant effects on the environment. In order to reduce the pollution, it adopted environmental dyeing assistants and invested in the establishment of a DCS system for online monitoring and control. If the indicators of the discharged water exceed the standards, the master valve will close automatically and no water can be discharged.

The Group has adopted various measures to strictly ensure that the discharged materials from production can meet the emission standards, such as:

- Luoding Addchance Limited installed the waste water automatic monitoring system for fulfilling the standard of the relevant authority. When the standard required is exceeded, no waste water can be discharged;
- Luoding City Environmental Protection Bureau takes samples of waste water on a monthly basis for checking whether it has met the standard of the waste water emission;
- The staff of waste water treatment station takes samples every 2 hours for checking whether it has fulfilled the standard. If it is found to be excessive, the emission of waste water would be suspended immediately, and the cause of the problem will be identified and the Group will make sure the waste water has met the standard before emission.

Treatment of waste gas

The Group strictly abides by the *Law of the People's Republic of China on Air Pollution Prevention and* the *Law of Cambodia on Environmental Protection and Natural Resources Administration (Air Pollution Control)* in the treatment of waste gas. The waste gas is mainly generated from the plants in Cambodia, including sulfur dioxide, smoke dust and nitric oxide.

In order to strictly ensure that the waste gas generated meet the emission standards, the Group has adopted the following measures: strictly selecting firewood suppliers and requiring the firewood supplied to meet fixed length, dryness and sickness to ensure sufficient burning and reduce smoke dust. In addition, it is preparing dehumidification and dedusting equipment.

Treatment of solid waste

The Group strictly abides by the *Law of the People's Republic of China on Solid Waste Pollution Prevention* and the *Law of Cambodia on Environmental Protection and Natural Resources Administration (Solid Waste Management)* in the treatment of solid waste. The solid waste of the Group in the 2016 FY is mainly household garbage from the daily life of employees. The solid waste generated from the production of plants in Cambodia is non-toxic and harmless solid waste, including sweater, socks waste (scraps), plastic bags, waste paper box and paper and fur tubes. For household garbage and industrial waste, relevant departments will place them at designated places in different categories and professional waste treatment companies will recycle and handle them. For sludge, relevant departments will collect them and send to power plants for burning.

Noise control

The Group strictly abides by the *Law of the People's Republic of China on Noise Pollution Prevention* and the *Law of Cambodia on Environmental Protection and Natural Resources Administration (Noise Control Management)* in controlling noises. It installs acoustic panels for equipment with high noise. In the general layout design of plants in Cambodia, plants with high noises and low noises are separated. While meeting the requirements on the technical processes, equipment with high noises are arranged relatively concentrated and measures on reducing noises are adopted.

A.2. Use of resources

Use of electricity

The Group strictly abides by the *Law of the People's Republic of China on Energy Saving*. The electricity consumption is mainly from the normal operation of plants, the operation of equipment and the electric equipment in office during the working hours. The Group understands that electricity consumption directly affects the emission of greenhouse gases. To reduce the emission of greenhouse gases, it must strive to reduce the electricity consumption. As a result, the Group attaches great importance to energy saving and reducing emission. The lights in all offices are replaced with T5 light pipes and production plants are installed with transparent skylines to improve the utilization rate of power by electric appliances and reduce the use of electricity. Meanwhile, the Group installed frequency converters for high-power motors to reduce electricity. It replaces traditional air-conditioners with water screen air-conditioners to reduce the consumption of electricity.

Use of water

The use of water by the Group is mainly from the tap water required in the normal operation of plants, the drinking water in office during the working hours and the clean water in tea rooms and bathrooms. A majority of plants take water from rivers or underground water and they have established rainfall collection pools. As a result, they do not need tap water supplies.

The Group attaches great importance to the improvement of the utilization rate of water resources and requires recycling water for production. It implements various measures in plants to improve the utilization rate of water resources, including pasting signboards for saving water at the place using water; replacing traditional water taps with water-saving taps; and strengthening the water-saving education on employees to enhance their awareness on energy saving and reducing emission.

Paper

The use of paper is mainly from the operation of the office, and the Group adopts the following measures to save paper:

- Designating specific recycling bins for waste paper and regularly contacting waste paper recycling companies on recycling matters;
- Using recycled paper;
- Using both sides of paper for printing and photocopying;
- Using the used side the paper for drafting, printing and receiving fax;
- Recycling used envelopes and folders in issuing internal documents and letters;
- Avoiding printing and photocopying documents unless it has to keep a printed version;
- Sending soft copies through emails rather than sending printed copies;
- Archiving documents in the electronic form;
- Modifying the annual report, announcements and other documents in the electronic form;
- Sending electronic greeting cards to replace paper cards during festivals.

Firewood

Some plants of the Group use firewood as fuels for boilers. In order to achieve the maximum use of resources, the Group uses the remaining ashes after the burning of firewood as organic fertilizers for green plants in the plant area.

A.3. Environment and natural resources

The Group pays much attention to environmental issues and the utilization of natural resources. The Group attaches great importance to the use of resources and advocates the environmental concept on energy saving and emission reduction as well as reducing the utilization of natural resources. Besides paper, the Group requires all plants under it recycling all packaging materials and production materials, including paper tubes, paper boxes, fur tubes, plastic tubes, waste iron, waste copper and packaging bags. The Group attaches great importance to the greening work in its operation area and the green coverage in the plant area is relatively high. Besides, a majority of the interior lighting system in the plant area adopts the solar energy power storage system to reasonably use solar energy and indirectly save electricity. In order to reduce the solid waste generated, the Group requires employees to reduce the waste of food.

V. SUSTAINABLE SOCIETY

The Group devotes itself to high-standard corporate and social governance as it is extremely important to the establishment of a safe and healthy working environment, the quality of the products and the social reputation of the Company. Meanwhile, the Group strives to maintain the long-term sustainable development of businesses and the community where it is located. The Group prudently manages its business and carefully and dedicatedly implements the decisions of the management to promote the business model.

Employment and labor practice

B.1. Employment

The Group firmly believes that employees are one of the most important assets of an enterprise. With the continuous growth of an enterprise, it must establish sustainable human capitals to attract and retain talents. The Group strictly abides by the labour laws in Hong Kong, Cambodia and the People's Republic of China, including labour laws, employment promotion laws, social insurance laws, employment ordinances, sexual discrimination ordinances, racial discrimination ordinances and other relevant laws to ensure that it provides reasonable remuneration and welfare for employees and effectively prevents the employment of minor labours and forced labours. The Group respects all employees. In the employment, training, performance management, selection of employees and the calculation of salaries, it ensures that no employees will be discriminated as a result of differences in race, religion, skin colour, sex, nationality, age and disability. It will treat all employees fairly, equally and impartially. Meanwhile, the termination of any employment contracts shall be based on reasonable reasons with proper legal basis. The Group strictly prohibits any inequitable or unreasonable dismissals. The human resources department of the Group will regularly review the latest laws and regulations to update relevant policies on human resources.

The Group will consider the working experiences of employees, the expected working ability, background, the market remuneration for the position, the internal budget of the company and other factors in recruiting new employees. As a result, the Group strives to attract and retain talents and allows them to achieve their goals in an environment where the Group values fairness, mutual respect, credit and other beliefs. In order to improve the salary, welfare, reward and punishment system on employees, the Group prepares the basic remuneration management system on employees. It classifies the basic remuneration levels based on the positions, working time, technical position and positions of employees. It also establishes the employees performance management system and holds the performance appraisal meeting every year to conduct reward the diligent and punish the lazy based on the completion of the work of the department and the implementation of various systems. The working time and breaks of employees meet local employment laws and are set in the employment contract. Besides providing statutory paid leaves, contributing social insurance, housing provident fund and commercial travelling accident insurance for employees as well as providing employees with competitive remuneration system and other treatments provided by the Group, employees also enjoy maternity leaves, martial leaves, paternity leaves, compassionate leaves and other welfare according to laws.

In order to foster the sense of belonging of employees, all branches of the Group regularly hold various group activities. It held the anniversary dinner, Christmas party, Walk for a Million and other group activities in the 2016 FY to promote the friendship among employees and establish a harmonious relation in the team.

B.2. Health and safety

The Group devotes itself to providing employees with a safe and healthy working environment meeting relevant laws and regulations of China, Cambodia and Hong Kong Special Administrative Region, including the *Law of the People's Republic of China on Safety Production,* the *Law of the People's Republic of China on the Prevention of Occupational Diseases*, the ordinances on insurance on work-related injuries and the ordinance on occupational safety and health. The Group actively conducts work on standard safety production and established a management system on standard safety production. It has passed the certification of the OHSAS18001 occupational health and safety management system.

Meanwhile, the Group conducts relevant trainings on occupational health and safety for all employees and provides targeted trainings emergency management, the safe operation of machinery and the disposal of dangerous materials for employees at relevant positions. It also organizes relevant employees to conduct emergency and fire-fighting exercises every year. All subsidiaries of the Group also adopt corresponding measures to guarantee a healthy and safe working environment. The Group irregularly organizes professionals to assess the light, noise, air, dust, ventilation, air and other labour and working environment to ensure that it provides good and safe working conditions for employees. The Group provides employees with appropriate personal protection equipment to prevent potential labour accidents and minimize the effects on the health of employees. Such equipment include: earplugs, eyes protectors, anti-dust respirators, masks, rubber gloves, boots, insulated shoes, aprons, hairnets and safety belts. For plants with high noise, in order to reduce the time that employees are exposed to noises, the Group conducts relevant training on protection knowledge for employees exposed to noises and equips them with hearing protectors meeting standards. It also requires them to cooperate in the implementation of the hearing protection plan of the enterprise and wear earplugs consciously. It organizes relevant employees to conduct health check every year to help employees and the Group to learn about the health conditions of employees and make appropriate working arrangement and conduct treatment) if necessary).

B.3. Development and training

The Group is concerned about the professional development of every employee and sets corresponding training plans at all subsidiaries. During the 2016 FY, the Group organized medium and junior level employees to attend training courses related to the requirements of their work and positions, including the induction courses for new employees, health and safety courses, language courses and technical courses. The induction training covers internal rules on remuneration and welfare, labour disciplines, health and safety, fire fighting, working and position demands. The Group also provides annual trainings and irregular trainings:

- The annual trainings provide trainings on internal rules, the health and safety of all employees and fire fighting;
- The Company arranges regular trainings for different groups of employees based on local regulations and rules, including the training on safety operation by fork-lift truck drivers, boiler operators, chemical products managers and first-aid employees;
- Irregular training courses are conducted based in the actual requirements of all departments to improve the working ability of employees, including the primary practice certificate for boiler operators, fork-lift truck drivers and crane drivers.

B.4. Labour standards

The Group strictly abides by the *Labour Law of the People's Republic of China, the Law of the People's Republic of China on Employment Contract*, the regulations on the prevention of minor labours in the People's Republic of China, the *Law of the People's Republic of China on the Protection of Minors* and other relevant labor laws and regulations and prevent the employment minor labors and forced labours by the Group. The human resources department of the Group complies with relevant national laws and regulations and implements the labour management procedures to review the induction materials of employees to ensure the ages of employees comply with the requirements of regulations. It also conducts induction talks with employees before they join the Group and ascertaining that they are not forced labours.

Operation practice

B.5. Supply chain management

The Group is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarns, the provision of dyeing services and knitting services and the trading of cotton and yarns. The main raw materials procured by the Group are relevant wool and ancillary materials. When selecting suppliers, the Group generally considers environmental and social risk factors, requiring suppliers to provide local business licenses and taxation registration certificates to ensure that the suppliers meet the standards of national regulations on the industry. The specific standards for selecting include the following six items: meeting the standards of national regulations on the industry; having good reputation; passing the certification of quality management system; good services; competitive prices; and outstanding performance. In addition, qualified suppliers in Cambodia must provide business licenses, the approvals on pollution emission tax and value-added tax as well as the standard certificates on relevant products not containing hazards and meeting various international regulations.

For new suppliers, the Group requires them to provide samples to test their quality. If their samples are qualified and the price and delivery period meet the requirements, the procurement department will procure a few supplies to conduct further quality assessment. New suppliers have to pass an assessment period for half a year. If the quality of the suppliers performed stably during the period, they will be upgraded into qualified suppliers. For suppliers with cooperation at present, the procurement department of the Group is responsible for managing and maintaining a healthy and good commercial partnership with them. The procurement department has to strictly control the procurement quality, select samples for review and determination by the management. The materials procured must be attached with quality warranty or conducted on-site (entrusted) tests. If the quality of raw materials of the suppliers declines and fails to meet the required quality of the Group within the stipulated period, the procurement department will suspend the cooperation with the supplier.

B.6. Product liabilities

The Group adheres to the concept of "Quality and Service Are Top Priorities" for products. It requires excellent quality, loyal services, green and environmental protection and no waste. The Group strictly abides by relevant laws and regulations on the industry, including the *Law of the People's Republic of China on Safety Production*, the *Law of the People's Republic of China on Standardization*, the *Quality Law of the People's Republic of China* and corresponding internal rules and regulations. All products must fully meet the EU standards on environmental protection, including REACH, WEEE, RoHS, EuP and other rules.

The Group has established a complete system on quality assurance and safety. The quality inspection department must conduct the routine inspection on the products of the range based on the *Responsibilities of the Positions of the Quality Inspection Department*. In early production, the quality inspection department shall compare and inspect if there are errors in the weaving, stitching, cross stitching, laundering, amending, packaging and other processes. Meanwhile, it also inspects whether the AQL (Acceptable Quality Level) meets the standards. If it spots defective products, it must explain the requirements on the problem to the employees in the production line, include improvement suggestions into the inspection report and follow up if the production department makes improvements as required. While it conducts random inspections on unfinished shirts, relevant departments must keep all products tidy for quality inspection staff to conduct random inspection. If it spots problems, it must hold meetings to discuss how to improve. Disqualified products must be returned for rework until meeting the standards and handed over to the next department. During the final inspection, the quality inspection department shall randomly select samples for inspection and pays more attention to determine all of the problems raised in the medium inspection report have been improved. It shall inspect a considerable amount of clothes to conduct detailed inspection and check if all indicators meet the standards based on the requirements of the Company and fill in the inspection report on bulk products.

If it receives complaints on product quality from clients, relevant departments will contact clients immediately and investigate the reasons of the complaint and sincerely resolve the matter. They will collect relevant materials (the handling and contents of the complaint) and submit them to the quality inspection department to investigate and analyze the reasons and determine the responsibilities. They will categorize them based on the sources of defective products and notify relevant responsible departments to follow up subsequent handling processes.

The Group appoints legal advisors to provide suggestions and regulation on the advertisement policies and labelling policies for the products. All advertisement suggestions shall be reviewed by legal advisors and approved by the media before official releasing to prevent such improper activities as false or exaggerated advertisements. The Group attaches great importance to the labelling and categorizing of relevant products. According to national laws and regulations and industrial standards, the Group prepares corresponding internal rules and regulations to guarantee the safety and traceability of products.

The Group has strictly abided by the Intellectual Property Law of the People's Republic of China, the Intellectual Property Protection Law of the People's Republic of China, and highly paid attention to and maintained customer's trade secret in respect of intellectual property and privacy. Upon receiving design draft from customers, the relevant department will take the corresponding measures to ensure security of trade secret in respect of intellectual property and privacy and prevent their leakage. For some products with intellectual property rights, the Group will enter into a confidentiality agreement with the relevant suppliers and customers for intellectual property and private trade secret.

The Group has strictly abided by the laws and regulations of Mainland China and Hong Kong Special Administrative Region, including the Law on Protection of Consumer Rights, the Personal Data (Privacy) Ordinance and the Consumer Council Ordinance, in order to protect data and privacy of customers. During 2016 FY, the Group has not received any complaints relating to breach of customer privacy/loss of customer information.

B.7. Anti-corruption

The Group is committed to adhering to the highest ethical standards. The Group has strictly abided by relevant laws and regulations on anti-corruption of Mainland China and Hong Kong Special Administrative Region, including the Law on Anti-money Laundering of the People's Republic of China, Article 274 (for extortion and racketeer) of the Criminal Law of the People's Republic of China, the Interim Provisions on Prohibiting Commercial Bribery, the Prevention of Bribery Ordinance and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance. The relevant laws and regulations on anti-corruption of Mainland China and Hong Kong Special Administrative Region shall be applicable to all Chinese and Hong Kong employees of companies in Cambodia.

In order to strengthen the internal management, rectify the attitude and discipline, improve the working efficiency, and enhance the corporate governance and internal control, the Group formulated the position accountability system of the Company according to relevant regulations. The system expressly prohibits employees from soliciting, accepting or providing bribes or any other form of interest. In addition, in order to prevent bribery, extortion, fraud and money laundering, the related departments will visit the suppliers, and evaluate price and quality regularly to ensure open and transparency when selecting suppliers. Also, the Group has provided a whistle-blowing channel to encourage exposure and disclosure of illegal acts. The privacy of the whistle-blower will be protected and obtained certain incentive. Employees may also report illegal acts by anonymous letters or e-mail. The Group established an independent monitoring team headed by the top management, which is specifically responsible for anti-corruption related investigations. If such whistle-blowing message is received, such team will investigate in a confidential manner. Upon obtaining the relevant evidence, the Group will report the same to the authority.

B.8. Involvement in community activities

The Group is committed to maintaining a sustainable development for its business and community in which it locates. The subsidiaries of the Group responded positively to the call of the headquarters to make their outstanding contributions to the construction of community. The branch companies in Cambodia made the donations to the Cambodia Red Cross and local environmental protection organisations. During the first quarter of 2017, the Company has also made donation to the Community Chest.

The Company is committed to the implementations of good corporate governance practices and procedures.

None of the directors of the Company (the "Directors") is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the code provisions as set out in the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31st December, 2016 (the "Relevant Period"), save for those deviations as set out below:

(a) certain non-executive Director and independent non-executive Director did not attend the general meeting of the Company; and

(b) the chairman of the Board did not attend the annual general meeting of the Company.

The Company has adopted some of the recommended best practices as set out in the Corporate Governance Code.

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 code of conduct regarding securities transactions by the Directors. Having made specific enquiry with each of the Directors, all of them have confirmed that they have complied with the required standard as set out in the Model Code during the Relevant Period.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, there are (i) three executive Directors, namely Mr. Cheung Tat Chung, Mr. Lo Ping and Mr. Zheng Jun, (ii) two non-executive Directors, namely Mr. Chui Chi Yun, Robert and Mr. Zhao Xu and (iii) three independent non-executive Directors, namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu. The Directors' biographical information is set out on pages 35 to 37 of this report.

During the period between 1st January, 2016 and 7th May, 2016, the Chairman assumes the leadership of the Board to ensure that the Board works efficiently and discharges its responsibilities and encourages all Directors to make full and active contribution to the Board's affairs for the best interests of the Company. The Chairman has designated the Company Secretary of the Company for compiling the agenda for each Board meeting and is primarily responsible for approving the agenda after having taken into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda. Mr. Sung Kim Ping retired as Chairman on 7th May, 2016 and the Board did not appoint a new Chairman thereafter during the Relevant Period.

During the Relevant Period:

- Mr. Sung Kim Ping retired as an executive Director on 7th May, 2016;
- Mr. Wu Kehao retired as a non-executive Director on 7th May, 2016;
- Ms. Huang Yunjie retired as an independent non-executive Director on 7th May, 2016;
- Mr. Yeung Choi Yee retired as an executive Director on 7th May, 2016;
- Mr. Tsang Fai resigned as an executive Director on 1st June, 2016;
- Mr. Cheung Tat Chung has been appointed as an executive Director on 13th August, 2016;
- Mr. Zhao Xu has been appointed as a non-executive Director on 13th August, 2016;
- Mr. Wong Chiu Hong resigned as an executive Director on 12th October, 2016.

Mr. Sung Kim Ping, an executive Director and the Chairman of the Group, is the son of Dr. Sung Chung Kwun, the founder, the former Chairman and the former executive Director.

Board Meetings and General Meetings

During the Relevant Period, 31 Board meetings and 3 general meetings were held. The respective attendance of each member of the Board was as follows:–

	Board meetings	General meetings
Mr. Cheung Tat Chung (appointed on 13th August, 2016)	17/18	1/1
Mr. Sung Kim Ping (retired on 7th May, 2016)	2/2	0/2
Mr. Wong Chiu Hong (resigned on 12th October, 2016)	18/21	2/2
Mr. Tsang Fai (resigned on 1st June, 2016)	3/3	2/2
Mr. Lo Ping	31/31	3/3
Mr. Yeung Choi Yee (retired on 7th May, 2016)	2/2	2/2
Mr. Zheng Jun	26/31	3/3
Mr. Chui Chi Yun Robert	27/31	3/3
Mr. Wu Kehao (retired on 7th May, 2016)	2/2	1/2
Mr. Zhao Xu (appointed on 13th August, 2016)	12/18	0/1
Ms. Huang Yunjie (retired on 7th May, 2016)	2/2	1/2
Mr. Chan Shu Kin	28/31	3/3
Dr. Tse Kwok Sang	28/31	3/3
Mr. Chiu Wai Piu	27/31	3/3

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend the general meetings and develop a balanced understanding of the views of the shareholders.

Ms. Huang Yunjie (being the independent non-executive Director) was unable to attend the extraordinary general meeting of the Company held on 30th March, 2016 due to her other business engagements. Mr. Zhao Xu (being non-executive Director) was unable to attend the extraordinary general meeting of the Company held on 7th November, 2016 due to other business commitments.

Code Provision E.1.2

Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting.

Mr. Sung Kim Ping, was the chairman of the Board, did not attend the annual general meeting held on 7th May, 2016 due to his other business engagement. Five (out of six) executive Directors and all committee members of each of the audit, remuneration, nomination and corporate governance committees attended the annual general meeting. The Company considers that their presence is sufficient for addressing the queries from, and maintaining effective communication with, the shareholders attending the annual general meeting.

Directors' insurance

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the Relevant Period.

Roles of the Board and the management of the Group

The Board assumes responsibility for the leadership and control of the Company and its members are collectively responsible for promoting the business of the Company. The Board makes decisions on important matters, including but not limited to the approval of the overall business strategies and policies, business development, risk management, annual budgets, financial results, investment proposals, major acquisition, disposals and capital transactions, internal control, material funding decisions and major commitments relating to the Group's operations. The Board has established four committees, namely the audit committee, the remuneration committee, the nomination committee and the corporate governance committee. The management of the Group is responsible for the day-to-day operations of the Group, which implements the business strategies and plans formulated and approved by the Board. Decisions on the Group's daily operations are delegated to the management of the Group.

Independent non-executive Directors

Each of the independent non-executive Directors has made an annual confirmation to the Company concerning his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are considered to be independent. Mr. Chan Shu Kin is the independent non-executive Director with accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

During the Relevant Period, each of the non-executive Directors (including the independent non-executive Directors) is appointed for a specific term. The appointment of:

- Ms. Huang Yunjie is for a term of one (1) year commencing from 31st May, 2015;
- Mr. Chan Shu Kin is for a term of two (2) years commencing from 15th June, 2015;
- Dr. Tse Kwok Sang is for a term of two (2) years commencing from 9th July, 2015;
- Mr. Chiu Wai Piu is for a term of two (2) years commencing from 1st September, 2015;
- Mr. Wu Kehao is for a term of two (2) years commencing from 3rd November, 2015;
- Mr. Chui Chi Yun, Robert is for a term of one (1) year commencing from 22nd December, 2015 and extend for one (1) year commencing from 22nd December, 2016, and
- Mr. Zhao Xu is for a term of one (1) year commencing from 13th August, 2016.

subject to retirement by rotation at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Remuneration Committee

The Company has established its remuneration committee (the "Remuneration Committee") in August 2005. As at the date of this report, the members of the Remuneration Committee comprise all the independent non-executive Directors, namely Dr. Tse Kwok Sang, Mr. Chan Shu Kin and Mr. Chiu Wai Piu, with Dr. Tse Kwok Sang as the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and members of the senior management of the Company, to determine, with delegated responsibility, the specific remuneration packages of all executive Directors and members of the senior management of the Company, to assess the performance of the executive Directors and to approve the terms of the service contracts of the executive Directors. The terms of reference of the Remuneration Committee have been posted on the website of the Company and are available upon request. The Remuneration Committee will consult the Chairman about its proposals relating to the remuneration of other executive Directors. During the Relevant Period, 4 Remuneration Committee meetings were held. The respective attendance of each of the members of the Remuneration Committee was as follows:–

Dr. Tse Kwok Sang	4/4
Ms. Huang Yunjie (retired on 7th May, 2016)	1/2
Mr. Chan Shu Kin	4/4
Mr. Chiu Wai Piu	3/4

Nomination Committee

The Company has established its nomination committee (the "Nomination Committee") in August 2005. As at the date of this report, the members of the Nomination Committee comprise all the independent non-executive Directors, namely Dr. Tse Kwok Sang, Mr. Chan Shu Kin and Mr. Chiu Wai Piu, with Dr. Tse Kwok Sang as the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee have been posted on the website of the Company and are available upon request. The Company has also adopted a board diversity policy. Board diversity comprises various aspects, including but not limited to gender, age, cultural and educational background, experience, professional qualifications, expertise, skills and the business plans of the Group at the material time. The Board considers that its existing composition satisfies the requirements of diversity under the board diversity policy of the Company. During the Relevant Period, 2 Nomination Committee meetings were held. The respective attendance of each of the members of the Nomination Committee was as follows:–

Dr. Tse Kwok Sang	2/2
Ms. Huang Yunjie (retired on 7th May, 2016)	1/1
Mr. Chan Shu Kin	2/2
Mr. Chiu Wai Piu	2/2

Audit Committee

The Company has established its audit committee (the "Audit Committee") in August 2005. The Audit Committee comprises three members, who are all independent non-executive Directors and one of whom is an independent non-executive Director with the appropriate professional qualifications, or accounting or related financial management expertise. As at the date of this report, the members of the Audit Committee comprise all the independent non-executive Directors, namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu, with Mr. Chan Shu Kin as the Chairman of the Audit Committee.

The principal responsibilities of the Audit Committee are to review the relationship with the Auditors of the Company, review the financial information of the Group and oversee the Group's financial reporting system and internal control procedures. The terms of reference of the Audit Committee have been posted on the website of the Company and are available upon request. During the Relevant Period, 4 Audit Committee meetings were held. The respective attendance of each of the members of the Audit Committee was as follows:–

Mr. Chan Shu Kin	4/4
Ms. Huang Yunjie (retired on 7th May, 2016)	1/2
Dr. Tse Kwok Sang	3/4
Mr. Chiu Wai Piu	4/4

During the year ended 31st December, 2016, the Audit Committee reviewed the Group's interim and annual accounts. The Audit Committee had performed the following works:

(a) reviewed the financial reports for the six months ended 30th June, 2016 and for the year ended 31st December, 2015;

(b) reviewed the accounting principles and practices adopted by the Group and ensured the compliance with the relevant accounting standards, the Listing Rules and other statutory requirements;

(c) reviewed and recommended to the Board the audit scope and auditor's remuneration for the year ended 31st December, 2015.

Corporate Governance Committee

The Company has established its corporate governance committee (the "Corporate Governance Committee") in April 2016. The Corporate Governance Committee comprises three members, who are all independent non-executive Directors and one of whom is an independent non-executive Director with the appropriate professional qualifications, or accounting or related financial management expertise. As at the date of this report, the members of the Corporate Governance Committee comprise all the independent non-executive Directors, namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu, with Mr. Chan Shu Kin as the Chairman of the Corporate Governance Committee.

The principal responsibility of the Corporate Governance Committee is to keep effectiveness of the corporate governance and system of internal non-financial control of the Company, develop and review the Company's policies and practices on corporate governance and make recommendations to the Board, review and approve the annual corporate governance report and related disclosures in the annual and interim reports of the Company and ensure compliance with relevant requirements under the Listing Rules or other laws, regulations, rules and codes as may be applicable to the Company, review and monitor the training and continuous professional development of Directors and senior management of the Company, and develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company.

The terms of reference of the Corporate Governance Committee have been posted on the website of the Company and are available upon request. During the Relevant Period, no Corporate Governance Committee meeting has been held.

Continuous Professional Development

The Directors have been informed of the requirement under Code Provision A.6.5 of Corporate Governance Code as set out in Appendix 14 to the Listing Rules regarding continuous professional development. A summary of the training received by the Directors during the Relevant Period is as follows:

	Reading materials	Attending training	Attending briefings on the latest development of the Listing Rules
Mr. Cheung Tat Chung (appointed on 13th August, 2016)	√	√	√
Mr. Sung Kim Ping (retired on 7th May, 2016)	√	√	√
Mr. Wong Chiu Hong (resigned on 12th October, 2016)	√	√	√
Mr. Tsang Fai (resigned on 1st June, 2016)	√	√	√
Mr. Lo Ping	√	√	√
Mr. Yeung Choi Yee (retired on 7th May, 2016)	√	√	√
Mr. Zheng Jun	√	√	√
Mr. Chui Chi Yun Robert	√	√	√
Mr. Wu Kehao (retired on 7th May, 2016)	√	√	√
Mr. Zhao Xu (appointed on 13th August, 2016)	√	√	√
Ms. Huang Yunjie (retired on 7th May, 2016)	√	√	√
Mr. Chan Shu Kin	√	√	√
Dr. Tse Kwok Sang	√	√	√
Mr. Chiu Wai Piu	√	√	√

COMPANY SECRETARY

The Company Secretary of the Company during the Relevant Period was Ms. Hui Wai Man, Shirley.

The biographical details of Ms. Hui Wai Man, Shirley, the current Company Secretary, are set out in the section headed "Directors and Senior Management" of this annual report. Ms. Hui Wai Man, Shirley took not less than 15 hours of relevant professional training in the year ended 31st December, 2016 as required by the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

Sufficient and effective risk management and internal control systems provide reasonable guarantee for the future success of the Company's business.

The Board is responsible for assessing and determining the nature and extent of risks that the Company is willing to accept and procure the Company to set up and maintain proper and effective risk management and internal control systems; and supervising the management's implementation and monitoring of risk management and internal control system.

The Board has reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and was satisfied with the results of the review.

For the year ended 31st December 2016, the Board has conducted a review on the Group's risk management and internal control systems at least semi-annually. The Board was satisfied that the Group has complied with the provision regarding risk management and internal controls as required under the Corporate Governance Code and is of the view that the risk management and internal control systems are effective and sufficient.

INTERNAL CONTROL

The Board was responsible for overseeing the internal control of the Group. During the Relevant Period, the Directors had conducted at least semi-annually a review of the effectiveness of the system of internal control in respect of the financial, operational, compliance controls and risk management function of the Group and the Company considers them effective and adequate.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2016, the auditors of the Company received approximately HK$2,980,000 and HK$1,265,000 for audit service and non-audit service (including reporting accountant's work, taxation advisory services and other professional services) respectively.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meeting and putting forward proposals at Shareholders' meetings

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company at Room 1118, 11/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

We always welcome Shareholders' views and input. Shareholders and other stakeholders may at any time address their concerns to the Company Secretary by mail, facsimile or email. The contact details are as follows:

Address:	Room 1118, 11/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Facsimile no.:	(852) 2301 2238
Email:	info@addchance.com.hk

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company regards high quality reporting as an essential element in building successful relationships with its shareholders. The Company always endeavours to provide relevant information to existing and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. Regular and publicly available disclosures about important issues, including performance, fundamental business strategy, governance and management of risk are made through various channels:

- the Company's annual general meeting and extraordinary general meetings;
- interim and annual results announcements published on the websites of the Company and the Stock Exchange;
- interim and annual reports of the Company delivered to all shareholders;
- regular press releases;
- timely update of the websites of the Stock Exchange and the Company;
- circulars and other corporate communications to Shareholders; and
- prompt news releases and announcements regarding major corporate actions and business initiatives.

The Company maintains a website at www.addchance.com.hk and www.irasia.com/listco/hk/addchance/index.htm where the Company's announcements, circulars, notices, financial reports, business developments, press releases and other information are posted.

The Company is committed to ensuring that it is in full compliance with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

CONSTITUTIONAL DOCUMENT

The Company did not amend its Articles of Association during the Relevant Period.

DIRECTORS

Executive Directors

Mr. CHEUNG Tat Chung (張達忠先生), aged 62, was appointed as Executive Director and CEO of the Company on 13th August 2016. He is currently responsible for the management oversight of the business operations of the Group and the implementation of the Company's long and short term strategic plans. Mr. Cheung has over 29 years of corporate and institutional banking experience in terms of sales & marketing, relationship management and trade finance operations. He has worked for several international banks or financial institutions in Hong Kong. Apart from his banking experience, Mr. Cheung also has over 14 years' solid and comprehensive experience in factory management across several provinces, including Guangdong and Jiangsu, in the Mainland China between 1998 and 2011. He is a founding and senior member of the Greater China Financial Professionals Association (大中華金融業人員總會).

Mr. LO Ping (盧平先生), aged 65, was appointed as an executive Director of the Company on 22nd December, 2014. Mr. Lo has been a senior consultant for leading gas companies in the development of China market for nearly 21 years. He is also the senior advisor to several Hong Kong accounting firms in relation to China business. He was a senior reporter of Ta Kung Pao (大公報) and the New Evening Post (新晚報) and the General Manager of Business of Hong Kong Commercial Daily. He started to involve in the business of the Mainland since 1979, who was responsible for recommending foreign trading and merchants to 29 different provinces and autonomous regions until 1985. He is a Committee Member of Guangdong Foreign Traders Association (廣東外商公會) and a General Committee Member of Shenzhen General Chamber of Commerce (深圳總商會(工商聯)). He served as an Invited Council Member and Deputy Chief Secretary of All China Youth Federation (中國青年企業家協會) for 8 years, also as the member of the Commission on Youth of the HKSAR for 6 years. Mr. Lo obtained an Advanced Certificate from Royal School of Music in 1973, a certificate from Guangzhou Institute of Physical Education in 1976 and a certificate from Shanghai Institute of Finance & Trade Management College in 1988. Mr. Lo also served as Standing Committee Member, Vice Chairman, even as Life Honorary Chairman in some of the main Associates and Chambers of Commerce of Hong Kong.

Mr. ZHENG Jun (鄭軍先生), aged 47, was appointed as an executive Director of the Company on 29th September, 2015. He graduated from Guangdong Ocean University (formerly known as Zhanjiang Aquatic College (湛江水產學院)) majoring in thermal power machinery and equipment in 1991. He was also a graduate from Lingnan College of Sun Yat-sen University majoring in world economy and trade in 2002. During the period between 1991 and 1996, Mr. Zheng served as the Business Manager of Guangdong Ship Fuel Supply Company (廣東船舶燃料用品公司), a subsidiary of South China Sea Oil Joint Service Company (南海石油聯合服務總公司). Mr. Zheng was also employed as the Business Manager of Guangdong Petrochemicals Company Limited (粵海石化有限公司), a subsidiary of Guangdong Holdings Limited during the period between 1996 and 2001. During the period between 2001 and 2007, Mr. Zheng acted as the Senior Trade Manager of Titan Oil (Singapore) Company Limited (泰山石油(新加坡)有限公司) and was responsible for the petroleum trading business of the said company in China. Mr. Zheng then served as the Senior Trade Manager of Greater China of Titan Petrochemicals Group Limited upon its listing on the Stock Exchange (Stock Code: 1192). In 2003, Mr. Zheng was appointed as the Managing Director of Guangzhou Petroleum and Chemical Company Limited (廣州中陸石化有限公司), one of the largest fuel oil importers in the Pearl River Delta.

Non-Executive Directors

Mr. CHUI Chi Yun, Robert (崔志仁先生), M.H., aged 60, was appointed as a non-executive Director of the Company on 22nd December, 2014. Mr. Chui is a practising Certified Public Accountant in Hong Kong and has worked in the accounting field for 36 years. He has obtained a Bachelor's degree in Commerce (Major in Accounting) from Concordia University and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Chui is now an independent non-executive director of each of Tse Sui Luen Jewellery (International) Limited (Stock Code: 417), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), Wing Lee Property Investments Limited (Stock Code: 864), and PPS International (Holdings) Limited (Stock Code: 8201) and was an independent non-executive director of Aurum Pacific (China) Group Limited (Stock Code: 8148) from May 2015 to March 2016, all of which are listed on the Stock Exchange. He is also a director of a number of private companies and associations.

Mr. ZHAO Xu (趙旭先生), aged 51, was appointed as a non-executive Director of the Company with effect from 13th August, 2016. Mr. Zhao is the creator of ICP Economic Model, and a pioneer leader in E-business. He obtained his MBA degree from California American University. For his fames and achievements in E-business, internet and investment, Mr. Zhao has been appointed as honorary chairman of ASEAN China Commerce Association, China Internet Association and many other social organizations. He creates the ICP economic model which won the national intellectual property protection. The core power of ICP economic model helps to add value, intellectual property and assets to listed companies. So far, Mr. Zhao has successfully invested in many corporations, films and music works. Mr. Zhao is also a bestseller writer and a member of Chinese Pop Musician Association.

Independent Non-Executive Directors

Mr. CHAN Shu Kin (陳樹堅先生), aged 62, was appointed as an independent non-executive Director of the Company on 15th June, 2015. Mr. Chan is a practicing certified public accountant and is a partner of Messrs. Ting Ho Kwan & Chan, Certified Public Accountants. Mr. Chan has over 39 years of experience in the field of auditing, accounting as well as financial management. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of each of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Tax Advisor of the Taxation Institute of Hong Kong and the past president of the Society of Chinese Accountants and Auditors. Mr. Chan is currently an independent non-executive director of PetroAsian Energy Holdings Limited (now known as Tou Rong Chang Fu Group Limited) (Stock Code: 850) and PYI Corporation Limited (Stock Code: 498).

Dr. TSE Kwok Sang (謝國生博士), aged 60, was appointed as an independent non-executive Director of the Company on 9th July, 2015. He holds a bachelor degree in Chemistry from The University of Hong Kong. He also holds a degree of Master of Business Administration, a master degree in Statistics and a Ph.D. degree in Finance from Michigan State University in the United States. Dr. Tse has also obtained the professional designation of Associate of the Society of Actuaries in the United States. Dr. Tse is currently the Undergraduate Programme Director and Associate Professor of the School of Economics and Finance of The University of Hong Kong. Before joining The University of Hong Kong, Dr. Tse was the Assistant Professor of Finance at the Hong Kong University of Science and Technology; prior to that, he was the Assistant Professor of Finance and Insurance at Indiana University in the United States. Dr. Tse is a Co-opted Executive Councilor of the New Territories Heung Yee Kuk. On 1st July, 2010, Dr. Tse was appointed by the Chief Executive of the HKSAR Government as the Justice of the Peace. Dr. Tse is currently an independent non-executive director of Wing Lee Property Investments Limited (Stock Code: 864) and Sunlight Real Estate Investment Trust (Stock Code: 435) as well as AP Asset Management (HK) Limited.

Mr. CHIU Wai Piu (焦惠標先生), aged 69, was appointed as an independent non-executive Director of the Company on 1st September, 2015. He is a very experienced and reputable journalist and has over 41 years of experience in journalism. He has been a reporter, an editor, the main news assignment editor, the local news assignment editor, the managing editor and the editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Mr. Chiu has been the founding treasurer and the second-session chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary – General & Treasurer in the new session of re-election of committee members of the "Hong Kong Federation of Journalists"; and he was also elected as the Director-General in 2009, he is now the Deputy Chief Secretary. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognised. Mr. Chiu currently serves as the independent non-executive director of PetroAsian Energy Holdings Limited (now known as Tou Rong Chang Fu Group Limited) (Stock Code: 850) and Gold Tat Group International Limited (Stock Code: 8266). Mr. Chiu served as an independent non-executive director of Jiwa Bio-Pharm Holdings Limited (now known as U-Home Group Holdings Limited, Stock code: 2327) from September 2008 to September 2013 and an independent non-executive director of Global Strategic Group Limited (Stock Code: 8007) from October 2014 to June 2016.

SENIOR MANAGEMENT

Mr. LIN Chun Ming (連振明先生), aged 64, is the director of Chinakey (Hong Kong) Limited and the Senior Manager of the sales department of the Group. Mr. Lin is responsible for the sales and marketing of the Group's yarn dyeing and sweater knitting sections. Mr. Lin obtained a Diploma in Business Management from the Hong Kong Baptist University in 1977. Mr. Lin has over 30 years of sales and marketing experience in the textile industry. Mr.Lin first joined the Group as a sales representative of Addchance in April 1985 but vacated in April 1990 and founded his own textile business, Lynn's Trading Company. He re-joined the Group in May 1996.

Ms. HUI Wai Man, Shirley (許惠敏女士), aged 49, is the Company Secretary of the Company from 6th November 2015. She is a practicing accountant in Hong Kong and is currently a director of a CPA firm and a securities firm. Ms. Hui is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. IP Siu Kay (葉兆基先生), aged 44, is the Financial Controller of the Group since November 2015. Mr. Ip has years of experience in different areas such as accounting, auditing, taxation, company secretarial work, investor relations and corporate finance. He is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.

Mr. TSANG Fai (曾暉先生), aged 44, joined the Group in January 1999 as an assistant to sales manager and was elected as an executive Director of the Company in May 2013. In June 2016, he resigned as the executive Director of the Company and remained his office as a director of a principal subsidiary of the Company. Mr. Tsang is responsible for the operation and administration of the Group's sweater knitting section. Mr. Tsang obtained his Bachelor's degree in Mathematical Science and Master's degree in Scientific Computing from the Hong Kong Baptist University in 1998 and 2003 respectively.

Mr. YEUNG Choi Yee (楊賽儀), aged 42, joined the Group in November 2003 and was elected as an executive Director of the Company on 1 July 2015. In May 2016, he retired as the executive Director of the Company and remained his position as the general manager of the Group. Mr. Yeung is responsible for the supervision of the Group's information technology department, and the development of the Group's ISO9001 management system, quality system and technological research in the Group's yarn dyeing section. Mr. Yeung obtained his Bachelor's degree in Mathematical Science and Master's degree in Scientific Computing from the Hong Kong Baptist University in 1998 and in 2003 respectively.

The Directors present the 2016 annual report and the audited consolidated financial statements for the year ended 31st December, 2016.

BUSINESS REVIEW

A review of the Group's business and the analysis using the financial key performance indicators are set out on pages 7 to 12 of this report under the paragraphs headed "Business Review and Prospects" and "Financial Review" in the section headed "Management Discussion and Analysis" of this report. In summary, (i) the Group recorded a gross loss of HK$328.55 million for the year ended 31st December, 2016; (ii) production and sales of knitted sweaters and dyed yarn remained as the principal operation of the Group; (iii) the market demands from European customers decreased as a whole; (iv) the market condition for textile industry remained difficult in the year of 2016.

There are a number of principal risks and uncertainties facing the Group as follows: (i) overall weak growth in consumer market of textile industry, (ii) substantial fluctuation in exchange rates, (iii) the intensified international competition, (iv) rapid development of textile products in neighboring countries, such as Bangladesh. The above are not intended to be an exhaustive list of all principal risks and uncertainties facing the Group. These may change over time as new risks and uncertainties emerge and others cease to be of concern.

Looking ahead, the global economy will remain uncertain. However, as necessity goods, the rigid demand for textile products will continue to exist at a stable situation.

Particulars of the major suppliers and customers of the Group are set out on page 45 of this report. The Directors are in general satisfied with the relationships with the customers and suppliers.

The Company recognizes the importance of having good working relationship with its staff and the Directors believe that the Group has good working relationship with its staff as a whole.

In respect of corporate social responsibility, our first green factory in Cambodia has commenced operation since the first quarter of 2013 and was established under the concept of reuse, reduce and recycle. By using environmental friendly materials and implementing green production processes, we aim to achieve better energy conservation and to minimize daily disposals. We have obtained the recognized environmental-related permits as planned.

Save and except for certain deviation from the Corporate Governance Code as set out under Appendix 14 to the Listing Rules, the Company has complied in all material respects with all relevant laws and regulations that have a significant impact on the Group.

Important event affecting the Group that has occurred subsequent to 31st December, 2016 was the approval from the independent shareholders for the subscription of an aggregate of 4,550,000,000 ordinary shares of HK$0.01 each by four investors, namely, Gold Train Investments Limited, Mr. Yuan Dongjie, Mr. Chen Chiquan and Ms. Li Shuanghui, at the consideration of HK$0.08 per share and the transactions contemplated under the relevant agreements dated 6 January 2017 including the grant of the subscription mandate to issue the said shares at the extraordinary general meeting which was held on 17th March, 2017. The net proceeds were intended to be applied as to (i) approximately HK$280.0 million for the repayment of liabilities and (ii) approximately HK$80 million for general working capital of the Group. The closing price of the shares of the Company on 6 January 2017 was HK$1.0. In addition, during the second half of 2015, certain bankers have demanded the Group for immediate repayment of the aggregate amount of approximately HK$667.0 million as a result of default in repayment of certain bank borrowings. As at 31st December, 2016, the defaulted bank borrowings was approximately HK$505 million. In March 2017, the Group finally entered into a debt restructuring deed for the then outstanding amount of HK$527 million of defaulted bank borrowings where the repayment of bank borrowings could be reduced to HK$380 million subject to certain terms and conditions.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2016 amounted to approximately HK$Nil.

DIRECTORS

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

Executive Directors:

Mr. Cheung Tat Chung (appointed on 13th August, 2016)
Mr. Sung Kim Ping (retired on 7th May, 2016)
Mr. Wong Chiu Hong (resigned on 12th October, 2016)
Mr. Tsang Fai (resigned on 1st June, 2016)
Mr. Lo Ping
Mr. Yeung Choi Yee (retired on 7th May, 2016)
Mr. Zheng Jun

Non-executive Directors:

Mr. Chui Chi Yun, Robert
Mr. Wu Kehao (retired on 7th May, 2016)
Mr. Zhao Xu (appointed on 13th August, 2016)

Independent non-executive Directors:

Ms. Huang Yunjie (retired on 7th May, 2016)
Mr. Chan Shu Kin
Dr. Tse Kwok Sang
Mr. Chiu Wai Piu

As far as those Directors up to the date of this report are concerned, Mr. Lo Ping, Mr. Zheng Jun and Mr. Chui Chi Yun, Robert will retire from office by rotation in accordance with Article 87(1) of the Articles of Association of the Company and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Cheung Tat Chung has entered into a director's service agreement with the Company for an initial term of three years from 13th August, 2016, and either party may terminate the agreement by giving to the other party not less than three months notice in writing.

Mr. Lo Ping has entered into a director's service agreement for an initial term of three years from 22nd December, 2014 and shall continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Mr. Chan Shu Kin has entered into a letter of appointment with the Company for a term of two years from 15th June, 2015 to 14th June, 2017.

Dr. Tse Kwok Sang has entered into a letter of appointment with the Company for a term of two years from 9th July, 2015 to 8th July, 2017.

Mr. Chiu Wai Piu has entered into a letter of appointment with the Company for a term of two years from 1st September, 2015 to 31st August, 2017.

Mr. Zhao Xu has entered into a director's service agreement with the Company for a term of one year from 13th August, 2016 to 12th August, 2017.

Mr. Zheng Jun has entered into a director's service agreement with the Company for a term of three years commencing from 29th September 2015 to 28th September 2018.

Mr. Chui Chi Yun, Robert has entered into a director's service agreement with the Company for a term of one year from 22nd December, 2015 to 21st December, 2016, and has been extended for one year until 21st December, 2017.

Other than as disclosed above, none of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2016, none of the directors and chief executive of the Company had any interest or short positions in the share, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and to the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 29th August, 2005 which has expired on 28th August 2015.

No option remained outstanding as at 31st December, 2016.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements 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.

DIRECTORS' INDEMNITY

According to the articles of association of the Company, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their respective offices.

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31st December, 2016.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company, its ultimate holding company, any of its fellow subsidiaries or 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.

RELATED PARTY TRANSACTIONS

Those related party transactions as set out in note 35 of the consolidated financial statements constituted exempted connected transactions/continuing connected transactions of the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON IN SHARES AND UNDERLYING SHARES

As at 31st December, 2016, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors of the Company, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

NON-COMPETITION DEED

In accordance with the terms of a deed of non-competition undertakings in favour of the Company dated 20th September, 2005 (the "Non-competition Deed"), Mr. Wong Chiu Hong has provided with the Company an annual confirmation in respect of his compliance with the terms of the Non-competition Deed. Under the terms of the Non-competition Deed, he has undertaken to the Company to, among others, procure that he or any of his associates will not directly or indirectly be interested in any business which may compete with or similar to the business of the Group from time to time.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the executive directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The remuneration of the non-executive directors (including the independent non-executive directors) of the Company are recommended by the Remuneration Committee. The details of emoluments of the directors are set out in note 13 to the consolidated financial statements.

For the year ended 31st December, 2016, emolument of one of the senior management was within the band of HK$1,000,001 to HK$1,500,000 and the emoluments of all remaining senior management were within the band of HK$Nil to HK$1,000,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 32% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 7% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 24% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 7% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2016.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

MR. LO PING
Executive Director

Hong Kong, 31st March, 2017

Deloitte. 德勤

TO THE SHAREHOLDERS OF ADDCHANCE HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Addchance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 121, which comprise the consolidated statement of financial position as at 31st 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 31st December, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that (a) the Group incurred a net loss of approximately HK$349,768,000 for the year ended 31st December, 2016 and as of that date, the Group's current liabilities exceeded its current assets and total assets by approximately HK$569,904,000 and HK$65,048,000, respectively; (b) the Group has breached certain loan covenants and defaulted on repayment of certain banking loans and therefore the relevant banks demanded immediate repayment of an aggregate amount of approximately HK$504,673,000 that was in default as at 31st December, 2016; and (c) the legal proceedings with former related parties were still pending. In order to improve its liquidity and financial position, the Group has entered into a debt restructuring deed with the relevant banks to refinance its existing debts subsequent and completed the issue of new shares of the Company by virtue of share subscriptions by certain investors for an aggregate gross proceeds of approximately HK$344 million after the end of the reporting period, and has been implementing certain cost-saving measures.

However, the likelihood of completing the debt restructuring depends on, among others, the ability of the Group to successfully execute the debt restructuring deed. In addition, the ultimate outcomes of the legal proceedings with certain former related parties could not be assessed at the date of our report. As stated in note 1 to the consolidated financial statements, these events or conditions, along with other matters as set forth in note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Provision for inventories	
We identified the provision for inventories as a key audit matter due to high degree of management judgement involved in estimation of the amount of allowances based on net realisable values. As disclosed in note 4 to the consolidated financial statements, the carrying amount of the Group's inventories as at 31st December, 2016 amounted to HK$46,595,000 and provision for inventories recognised for the year then ended amounted to HK$217,540,000, resulting from reduction of the average selling prices of the Group's textile products. The directors identified that the operating environment of the textile industry was still challenging during the year and the cotton prices showed a volatile and downward trend throughout the year. These conditions, combined with the sluggish demands in the domestic and foreign markets, led to reduction of the average selling prices of the Group's textile products. Management reviewed the net realisable values of the inventories at the end of the reporting period to determine whether any provision is required to write off or write down the inventories to their net realisable values, based primarily on the aged analysis of inventories, current marketable conditions, latest selling prices and current market conditions, less the estimates for cost of completion of and cost to make the sale for the products (if any).	Our procedures in relation to provision of inventories included: • Understanding management's assessment in estimating the net realisable values of the inventories which is based on the aged analysis of inventories to make provision to write down inventories to their net realisable values. • Testing the accuracy of the aged analysis of inventories, on a sample basis, by checking the ageing date to date of purchase or manufacture. • Testing the appropriateness of management's estimates of the net realisable values of the inventories by comparing the latest selling prices of the inventories, on a sample basis, to the latest invoice prices of sale and management's computations for cost of completion of and cost to make the sale for the products. • Evaluating the historical accuracy of the provision by the Group by comparing the allowance made in prior year to actual amount.

Key Audit Matters – continued

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment and prepaid lease payments	
We identified the impairment of property, plant and equipment and prepaid lease payments as a key audit matter because of its significance to the consolidated financial statements and high degree of management judgement involved in determining whether the carrying amount of these assets are recoverable based on the operating results of the Group's textile business and the latest future development plans of the relevant business of the Group. As disclosed in notes 17 and 18 to the consolidated financial statements, carrying amounts of the Group's property, plant and equipment and prepaid lease payments as at 31st December, 2016 amounted to HK$334,671,000 and HK$44,549,000 respectively; and impairment losses in respect of property, plant and equipment recognised for the year then ended amounted to HK$59,110,000. The calculation of the recoverable amount requires the management of the Group to estimate the higher of fair value less costs of disposal and value in use of those assets. Management reviewed the recoverable amounts of the property, plant and equipment and prepaid lease payments at the end of the reporting period by estimating both (i) the value-in-use of these assets with the key input parameters of estimated gross profit margin, future revenue growth rates and discount rates of its textile business and (ii) the respective fair value less costs of disposal of these assets to determine the impairment amount required to write down these assets to their recoverable amounts. As at 31st December, 2016, the Group has involved independent professional valuers to assess the valuation of the recoverable amounts of the property, plant and equipment and prepaid lease payments.	Our procedures in relation to impairment of property, plant and equipment and prepaid lease payments included: • Understanding management's assessment in estimating the value-in-use and fair value less costs of disposal of the property, plant and equipment and prepaid lease payments and the management's approval for making impairments to write down the relevant assets to their recoverable amounts. • Evaluating the competence, capabilities and objectivity of the independent valuers. • Testing the calculation of recoverable amounts by the higher of value-in-use and fair value less costs of disposal of the property, plant and equipment and prepaid lease payments. • Evaluating the valuation models, including the assumptions applied therein, prepared by the independent valuers in determining (i) the value-in-use based on management's estimates of estimated gross profit margin, future revenue growth rates expected to arise from the operations of the textile business, with reference to the historical performance and the latest budgets of the Group approved by the management, (ii) the fair value less costs of disposal of the Group's property, plant and equipment and prepaid lease payments; and (iii) discount rates used by management by comparing the data derived externally to the Group's own inputs of the current market risk-free rate of interest as well as the industry specific risk factor of the textile business. • Evaluating the historical accuracy of the management's assessment by comparing the historical estimates to actual parameters in current year.

Key Audit Matters – continued

Key audit matter	How our audit addressed the key audit matter
Impairment of an available-for-sale investment in Coulman International Limited ("Coulman International")	
We identified the impairment of the Group's available-for-sale investment of 13% equity interest in Coulman International, which engages in natural gas operations and measured at fair value at the end of each reporting period as a key audit matter because of its significance to the consolidated financial statements and high degree of management judgement involved in determining whether the decline in fair value of the investment below its cost is significant or prolonged. As disclosed in note 19 to the consolidated financial statements, the carrying amount of the available-for-sale investment as at 31st December, 2016 amounted to HK$94,545,000 after an impairment loss recognised for the year amounted to HK$35,455,000. The fair value of the 13% equity interest in Coulman International is determined based on the discounted cash flows from the available-for-sale investment, performed with the assistance of an independent valuer, involved management's estimation of the future cash flows from the investment and discount rates applicable to its business. Management also determined whether the decline in fair value of the investment is significant or prolonged in order to conclude if such decline in fair value should be dealt with in equity or profit or loss accounts. Based on its assessment of the magnitude of the decrease in fair value and the length of time of which the fair value been lower than the Group's original investment cost in the investee, the management concluded that an impairment loss in respect of Coulman International for the year ended 31st December, 2016 should be recognised.	Our procedures in relation to impairment assessment of the available-for-sale investment included: • Understanding the Group's internal control to approve and review the valuation prepared by the independent valuer, which is the basis for the Group to determine the recoverable amount of the available-for-sale investment. • Evaluating the competence, capabilities and objectivity of the independent valuers. • Evaluating the appropriateness of management's conclusion of whether the decline in fair value of the available-for-sale investment is prolonged or significant. • Assessing the reasonableness of the valuation model involving (i) management's estimates of cash flows from the available-for-sale investment, with reference to the historical performance and the latest budgets of the investee approved by its management and (ii) discount rates used by management by comparing the data derived externally to the Group's own inputs of the current market risk-free rate of interest as well as the industry specific risk factor of the natural gas business. • Evaluating the historical accuracy of the management's assessment by comparing the historical estimates to actual parameters in current year.

Other Information

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

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

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

Responsibilities of Directors 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 IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chung Chi Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31st March, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	7	467,138	961,072
Cost of sales		(795,684)	(1,461,004)
Gross loss		(328,546)	(499,932)
Other income and other gains and losses	9	199,181	(212,222)
Selling and distribution costs		(35,208)	(61,559)
Administrative expenses		(146,631)	(135,039)
Finance costs	10	(38,969)	(52,902)
Loss before taxation	11	(350,173)	(961,654)
Income tax credit	12	405	10,525
Loss for the year		(349,768)	(951,129)
Other comprehensive (expense) income that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(56,651)	(33,247)
Reclassification of translation reserve to profit or loss upon disposal of a subsidiary	25	10,986	–
		(45,665)	(33,247)
Total comprehensive expense for the year		(395,433)	(984,376)
(Loss) profit for the year attributable to:			
Owners of the Company		(349,771)	(951,129)
Non-controlling interest		3	–
		(349,768)	(951,129)
Total comprehensive (expense) income attributable to:			
Owner of the company		(395,436)	(984,376)
Non-controlling interest		3	–
		(395,433)	(984,376)
Loss per share, in HK dollars	16		
Basic		(0.46)	(1.55)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	334,671	585,736
Prepaid lease payments	18	43,500	60,992
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		13,309	14,806
Deposit paid for acquisition of an investment	19	–	40,000
Available-for-sale investments	19	97,376	130,000
Other assets	20	16,000	10,989
		504,856	842,523
CURRENT ASSETS			
Prepaid lease payments	18	1,049	1,533
Inventories	21	46,595	403,149
Trade receivables, bills receivables and other receivables, deposits and prepayments	22	105,274	211,723
Tax recoverable		1,572	983
Pledged bank deposits	23	–	49,125
Bank balances and cash	24	107,996	94,119
		262,486	760,632
Assets classified as held for sale	25	114,313	108,963
		376,799	869,595
CURRENT LIABILITIES			
Trade payables and other payables	26	153,693	205,935
Deposit received from transfer of the operation rights of a subsidiary	25	–	236,056
Tax liabilities		783	4,572
Bank and other borrowings - due within one year	27	590,396	934,171
Bank overdrafts	27	68,128	53,772
		813,000	1,434,506
Liabilities associated with assets classified as held for sale	25	133,703	–
		946,703	1,434,506
NET CURRENT LIABILITIES		(569,904)	(564,911)
TOTAL ASSETS LESS CURRENT LIABILITIES		(65,048)	277,612

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2016

	Notes	2016 HK$'000	2015 HK$'000
CAPITAL AND RESERVES			
Share capital	28	8,467	7,057
Reserves		(98,118)	256,534
Equity attributable to owners of the Company		(89,651)	263,591
Non-controlling interest		(1)	–
		(89,652)	263,591
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year	27	20,860	9,861
Deferred tax liabilities	29	3,744	4,160
		24,604	14,021
		(65,048)	277,612

The consolidated financial statements on pages 52 to 121 were approved and authorised for issue by the board of directors on 31st March, 2017 and are signed on its behalf by:

MR. CHEUNG TAT CHUNG
DIRECTOR

MR. LO PING
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 *(Note a)*	Special reserves HK$'000 *(Note b)*	Statutory reserves HK$'000 *(Note c)*	Translation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1st January, 2015	4,413	134,054	69,447	24,673	14,273	213,066	487,891	947,817	–	947,817
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(33,247)	–	(33,247)	–	(33,247)
Loss for the year	–	–	–	–	–	–	(951,129)	(951,129)	–	(951,129)
Total comprehensive expense for the year	–	–	–	–	–	(33,247)	(951,129)	(984,376)	–	(984,376)
Ordinary shares issued	1,780	185,120	–	–	–	–	–	186,900	–	186,900
Transaction cost attributable to issue of new ordinary shares	–	(4,070)	–	–	–	–	–	(4,070)	–	(4,070)
Ordinary shares issued as consideration to acquire an available-for-sale investment	864	116,456	–	–	–	–	–	117,320	–	117,320
Transfer to statutory reserve	–	–	–	–	854	–	(854)	–	–	–
At 31st December, 2015	7,057	431,560	69,447	24,673	15,127	179,819	(464,092)	263,591	–	263,591
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(56,651)	–	(56,651)	–	(56,651)
Reclassification of translation reserve to profit or loss upon disposal of a subsidiary	–	–	–	–	–	10,986	–	10,986	–	10,986
(Loss) profit for the year	–	–	–	–	–	–	(349,771)	(349,771)	3	(349,768)
Total comprehensive (expense) income for the year	–	–	–	–	–	(45,665)	(349,771)	(395,436)	3	(395,433)
Ordinary shares issued	1,410	43,005	–	–	–	–	–	44,415	–	44,415
Transaction costs attributable to issue of new ordinary shares	–	(2,221)	–	–	–	–	–	(2,221)	–	(2,221)
Acquisition of a subsidiary *(note 30)*	–	–	–	–	–	–	–	–	(4)	(4)
At 31st December, 2016	8,467	472,344	69,447	24,673	15,127	134,154	(813,863)	(89,651)	(1)	(89,652)

Notes:

(a) The contributed surplus of the Group represent (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited (being the holding company of companies comprising the group before group reorganisation carried out in 2005), over the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation; and less (ii) dividend paid approved by shareholders pursuant to the memorandum and articles of association of the Company.

(b) Special reserves of the Group represent (i) the difference between the nominal value of share capital issued by Interlink Atlantic Limited, the Company's subsidiary, and the nominal value of the share capital of subsidiaries acquired by Interlink Atlantic Limited on 23rd September, 2005; and (ii) the contribution from non-controlling interests of net assets value shared by them to Dr. Sung Chung Kwun, the shareholder of Interlink Atlantic Limited.

(c) The Group's statutory reserves represent reserves required to be appropriated from profit after taxation of the Company's subsidiaries established in the People's Republic of China ("PRC") and Macau under PRC or Macau laws and regulations. In accordance with relevant PRC and Macau Company Laws and Regulations, the PRC and Macau companies are required to transfer 10% to 25% of their profit after taxation computed in their statutory financial statements presented under the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC/Macau to the statutory surplus reserves until the reserve balance reaches 50% of their paid-in capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	(350,173)	(961,654)
Adjustments for:		
Finance costs	38,969	52,902
Bank interest income	(1,291)	(3,005)
Depreciation of property, plant and equipment	64,805	79,866
Depreciation of investment properties	–	21
Amortisation of prepaid lease payments	1,460	1,533
Amortisation of other assets	55	55
Loss on disposal/written off of property, plant and equipment and prepaid lease payments	26,615	2,017
Gain on disposal/written off of investment properties and prepaid lease payments	–	(3,978)
Gain on disposal of club debenture	–	(2,930)
Gain on disposal of a subsidiary	(328,995)	–
Gain on disposal of assets held for sale	–	(11,853)
(Gain) loss on surrender of insurance policies	(17)	674
Write-down of inventories	217,540	280,790
Impairment losses recognised on property, plant and equipment and prepaid lease payments	59,110	140,137
Impairment losses recognised on trade and other receivables (net of bad debt recovered)	9,381	67,299
Impairment loss recognised on available-for-sale investments	42,124	47,320
Change in fair value of derivative financial instruments	–	(93)
Interest income on other assets	–	(486)
Operating cash flows before movements in working capital	(220,417)	(311,385)
Decrease in inventories	88,171	334,158
Decrease in trade receivables, bills receivables and other receivables, deposits and prepayments	97,518	97,181
Increase in amounts due from related companies	–	(941)
Decrease in trade payables and other payables	(85)	(19,458)
Settlement of derivative financial instruments	–	(19,949)
Cash (used in) generated from operations	(34,813)	79,606
Income tax refunded (paid)	1,568	(1,902)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(33,245)	77,704

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2016

	Notes	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Proceeds on disposal of a subsidiary	25	51,282	–
Withdrawal of pledged bank deposits		49,125	–
Proceeds from redemption of other asset	20	11,072	4,863
Proceeds on disposal of property, plant and equipment and prepaid lease payments		10,138	15,385
Interest received		1,291	3,005
Acquisition of a subsidiary	30	19	–
Purchase of property, plant and equipment		(4,531)	(28,898)
Acquisition of an available-for-sale investment		(9,500)	(60,000)
Deposit paid for acquisition of a subsidiary		(16,000)	–
Proceeds on disposal of investment properties and prepaid lease payments		–	5,462
Proceeds on disposal of club debenture		–	4,000
Proceeds on disposal of assets held for sale		–	20,000
Deposit paid for acquisition of investment		–	(40,000)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		92,896	(76,183)
FINANCING ACTIVITIES			
Repayments of bank borrowings		(346,649)	(850,319)
Interest paid		(38,414)	(52,902)
Net proceeds from issue of bonds		11,941	9,861
Proceeds from other borrowings		33,000	–
Net proceeds from issue of shares		42,194	92,609
New bank borrowings raised		246,648	664,543
Advances from related companies		–	50,000
NET CASH USED IN FINANCING ACTIVITIES		(51,280)	(86,208)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,371	(84,687)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(4,150)	(1,332)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		40,347	126,366
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		44,568	40,347
Cash and cash equivalents represented by:			
Bank balances and cash		107,996	94,119
Bank balances and cash classified as assets held for sale	25	4,700	–
Bank overdrafts	27	(68,128)	(53,772)
		44,568	40,347

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9th June, 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are set out in the section headed "Corporate Information" of the annual report.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 36.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that (a) the Group incurred a net loss of approximately HK$349,768,000 for the year ended 31st December, 2016 and as of that date, the Group's current liabilities exceeded its current assets and total assets by approximately HK$569,904,000 and HK$65,048,000, respectively; (b) the Group has breached certain loan covenants and defaulted on repayment of certain banking loans and therefore the relevant banks demanded immediate repayment of an aggregate amount of approximately HK$504,673,000 that was in default as at 31st December, 2016; and (c) the legal proceedings with former related parties were still pending.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) Likelihood of successful execution of the debt restructuring plan

Since the year ended 31st December, 2015, the Group has breached certain loan covenants and defaulted on repayment of certain bank borrowings ("Defaulted Bank Borrowings"). Certain bankers of the Company (the "Banks") have therefore demanded immediate repayment of defaulted bank loans of HK$504,673,000 as at 31st December, 2016 by the Group or they may consider commencing legal proceedings against the Group. The Group has been actively negotiating with the Banks for restructuring the relevant borrowings, including rescheduling the terms of repayment and/or the extension or revision of the relevant banking facilities.

As part of the negotiations, Addchance Dyeing Factory Limited ("Addchance Dyeing"), a company owned as to 60% by Dr. Sung Chung Kwun, the former Chairman and the former shareholder of the Company, as to 20% by Mr. Sung Kim Ping, a former executive director of the Company, who retired on 7th May, 2016, and as to 20% by an independent third party to the best knowledge of the directors, has arranged the execution of second mortgage on its own property in respect of the Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong (the "Addchance Dyeing Property"), in favour of the Banks to secure all the present and future debts owed by the Group to the Banks.

Subsequent to the end of the reporting period, on 9th March, 2017, the Group and each of the Banks entered into a debt restructuring deed (the "Debt Restructuring Deed"), pursuant to which the Banks agree to assign and transfer to the Group all of its rights, title, benefits and interests in the Defaulted Bank Borrowings, including the charge over Addchance Dyeing Property, for a consideration of approximately HK$527 million which is equal to the outstanding balance of the Defaulted Bank Borrowings as at the date of the Debt Restructuring Deed, upon fulfilment of certain conditions. If an aggregate amount of HK$380 million is paid by the Group at any time before the first anniversary of the date of the Debt Restructuring Deed, the consideration of approximately HK$527 million under the Debt Restructuring Deed will be reduced to HK$380 million. Up to the date these consolidated financial statements were authorised for issuance, the Group has paid an amount of HK$50 million to the Banks. Further details of the payment schedule are set out in note 27.

1. GENERAL AND BASIS OF PREPARATION – continued

(i) Likelihood of successful execution of the debt restructuring plan – continued

The Group will be assigned with all of its rights, title, benefits and interests in the Defaulted Bank Borrowings upon the payments made by the Group for an aggregate amount of HK$230 million out of the HK$527 million within 180 days from the date of the Debt Restructuring Deed and the Group will undertake to make the final payment of HK$150 million. The directors of the Company are of the view that the Group has sufficient resources to settle the remaining balance of HK$330 million within one year from the date of the signing the Debt Restructuring Deed, taking into consideration the Group's internal resources, and the gross proceeds of approximately HK$344 million received pursuant to the share subscriptions as described in more details in note 38(ii).

(ii) Outcomes of the legal proceedings with former related parties

Subsequent to the end of the reporting period, the Group received a winding-up petition presented by a former related party for winding up Addchance Limited, an indirect wholly-owned subsidiary of the Company. The Group has also received a writ of summons from an entity, to the best knowledge of the directors of the Company, beneficially owned by a former director of the Company. The aggregate amount claimed by these related parties is approximately HK$50 million.

The directors of the Company have instructed its legal advisers to review the details of these legal proceedings and provide further legal advices. The directors of the Company believe that the Group has sufficient grounds to defend against the legal claims. However, the ultimate outcomes of these legal proceedings could not be assessed at this preliminary stage. As at 31st December, 2016, the aggregate amount involved in these proceedings are included in trade payables and other payables on the consolidated statement of financial position.

(iii) Implementation of active cost-saving measures

The Group is implementing actively cost-saving measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group's textile business will be significantly improved in the forthcoming year.

The directors of the Company consider that after taking into account the internal resources, the proceeds from the subscriptions of new shares by certain subscribers subsequent to the end of the reporting period for HK$344 million up to the date these consolidated financial statements are authorised for issuance, the likelihood of successful execution of the debt restructuring plan, favourable outcomes of the legal proceedings, implementation of cost-saving measures and any further fund raising activities should needs arise, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. However, should the Group be unable to settle the amount of HK$380 million under the Debt Restructuring Deed or any unfavourable outcomes of the legal proceedings emerge, and the Group is unable to find alternative sources of funding, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1st January, 2016.

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the amendments to IFRSs in the current year has had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

[1] *Effective for annual periods beginning on or after 1st January, 2018*
[2] *Effective for annual periods beginning on or after 1st January, 2019*
[3] *Effective for annual periods beginning on or after a date to be determined*
[4] *Effective for annual periods beginning on or after 1st January, 2017*
[5] *Effective for annual periods beginning on or after 1st January, 2017 or 1st January, 2018, as appropriate*

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, 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 subsequent accounting periods. Debt instruments 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 give arise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value at other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 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) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss mode, as opposed to an incurred credit loss model under IAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31st December, 2016, application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assts. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 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 of those goods or services. Specifically, IFRS 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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

IFRS 15 Revenue from Contracts with Customers – continued

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

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus against considerations, as well as licensing application guidance.

Based on the current business model, the directors of the Company do not expect the adoption of IFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of IFRS 15.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initial measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement 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. Subsequent, the lease liability is adjusted for interest and lease payments as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carried forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosure are required by IFRS 16.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

IFRS 16 Leases – continued

As at 31st December, 2016, the Group as lessee has non-cancellable operating lease commitments of HK$4,721,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1st January, 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the directors of the Company consider that the application of other new and amendments to IFRSs is unlikely to have a material impact to the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES – continued

A fair value measurement of a non-financial asset takes into account a market participants 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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out as below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification, except if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax – continued

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Intangible assets - club debenture

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use on disposal. Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale ("AFS") financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, bills receivables and other receivables, deposit placed in life insurance policies, pledged bank deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Group designated the equity investment in an unlisted entity as AFS financial assets on initial recognition.

Equity Investments held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

For certain categories of financial assets such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30-120 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade payables and other payables, bank and other borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an internal part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment loss on assets – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are 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.

Provision for inventories

The Group noticed that operating environments of the textile industry was still challenging during the year and the cotton prices showed a volatile and downward trend throughout the year. These conditions, combined with the sluggish demands in the domestic and foreign markets, led to reduction of the average selling prices of the Group's textile products. However, since a substantial portion of the Group's overhead costs of its manufacturing factories in the PRC and Cambodia, including mainly the factory labour costs and depreciations of property, plant and equipment used in the production processes, is relatively fixed, a negative gross margin of the textile business was resulted in this and last year. In this regards, the management of the Group considers that the downward trend in the market imposed strong pressures to the net realisable values of the inventories.

The management of the Group reviews the net realisable values of the inventories at the end of the reporting period based primarily on the latest selling prices and current market conditions, less the estimates of cost of completion and cost to sell for the products, to determine if any provision to write off or write down the aged and obsolescence inventories to their net realisable values is necessary. Where the actual net realisable values of the inventories are less than expected, a material provision may arise. As at 31st December, 2016, the inventories amounted to HK$46,595,000 (2015: HK$403,149,000). During the year ended 31st December, 2016, write-down of inventories of HK$217,540,000 (2015: HK$280,790,000) has been made after considering the facts above.

Impairments of property, plant and equipment and prepaid lease payments

Management estimates the useful lives of various categories of property, plant and equipment and prepaid lease payment according to the industrial experiences and norm. As a result of the sluggish demand in the domestic and foreign markets, the intensified international competitions and the rapid developments of textile products in neighboring countries in Southern-east Asia, the Group's production factories were not operated in their full scale during both years. The directors of the Company consider that the rapid changing macro-economic environments of the cotton textile industry caused adverse effects to the property, plant and equipment and the land costs paid for the production factories of the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Impairments of property, plant and equipment and prepaid lease payments – continued

The recoverable amount calculation requires the management of the Group to estimate higher of fair value less costs of disposal and value in use of those assets as the recoverable amount. The management of the Group reviews the recoverable amounts of the Group's property, plant and equipment and prepaid lease payments by looking into both their value in use and fair values less cost of disposals, based on the future development plans of different locations in the PRC and Cambodia where these property, plant and equipment and prepaid lease payments situated. The Group takes into consideration of the future revenue growth rates and discount rates for its textile business when estimating value in use of these assets. Where the actual future cash flows are less than expected, a material impairment loss may arise. The fair value less cost of disposals of these assets have been determined with the assistance of independent valuers. Further details are set out in note 17. During the year, the Group recognised an aggregate impairment loss of HK$59,110,000 (2015: HK$140,137,000) in respect of its property, plant and equipment and prepaid lease payments. As at 31st December, 2016, the carrying amounts of property, plant and equipment and prepaid lease payments net of impairment amounted to approximately HK$334,671,000 and HK$44,549,000, respectively (2015: HK$585,736,000 and HK$62,525,000, respectively) (notes 17 and 18).

Impairment of an available-for-sale investment in Coulman International Limited ("Coulman International") and valuation process

In estimating the fair value of the Group's available-for-sale investment in Coulman International, which is held as to 13% by the Group, the management uses market-observable data to the extent it is available. Where such information is not available, the Group engages third-party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports to the board of directors of the Company every half year to explain the cause of fluctuations in the fair value of the asset.

The directors of the Company consider that the actual performance of Coulman International was less favourable than estimated by its management and the decline in fair value amounted to HK$35,455,000 (2015: HK$47,320,000) for the year ended 31st December, 2016. In determining whether the decline in fair value should be recognised in equity or profit or loss accounts, the management considers if such decrease was prolonged or significant or not prolonged nor significant by a number of factors. Based on its assessment of the magnitude of the decrease in fair value and the length of time of which the fair value been lower than the Group's original investment cost in the investee, it is concluded that the fair value decrease of the investee has been significant and prolonged in both of the years ended 31st December, 2015 and 2016, and the amounts of such decline in fair value has been included in profit or loss for both years. Further details of the valuation are set out in note 19.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The directors of the Company consider that the capital structure of the Group consists of net debts, which includes bank and other borrowings and bank overdrafts, as disclosed in note 27, net of cash and cash equivalents, less shareholders' deficits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as issue of new debt or redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 HK$'000	2015 HK$'000 (restated)
Financial assets		
Loans and receivables		
Trade receivables, bills receivables and other receivables	98,700	188,781
Pledged bank deposits	–	49,125
Bank balances and cash	107,996	94,119
Other assets	–	9,320
	206,696	341,345
Available-for-sale investments	97,376	130,000
Financial liabilities		
Amortised cost		
Trade payables and other payables	102,257	146,869
Bank and other borrowings	611,256	944,032
Bank overdrafts	68,128	53,772
	781,641	1,144,673

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables and other receivables, deposit placed in life insurance policies, pledged bank deposits, bank balances and cash, trade payables and other payables, bank and other borrowings and bank overdrafts. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Also, certain trade receivables, bills receivable, other receivables, bank balances, trade payables, bills payable, other payables and bank borrowings of the Group are denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
United State dollars ("USD")	91,247	97,507	383,144	558,782
Renminbi ("RMB")	522	502	–	168
Euro ("EUR")	4	4,518	–	–

Sensitivity analysis

The Group is mainly exposed to the EUR and RMB.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items denominated in USD as the directors consider that the Group's exposure to USD is insignificant on the ground that Hong Kong dollars is pegged to USD. A negative number below indicates an increase in post-tax loss where Hong Kong dollars strengthen 5% against the relevant currencies. For a 5% (2015: 5%) weakening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the profit of loss, and the balances below would be opposite.

	RMB		EUR	
	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000
Loss for the year	(21)	(17)	–	(226)

In management's opinion, a sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years ended 31st December, 2016 and 31st December, 2015.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings as set out in note 27.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings as set out in notes 24 and 27, respectively.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") arising from the Group's variable-rate bank balances and bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to variable-rate bank borrowings at the end of reporting period. The analysis is prepared assuming financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis points (2015: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2016 would increase/decrease by HK$2,107,000 (2015: HK$2,299,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31st December, 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk – continued

At 31st December, 2016, the Group has a concentration of credit risk to its five largest customers which comprised HK$25,835,000 (2015: HK$73,235,000) of the Group's trade receivables. Management identified such concentration of credit risk by considering (i) the number of counterparties; (ii) similar characteristics of these customers such as garment and apparel retailing and wholesale industry and regions they operate and (iii) the amount of risk exposure associated with the individual debtor. The Group normally grant a credit term of 30 days to 120 days to these customers. By reviewing the regular subsequent settlement of these trade receivables, the directors are of opinion that the default risk of these trade receivables are manageable. Other than that, the Group does not have any other significant concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

The Group's current liabilities exceeded its current assets and total assets by HK$569,904,000 and HK$65,048,000, respectively as at 31st December, 2016 and the Group recorded a net loss of HK$349,768,000 for the year ended 31st December, 2016. The Group is exposed to liquidity risk if it is not able to raise sufficient fund to meet its financial obligations.

The directors of the Company have given careful consideration to the future liquidity of the Group, details of which are set out in note 1.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause and amounts being demanded by the Banks for immediate repayment are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights or the signing of the Debt Restructuring Deed subsequent to 31st December, 2016. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2016								
Non-derivative financial liabilities								
Trade payables and other payables	–	98,291	3,966	–	–	–	102,257	102,257
Bank borrowings								
– variable rate	3.8	436,545	–	–	–	–	436,545	436,545
– fixed rate	6.1	17,079	67,920	21,371	17,303	–	123,673	119,902
Bonds and other borrowings								
– fixed rate	18.4	–	33,891	1,007	1,788	19,002	55,688	54,809
Bank overdrafts	13	68,128	–	–	–	–	68,128	68,128
		620,043	105,777	22,378	19,091	19,002	786,291	781,641

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2015							
Non-derivative financial liabilities							
Trade payables and other payables	–	114,876	31,993	–	–	146,869	146,869
Bank borrowings							
– variable rate	3.8	446,801	42,273	8,434	–	497,508	496,801
– fixed rate	6.6	252,954	50,627	143,495	–	447,076	437,370
Bonds and other borrowings							
– fixed rate	10.6	–	–	–	19,900	19,900	9,861
Bank overdrafts	5.5	53,772	–	–	–	53,772	53,772
		868,403	124,893	151,929	19,900	1,165,125	1,144,673

6. FINANCIAL INSTRUMENTS – continued

(c) Fair value

(i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Financial assets

As at 31st December, 2016, available-for-sale investments of HK$94,545,000 (2015: HK$130,000,000) was valued by reference to a Level 3 fair value measurement using discounted cash flows based on unobservable inputs including growth rates, operating margin and discount rate which is a pre-tax rate taking into account the risks specific to the available-for-sale investments. Where there was material change in the fair value of available-for-sale investments, the cause of the fluctuations would be reported to the management of the Group.

An increase in the growth rates and operating margin used in discounted cash flows would result in increase in the carrying amount of the available-for-sale investments, and vice versa. A slight increase in discount rate used in discounted cash flows would result in decrease in the carrying amount of the available-for-sale investments, and vice versa.

There was no transfer among Level 1, 2 and 3 during the current and prior years.

Reconciliation of Level 3 fair value measurements

	Available-for sale investments HK$'000
At 1st January, 2015	–
Additions	177,320
Impairment loss included in the other income and other gains and losses	(47,320)
At 31st December, 2015	130,000
Impairment loss included in the other income and other gains and losses	(35,455)
At 31st December, 2016	94,545

(ii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The directors of the Company consider that the carrying amounts of these financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

7. REVENUE

Revenue represents the amounts received and receivable for goods sold excluding value added taxes, less returns and allowances and services provided by the Group to outside customers during the year.

An analysis of the Group's revenue for the year is as follows:

	2016 HK$'000	2015 HK$'000
Production and sale of cotton yarn	36,187	67,932
Production and sale of knitted sweaters	229,671	587,942
Production and sale of dyed yarns	156,170	262,245
Provision of dyeing services	38,216	33,017
Trading of cotton and yarns	6,861	9,936
Trading of petroleum	33	–
	467,138	961,072

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

During the year ended 31st December, 2016, the Group has commenced a new operation of "trading of petroleum" after the completion of acquisition of 51% equity interest in Group Profit as defined and set out in note 30. Specifically, the Group's six operating and reportable segments under IFRS 8 are as follows:

1. Production and sale of cotton yarn

2. Production and sale of knitted sweaters

3. Production and sale of dyed yarns

4. Provision of dyeing services

5. Trading of cotton and yarns

6. Trading of petroleum

8. SEGMENT INFORMATION – continued

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31st December, 2016

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Trading of petroleum HK$'000	Total for reportable segments HK$'000	Elimination HK$'000	Total HK$'000
REVENUE									
External sales	36,187	229,671	156,170	38,216	6,861	33	467,138	–	467,138
Inter-segment sales	11,380	–	239,191	4,473	38,220	–	293,264	(293,264)	–
Segment revenue	47,567	229,671	395,361	42,689	45,081	33	760,402	(293,264)	467,138
SEGMENT LOSS	(14,645)	(462,151)	(44,679)	(40,475)	(17,990)	6	(579,934)	–	(579,934)
Unallocated expenses									(18,125)
Other income and other gains and losses									286,855
Finance costs									(38,969)
Loss before taxation									(350,173)

For the year ended 31st December, 2015

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Total for reportable segments HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sales	67,932	587,942	262,245	33,017	9,936	961,072	–	961,072
Inter-segment sales	23,722	–	269,335	8,969	140,353	442,379	(442,379)	–
Segment revenue	91,654	587,942	531,580	41,986	150,289	1,403,451	(442,379)	961,072
SEGMENT LOSS	(94,338)	(654,701)	(86,484)	(4,579)	(43,213)	(883,315)	–	(883,315)
Unallocated expenses								(16,809)
Other income and other gains and losses								(8,628)
Finance costs								(52,902)
Loss before taxation								(961,654)

8. SEGMENT INFORMATION – continued

Segment revenue and results – continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss before taxation of each segment without allocation of central administration costs, directors' salaries, other income and other gains and losses not attributable to segment loss and finance costs. This is the measure reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and performance assessment.

Inter-segment sales were charged at cost plus margin basis.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31st December, 2016

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Trading of petroleum HK$'000	Total HK$'000
ASSETS							
Segment assets	116,596	321,496	57,747	3,104	4,385	–	503,328
Available-for-sale investments							97,376
Assets classified as held for sale							114,313
Unallocated corporate assets							166,638
CONSOLIDATED TOTAL ASSETS							881,655
LIABILITIES							
Segment liabilities	2,072	50,658	25,954	266	5,676	171	84,797
Liabilities associated with assets classified as held for sale							133,703
Unallocated corporate liabilities							752,807
CONSOLIDATED TOTAL LIABILITIES							971,307

8. SEGMENT INFORMATION – continued

Segment assets and liabilities – continued

As at 31st December, 2015

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Total HK$'000
ASSETS						
Segment assets	281,534	704,359	191,318	34,993	60,792	1,272,996
Available-for-sale investment						130,000
Assets classified as held for sale						108,963
Deposit paid for acquisition of an available-for-sale investment						40,000
Unallocated corporate assets						160,159
CONSOLIDATED TOTAL ASSETS						1,712,118
LIABILITIES						
Segment liabilities	16,919	49,162	240,195	11,843	73,872	391,991
Unallocated corporate liabilities						1,056,536
CONSOLIDATED TOTAL LIABILITIES						1,448,527

For the purposes of monitoring segment performances and allocating resources among segments, all assets are allocated to operating segments other than other assets, amounts due from former related parties, tax recoverable, available-for-sale investments, deposit paid for acquisition of an available-for-sale investments, assets and liabilities classified as held for sale, pledged bank deposits and bank balances and cash on the basis of the revenue earned by individual reportable segments; and all liabilities are allocated to operating segments other than bank and other borrowings, bank overdrafts, amounts due to former related parties, tax liabilities and deferred tax liabilities in proportion to segment assets. This is the measure reported to the chief operating decision makers, the executive directors of the Company, for the purpose of resource allocation and performance assessment.

8. SEGMENT INFORMATION – continued

Other segment information

The following amounts were provided to the chief operating decision makers, being the executive directors of the Company, for the purposes of performance assessment and resource allocation:

For the year ended 31st December, 2016

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Trading of petroleum HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets (note)	349	2,229	1,513	372	68	–	16,000	20,531
Depreciation of property, plant and equipment	16,994	34,784	10,037	2,923	67	–	–	64,805
Amortisation of prepaid lease payments	607	484	350	19	–	–	–	1,460
Loss (gain) on disposal/written off of property, plant and equipment and prepaid lease payments	13,522	12,733	309	77	(26)	–	–	26,615
Gain on disposal of subsidiaries	–	–	–	–	–	–	328,995	328,995
Impairment losses recognised on property, plant and equipment and prepaid lease payments	29,242	28,416	305	1,147	–	–	–	59,110
Impairment less recognised on available-for-sale investments	–	–	–	–	–	–	42,124	42,124
Impairment losses (reversal of impairment) recognised on trade and other receivables	–	995	7,225	1,771	(610)	–	–	9,381

8. SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31st December, 2015

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets (note)	27	24,743	3,582	203	343	–	28,898
Depreciation of property, plant and equipment	22,227	45,491	8,764	3,169	215	–	79,866
Amortisation of prepaid lease payments	637	508	367	21	–	–	1,533
Loss on disposal/written off of property, plant and equipment and prepaid lease payments	–	–	–	–	–	2,017	2,017
Gain on disposal of assets classified as held for sale	–	–	–	–	–	11,853	11,853
Impairment losses recognised on property, plant and equipment and prepaid lease payments	30,139	103,770	5,152	786	290	–	140,137
Impairment losses recognised on available-for-sale investment	–	–	–	–	–	47,320	47,320
Impairment losses recognised on trade and other receivables	–	66,349	–	137	813	–	67,299

Note: Non-current assets excluded financial assets

8. SEGMENT INFORMATION – continued

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers (note (i))		Non-current assets (note (ii))	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
PRC	210,972	315,226	201,639	422,384
Hong Kong	68,211	89,236	26,849	56,334
Other Asian countries	15,873	51,753	178,992	233,805
Arabian Peninsula	–	165,568	–	–
Europe	130,280	196,060	–	–
North America	41,802	143,073	–	–
Australia	–	156	–	–
	467,138	961,072	407,480	712,523

Notes:

(i) Included in revenue from customers located in Europe, amounts of approximately HK$105,089,000 (2015: HK$42,138,000), HK$3,790,000 (2015: HK$64,662,000) and HK$184,000 (2015: HK$56,242,000) were arising from sales to customers based in United Kingdom, Russia and Spain, respectively.

(ii) Non-current assets excluded financial assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2016 HK$'000	2015 HK$'000
Customer A from segment of production and sale of knitted sweaters	N/A[1]	157,160
Customer B from segment of production and sale of knitted sweaters	N/A[1]	100,578

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

No individual customer contributed over 10% of the total sales of the Group during the year ended 31st December, 2016.

9. OTHER INCOME AND OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Bank interest income	1,291	3,005
Interest income on other assets	–	486
Income from sales of scrap materials	3,198	7,914
Income from electricity and steaming charges	5,964	925
Sundry income	7,007	10,199
Gain (loss) on surrender of insurance policies (note 20)	17	(674)
Gain on disposal of a subsidiary (note 25)	328,995	–
Gain on disposal of assets held for sale (note (iii))	–	11,853
Gain on disposal of investment properties and prepaid lease payments (note (i))	–	3,978
Gain on disposal of club debenture	–	2,930
Change in fair value of derivative financial instruments	–	93
Net exchange (loss) gain	(10,061)	3,842
Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments (notes 17 and 18)	(59,110)	(140,137)
Impairment loss recognised on available-for-sale investment (note 19)	(42,124)	(47,320)
Impairment losses recognised on trade and other receivables (note (ii)) (note 22)	(9,381)	(67,299)
Loss on disposal/written off of property, plant and equipment and prepaid lease payments (note (ii))	(26,615)	(2,017)
	199,181	(212,222)

Notes:

(i) During the year ended 31st December, 2015, all of the Group's investment properties (and the associated prepaid lease payments) had been disposed of to an independent third party for a consideration of approximately HK$5,462,000 and a gain on disposal of approximately HK$3,978,000 had been recognised in profit or loss.

(ii) In August 2016, the Group has logged an application for voluntary liquidation of a subsidiary, Great Honour Textile Factory Limited ("Great Honour"), which was engaged in production and sale of knitted sweater in Cambodia. The relevant assets of the said subsidiary in Cambodia amounting to HK$15,182,000 have been taken over by the relevant local authority and the ownership of which does not belong to the Group anymore. Accordingly, property, plant and equipment and trade and other receivables amounting to HK$12,733,000 and HK$2,449,000, respectively, were written off or fully impaired during the year ended 31st December, 2016. On 28th October, 2016, a provincial court in Cambodia issued a verdict pursuant to which the Group has to settle the unpaid salaries and other staff benefits to the relevant workers in the manufacturing plant of Great Honour for an aggregate amount of approximately HK$22,454,000. As at 31st December, 2016, no amount has been paid and the relevant provision has been made during the year and included in accrued salary under trade payables and other payables.

(iii) During the year ended 31st December 2014, the Group entered into a sale agreement to dispose of property, plant and equipment and prepaid lease payments held by a subsidiary, Wu Zhou Addchance Textile Factory Limited, with carrying amounts of HK$16,899,000 and HK$2,498,000, respectively, and deposit of HK$11,538,000 has been received by the Group. The disposal has been completed during the year ended 31st December 2015 and the gain on disposal of HK$11,853,000 has been recognised in 2015.

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank and other borrowings	38,969	52,902

11. LOSS BEFORE TAXATION

	2016 HK$'000	2015 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration (note 13)	8,485	7,639
Other staff costs	212,504	247,738
Retirement benefits scheme contributions, excluding directors	6,756	8,091
Total staff costs	227,745	263,468
Auditor's remuneration (including fees for non-audit services)	4,245	2,780
Cost of inventories recognised as an expense	578,144	1,180,214
Write-down of inventories (included in cost of sales)	217,540	280,790
Depreciation of investment properties	–	21
Depreciation of property, plant and equipment	64,805	79,866
Amortisation of prepaid lease payments	1,460	1,533
Amortisation of other assets	55	55

12. INCOME TAX CREDIT

	2016 HK$'000	2015 HK$'000
The (credit) charge comprises:		
Hong Kong Profits Tax		
– Current year	–	–
– Underprovision in prior years	11	223
	11	223
PRC Enterprise Income Tax		
– Current year	–	788
	11	1,011
Deferred taxation (note 29)	(416)	(11,536)
	(405)	(10,525)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in Cambodia, the profit generated from Cambodian subsidiaries of the Company are entitled to exemption from the Cambodian Income Tax until 2018.

The tax credit for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Loss before taxation	(350,173)	(961,654)
Taxation at the domestic income tax rate of 16.5% (note)	(57,779)	(158,673)
Tax effect of income not taxable for tax purpose	(55,916)	(7,736)
Tax effect of expenses not deductible for tax purpose	18,586	8,008
Underprovision in prior years	11	223
Tax effect of tax losses incurred by Cambodian subsidiaries not recognised	23,847	72,247
Tax effect of other tax losses not recognised	27,912	26,853
Tax effect of other deductible tax differences not recognised	42,934	48,719
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	–	268
Utilisation of tax losses previously not recognised	–	(434)
Income tax credit for the year	(405)	(10,525)

Note: The Hong Kong Profits Tax rate of 16.5%, being the tax rate in the jurisdiction where the operations of the Group is substantially based, is used.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 14 (2015: 17) directors were as follows:

For the year ended 31st December, 2016

	Executive Director							Non-Executive Director			Independent Non-Executive Director				
	Mr. Wong Chiu Hong	Mr. Sung Kim Ping	Mr. Tsang Fai	Mr. Lo Ping	Mr. Zheng Jun	Mr. Yeung Choi Yee	Mr. Cheung Tat Chung	Mr. Chui Chi Yun, Robert	Mr. Wu Kehao	Mr. Zhao Xu	Ms. Huang Yunjie	Mr. Chiu Wai Piu	Dr. Tse Kwok Sang	Mr. Chan Shu Kin	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note xiv)	(note xii)	(note xvii)			(note xi)	(note xv)		(note v)	(note xvi)	(note xiii)				
Directors															
– fees	–	–	–	–	360	–	–	600	84	46	56	240	240	240	1,866
– salaries and other benefits	2,294	1,200	884	1,485	–	312	369	–	–	–	–	–	–	–	6,544
– bonus	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– retirement benefit scheme contributions	12	9	18	18	–	8	7	–	–	–	3	–	–	–	75
	2,306	1,209	902	1,503	360	320	376	600	84	46	59	240	240	240	8,485

For the year ended 31st December, 2015

	Executive Director								Non-Executive Director		Independent Non-Executive Director							
	Mr. Wong Chiu Hong	Ms. Sung Kit Ching	Mr. Sung Kim Ping	Mr. Sung Kim Wa	Mr. Tsang Fai	Mr. Lo Ping	Mr. Zheng Jun	Mr. Yeung Choi Yee	Mr. Chui Chi Yun, Robert	Mr. Wu Kehao	Mr. Wong King Yeung	Mr. Chan Tsz Fu, Jacky	Ms. Huang Yunjie	Mr. Zhuang Zhongxi	Mr. Chiu Wai Piu	Dr. Tse Kwok Sang	Mr. Chan Shu Kin	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(note i)		note (ii)			(note iii)	(note xi)		(note v)	(note vi)	(note vii)		(note viii)	(note ix)	(note iv)	(note x)	
Directors																		
– fees	-	-	-	-	-	-	60	-	600	39	26	-	160	77	80	115	131	1,288
– salaries and other benefits	1,320	330	1,500	692	720	1,200	-	314	-	-	-	68	-	-	-	-	-	6,144
– bonus	-	-	-	-	94	-	-	-	-	-	-	4	-	-	-	-	-	98
– retirement benefit scheme contributions	18	5	18	10	18	19	-	9	-	-	-	4	8	-	-	-	-	109
	1,338	335	1,518	702	832	1,219	60	323	600	39	26	76	168	77	80	115	131	7,639

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

The bonus payment for both years was determined at the discretion of the remuneration committee.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – continued

Notes:

i. Ms. Sung Kit Ching resigned as a director on 17th March, 2015.

ii. Mr. Sung Kim Wa resigned as a director on 9th July, 2015.

iii. Mr. Zheng Jun was appointed as a director on 29th September, 2015.

iv. Dr. Tse Kwok Sang was appointed as a director on 9th July, 2015.

v. Mr. Wu Kehao was appointed as a director on 3rd November, 2015 and retired on 7th May, 2016.

vi. Mr. Wong King Yeung was appointed as a director on 1st September, 2015 and resigned as a director on 1st November, 2015.

vii. Mr. Chan Tze Fu, Jacky retired as a director on 29th May, 2015.

viii. Mr. Zhuang Zhongxi resigned as a director on 15th June, 2015.

ix. Mr. Chiu Wai Piu was appointed as a director on 1st September, 2015.

x. Mr. Chan Shu Kin was appointed as a director on 15th June, 2015.

xi. Mr. Yeung Choi Yee was appointed as a director on 9th July, 2015 and retired on 7th May, 2016.

xii. Mr. Sung Kim Ping retired as a director on 7th May, 2016.

xiii. Ms. Huang Yunjie retired as a director on 7th May, 2016.

xiv. Mr. Wong Chiu Hong resigned as a director on 12th October, 2016.

xv. Mr. Cheung Tat Chung was appointed as a director and Chief Executive Officer on 13th August, 2016.

xvi. Mr. Zhao Xu was appointed as a director on 13th August, 2016.

xvii. Mr. Tsang Fai resigned as a director on 1st June, 2016.

No directors waived nor agreed to waive any emoluments in any of the years.

Save as disclosed in note 35, the Company has not entered into transaction, arrangement or contract in which a director of the Company or a connected entity of a director of the Company has a material interest.

14. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2015: three) are currently directors of the Company whose emoluments as the capacity of directors of the Company are included in the disclosure in note 13 above. The emoluments of the remaining two (2015: two) individuals are as follows:

	2016 HK$'000	2015 HK$'000 (note)
Employee		
– salaries and other benefits	2,322	2,400
– bonus	–	–
– retirement benefit scheme contributions	35	36
	2,357	2,436

Note: Included above was the emolument of an individual who had resigned as a director of the Company during the year ended 31st December, 2015 and remained to be employed by the Group. The emoluments of this individual in the capacity as a director of the Company was included in note 13 and the amount in the table above included the emoluments for the same individual as an employee of the Group.

The total emoluments of the two (2015: two) individuals for the entire year were within the following band:

	2016 Number of employee	2015 Number of employee
HK$ nil to 1,000,000	1	–
HK$1,000,001 to HK$1,500,000	1	2

During the year ended 31st December, 2016 and 2015, no emoluments were paid by the Group to the five highest paid individuals or directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31st December, 2015 and 2016, nor has any dividend been proposed since the end of the reporting period.

16. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the loss for the year attributable to the owners of the Company of HK$349,771,000 (2015: HK$951,129,000) and on the weighted average number of shares in issue during the year of approximately 754,791,000 (2015: 613,416,000).

No diluted loss per share is presented as the Company had no potential ordinary shares outstanding during any time in both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1st January, 2015	457,949	934,885	29,672	24,272	6,859	66,525	1,520,162
Exchange adjustments	(7,763)	(14,607)	(251)	(386)	(171)	(596)	(23,774)
Additions	–	21,670	1,097	–	–	6,131	28,898
Transfer	32,973	–	–	–	–	(32,973)	–
Disposals	–	(75,662)	(699)	(1,447)	–	–	(77,808)
At 31st December, 2015	483,159	866,286	29,819	22,439	6,688	39,087	1,447,478
Exchange adjustments	(23,298)	(38,056)	(801)	(1,172)	(890)	(2,480)	(66,697)
Additions	–	302	1,796	862	–	1,571	4,531
Disposals/written off	(38,681)	(136,906)	(2,582)	(9,120)	–	(97)	(187,386)
Reclassified as held for sale	(96,017)	(122,560)	(5,487)	(688)	–	(914)	(225,666)
At 31st December, 2016	325,163	569,066	22,745	12,321	5,798	37,167	972,260
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2015	109,011	550,644	24,940	22,249	481	10,193	717,518
Exchange adjustments	(1,751)	(9,814)	(203)	(322)	(2)	–	(12,092)
Provided for the year	18,788	57,920	1,679	1,088	391	–	79,866
Eliminated on disposals	–	(58,469)	(622)	(1,315)	–	–	(60,406)
Impairment losses recognised in profit or loss	90,319	38,807	2,065	4	5,457	204	136,856
At 31st December, 2015	216,367	579,088	27,859	21,704	6,327	10,397	861,742
Exchange adjustments	(9,393)	(26,716)	(707)	(1,108)	(804)	(21)	(38,749)
Provided for the year	12,378	51,363	226	574	264	–	64,805
Reclassified as held for sale	(40,342)	(114,410)	(3,536)	(397)	–	–	(158,685)
Eliminated on disposals/written off	(30,851)	(108,437)	(2,580)	(8,766)	–	–	(150,634)
Impairment losses recognised in profit or loss	45,934	12,184	381	–	–	611	59,110
At 31st December, 2016	194,093	393,072	21,643	12,007	5,787	10,987	637,589
CARRYING VALUES							
At 31st December, 2016	131,070	175,994	1,102	314	11	26,180	334,671
At 31st December, 2015	266,792	287,198	1,960	735	361	28,690	585,736

17. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 20 to 25 years
Plant and machinery	10%-20%
Furniture and fixtures	4%-30%
Motor vehicles	30%
Leasehold improvements	12%

At 31st December, 2016 and 2015, the directors of the Company conducted a review of the Group's property, plant and equipment and prepaid lease payments and determined impairment loss due to the recurring operating loss from the Group's textile business and other considerations as set out in note 4. The directors of the Company reassessed the recoverable amounts with reference to the valuation reports issued by an independent external valuer, Vigers Appraisal & Consulting Limited. The recoverable amounts of these assets are determined at the higher of value in use and fair value less cost of disposal.

For the year ended 31st December, 2016

Taking into account the recoverable amount of property, plant and equipment and prepaid lease payments, representing the leasehold lands and buildings at where the factories are located and the relevant plant and machinery, under segments of (i) production and sale of cotton yarn (ii) production and sale of dyed yarns (iii) provision of dyeing services and (iv) trading of cotton and yarns, the directors of the Company determined to recognise impairment losses of approximately HK$35,169,000 in respect of the plant and machinery. The recoverable amounts based on fair value less cost of disposals, are lower than the carrying amounts. In estimating the fair value of the property, plant and equipment and prepaid lease payment, the highest and best use is their current use. The fair value less cost of disposal has been arrived at based on a valuation carried out by Vigers Appraisal & Consulting Limited. The fair values of the leasehold lands and buildings were determined based on the direct comparison method, which makes reference to the recent transactions for similar properties in the proximity and adjusted for a number of unobservable inputs, between the comparable properties and the subject matters. For plant and machinery, the fair values were determined based on the replacement cost method, with adjustments to reflect comparable utility and age, etc. The fair value measurements for the Group's property, plant and equipment and prepaid lease payments (as set out in note 18) are categorised as Level 3 (see note 3). There is no transfers into or out of Level 3 during the year.

In addition, the directors of the Company reassessed the recoverable amounts of the property, plant and equipment under production and sale of knitted sweaters segment, and impairment losses of approximately HK$23,941,000 were made. The recoverable amount based on value in use, are lower than the carrying amounts. The value in use calculation is based on cash flow forecast derived from the most recent financial budget approved by management based on its best estimates covering 5 years. The growth rate used in the forecast was zero. The cash flow forecast was using a discount rate of 10.2% which reflected the return on assets and the risks specific to the textile business.

For the year ended 31st December, 2015

For the year ended 31st December, 2015, with reference to valuation report carried out by Vigers Appraisal & Consulting Limited, the directors of the Company had made impairment losses for property, plant and equipment of approximately HK$136,856,000 and prepaid lease payments of approximately HK$3,281,000 under segments of (i) production and sale of cotton yarn (ii) production and sale of dyed yarns (iii) provision of dyeing services (iv) trading of cotton and yarns and (v) production and sale of knitted sweaters. The recoverable amounts based on fair value less cost of disposal, were lower than the carrying amounts. In estimating the fair value of the property, plant and equipment, the highest and best use was their current use. The fair values of the leasehold lands and buildings and plant and machinery were determined based on the direct comparison method and replacement cost method as appropriate, which made reference to recent transactions with adjustment for a number of unobservable inputs, between the comparable items and the subject matters, etc.

17. PROPERTY, PLANT AND EQUIPMENT – continued

In addition, property, plant and equipment amounting to HK$12,733,000 has been written off following the voluntary liquidation of a subsidiary, Great Honour as the estimated recoverable amounts of these assets, if any, are minimal.

18. PREPAID LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Analysed for reporting purposes as:		
Current asset	1,049	1,533
Non-current asset	43,500	60,992
	44,549	62,525

Impairment losses of HK$3,281,000 had been recognised in respect of prepaid lease payments for the year ended 31st December, 2015. No impairment has been recognised for the year ended 31st December, 2016.

19. DEPOSIT PAID FOR ACQUISITION OF AN INVESTMENT AND AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Deposit paid for acquisition of investment in Coulman International, shown as a non-current asset (note i)	–	40,000
Available-for-sale investments-unlisted securities		
– Coulman International, at fair value (note i)	94,545	130,000
– National Asia Group Limited, at cost (note ii)	9,500	–
Less: impairment loss recognised	(6,669)	–
-	2,831	–
	97,376	130,000

19. DEPOSIT PAID FOR ACQUISITION OF AN INVESTMENT AND AVAILABLE-FOR-SALE INVESTMENTS – continued

Notes:

(i) On 13th March, 2015, an indirect wholly-owned subsidiary of the Company (the "Purchaser") entered into an agreement, pursuant to which the Purchaser has conditionally agreed to acquire and Hong Jun Global Limited ("Hong Jun"), an independent third party of the Group, has conditionally agreed to sell 130 shares in the share capital of Coulman International, representing 13% of the equity interest in Coulman International. Coulman International is an investment holding company incorporated in the British Virgin Islands ("BVI") and its non wholly-owned subsidiaries operate in natural gas business, including construction of pipelines, selling and distribution of natural gas, operation of fueling stations as well as installation of natural gas equipment in the PRC.

The consideration for the acquisition was settled by the combination of cash of HK$60,000,000 and an aggregate of 86,480,909 new ordinary shares of HK$0.01 each of the Company, representing approximately 16.3% of the existing issued share capital of the Company at the date of the acquisition. The fair value of 13% equity interest in Coulman International on the initial recognition and 31st December, 2015 and 2016 has been determined by reference to the valuation of the Coulman International prepared by Cushman & Wakefield Valuation Advisory Services (HK) Limited under the discounted cash flow method, based on the estimated future cash flows of Coulman International and its subsidiaries discounted at the current market rate of return for similar financial assets. The acquisition was completed on 24th April, 2015.

On 23rd October, 2015, the Purchaser entered into a non-legally binding memorandum of understanding ("MOU") in relation to the possible acquisition of 38% of the equity interest in Coulman International from another independent third party, Kai Lian Group Limited ("Kai Lian"). Upon signing of the MOU, the Purchaser is required to pay a refundable deposit in the amount of HK$40,000,000 as part of the consideration of the possible acquisition. If a formal agreement is not entered into on or before 20th April, 2016 or such later date as the Purchaser and Kai Lian may agree, the MOU shall cease and Kai Lian shall refund the refundable deposit to the Purchaser.

On 30th June, 2016, the Group has entered into the formal sales and purchase agreement with Kai Lian to acquire 22% equity interest in Coulman International at a consideration of HK$160,000,000, which is to be partially settled by the refundable deposit of HK$40,000,000 paid in 2015 pursuant to the MOU and the remaining balance of HK$120,000,000 in cash and/or issue of the promissory notes by the Company to Kai Lian.

On 31st December, 2016, the Company has announced that the said formal sale and purchase agreement and MOU have lapsed due to certain conditions precedent not yet been fulfilled or waived by the Purchaser on or before 31st December, 2016.

As agreed by the Group and Kai Lian, the above refundable deposit of HK$40,000,000 will be refunded to the Group by installments over the next twelve months. Pursuant to a settlement agreement entered into by the Group with Kai Lian on 21st March, 2017, the said deposit is secured by the 38% of the issued share capital of Coulman International owned by Kai Lian and held under custody for the benefits of the Purchaser before the full amount has been settled by Kai Lian.

The actual performance of the Coulman International was less favourable than the estimate of its management and an impairment loss of HK$35,455,000 (2015: HK$47,320,000) has been made for the year ended 31st December, 2016 and have been included in profit or loss in the other income and other gains and losses.

(ii) On 12th August, 2016, an indirect wholly-owned subsidiary of the Company, Endless Synergy Limited ("Endless Synergy"), entered into an agreement, pursuant to which Endless Synergy has agreed to acquire 2,700,000 shares in the share capital of National Asia Group Limited ("National Asia"), representing 27% of the equity interest in National Asia. National Asia is a company incorporated in Hong Kong and is engaged in trading of fuel oil for vessels. The acquisition was completed on 29th September, 2016 and the consideration for the acquisition is HK$9,500,000, which had been fully settled by cash. In the opinion of directors of the Company, the Group does not exercise significant influence in National Asia and this investment is accounted for as an available-for-sale investment. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the company is of the opinion that their fair values cannot be measured reliably. As at 31st December 2016, the directors of the company conducted an impairment assessment of the recoverable amount of National Asia based on the latest financial information of National Asia and considered that an impairment loss of HK$6,669,000 has to be recognised for the year ended 31st December, 2016 and have been included in the other income and other gains and losses.

20. OTHER ASSETS

	2016 HK$'000	2015 HK$'000
Deposit placed in life insurance policies (note i)	–	10,989
Deposit paid for acquisition of a subsidiary (note ii)	16,000	–
	16,000	10,989

Notes:

(i) During the year ended 31st December, 2012, some subsidiaries of the Company (the "Subsidiaries") entered into life insurance policies with HSBC Life (International) Limited to insure two then executive directors, Sung Kim Ping (retired as a director of the Company during the year ended 31st December, 2016) and Sung Kim Wa (resigned as a director of the Company during the year ended 31st December, 2015). Under the policies, the beneficiary and policy holders are the Subsidiaries, and the total insured sum is approximately USD7,800,000 (equivalent to HK$60,840,000). The Subsidiaries paid an upfront payment of approximately USD2,038,000 (equivalent to HK$15,899,000). The Subsidiaries may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the accumulation of premium paid plus accumulated guaranteed interest earned and minus certain charges and surrender amounts in accordance with terms of the policies (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteen policy year, a pre-determined specified surrender charge would be imposed on the Subsidiaries.

At the inception date, the upfront payment was separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit is measured at cost adjusted for interest and return recognised for each year. The insurance company will grant the Subsidiaries a guaranteed interest rate of 4% per annum for the first year, and a return of a minimum guaranteed interest rate of 2% per annum for the next 34 years, on the Cash Value before deduction of any surrender amounts.

During the year ended 31st December, 2015, the Subsidiaries requested a partial surrender of the policies that represented 23% of the total insured sum, and received cash of HK$4,863,000. A loss of HK$674,000 has been included in profit or loss for the year ended 31st December, 2015.

During the year ended 31st December, 2016, the Subsidiaries surrendered all the remaining portion of the life insurance policies, and received cash of HK$11,072,000. A gain of HK$17,000 has been included in profit or loss for the year ended 31st December, 2016.

(ii) On 12th August, 2016, 5th September, 2016 and 8th September, 2016, an indirect wholly-owned subsidiary of the Company, Diamond Forest International Limited, entered into an agreement and supplemental agreements with an independent third party to acquire 2,550,000 shares in the issued share capital of LW Asset Management Advisors Limited ("LW Asset"), representing 70.83% of the equity interest in LW Asset, at a cash consideration of HK$17,000,000. LW Asset is incorporated in Hong Kong and is principally engaged in the asset management business. The Group has paid a deposit of HK$16,000,000 as at 31st December, 2016. As at 31st December, 2016, the acquisition was subject to fulfillments of certain conditions including obtaining approval of the Securities and Futures Commission in relation to the change of substantial shareholder of LW Asset before completion. The acquisition has been completed on 7th March, 2017.

21. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	20,194	55,078
Work in progress	10,513	283,110
Finished goods	15,888	64,961
	46,595	403,149

22. TRADE RECEIVABLES, BILLS RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 HK$'000	2015 HK$'000
Trade and bills receivables, net (note i)	51,131	142,300
Prepaid expenses	1,534	14,534
VAT receivables	3,740	6,722
Refundable deposit paid for acquisition of an investment (note 19)	40,000	–
Deposits	1,300	1,686
Amounts due from former related parties/related parties (note ii)	1,190	4,943
Others (note iii)	6,379	41,538
	105,274	211,723

Notes:

(i) The Group generally allows credit period ranged from 30 days to 120 days to its trade customers.

Aged analysis of trade and bills receivables is presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, are as follows:

	2016 HK$'000	2015 HK$'000
Trade and bills receivables (net), aged:		
0-30 days	17,879	63,774
31-60 days	13,943	21,315
61-90 days	9,240	16,028
91-120 days	7,481	24,472
Over 120 days	2,588	16,711
	51,131	142,300

Before accepting any new customer, the Group will assess and understand the potential customer's credit quality and defines its credit limits. Credit limits attributed to each customer are reviewed regularly.

22. TRADE RECEIVABLES, BILLS RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

Notes: -continued

(i) *-continued*

Movement in the allowance for doubtful debts

	2016 HK$'000	2015 HK$'000
At 1st January	–	9,438
Allowance recognised on trade receivables	10,416	–
Exchange realignment	(585)	–
Amounts written off during the year as uncollectible	–	(9,438)
Reclassified to assets held for sale	(9,831)	–
At 31st December	–	–

Ageing of trade receivables which are past due but not impaired

	2016 HK$'000	2015 HK$'000
Over 120 days	2,588	16,711

The Group has not provided for impairment loss on trade receivables of HK$2,588,000 (2015: HK$16,711,000) which are past due but not impaired as these receivables relate to debtors who have made historical regular repayments. The Group does not hold collateral over these trade receivables.

During the year ended 31st December, 2016, the Group has recognised a bad debt recovered of HK$2,001,000 (2015: nil).

The Group does not hold any collateral over these balances.

(ii) The balance represents amounts due from certain entities, including Addchance Dyeing. All of the relevant amounts are unsecured, interest-free and repayable on demand.

(iii) The Group has recognised impairment losses in respect of other receivables due from a subcontractor of approximately HK$2,449,000 (2015: HK$67,299,000) during the year ended 31st December, 2016 in view of the difficulties encountered on collection of the amount. The Group has also recognised a bad debt recovered of HK$1,483,000 during the year ended 31st December, 2016.

Movement in the allowance for doubtful debts

	2016 HK$'000	2015 HK$'000
At 1st January	–	–
Allowance recognised on other receivables	2,449	67,299
Amounts written off during the year as uncollectible	(2,449)	(67,299)
At 31st December	–	–

(iv) The amount of the Group's trade receivables, bills receivable and other receivables denominated in currency other than the functional currency of the relevant group entities are set out below:

	2016 HK$'000	2015 HK$'000
USD	49,344	78,714
RMB	–	12
EUR	–	4,514

23. PLEDGED BANK DEPOSITS

Pledged bank deposits were pledged to secure the bank borrowings granted to the Group. As at 31st December, 2015, included in pledged bank deposits was the amount of approximately HK$42,250,000 (2016: nil) that carried interest at fixed interest rate of 2% per annum and the remaining balances were non-interest bearing.

24. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. The amount carries interest at variable interest rates ranged from 0.001% to 0.1% per annum (2015: 0.01% to 0.50% per annum).

The amount of the Group's bank balances and cash denominated in currency other than the functional currencies of the relevant group entities are set out below:

	2016 HK$'000	2015 HK$'000
USD	41,903	9,473
RMB	522	490
EUR	4	4

25. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

(i) Zhangjiagang Addchance Dyeing & Finishing Co., Ltd. ("ZJG Addchance Dyeing") and Zhangjiagang Addchance Spinnery Co., Ltd. ("ZJG Addchance Spinnery")

On 6th January, 2017, an indirect wholly-owned subsidiary of the Company, Addchance Limited, entered into a sale and purchase agreement with an independent third party (the "Buyer"), pursuant to which, Addchance Limited will dispose of all of its equity interests in ZJG Addchance Dyeing and ZJG Addchance Spinnery (the "Disposal Group"), which are wholly-owned subsidiaries of the Company, at an aggregate cash consideration of HK$1,000,000. During the year, the directors are committed to a plan to sell the Disposal Group and actively locate a buyer to complete the plan. In the opinion of the directors of the Company, the disposal will be taken place within twelve months from the end of the reporting period. Accordingly, the assets and liabilities of the Disposal Group are classified as assets and liabilities held for sales as at 31st December, 2016 respectively and are separately presented in the consolidated statement of financial position. The disposal has been completed in February 2017.

25. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE – continued

(i) Zhangjiagang Addchance Dyeing & Finishing Co., Ltd. ("ZJG Addchance Dyeing") and Zhangjiagang Addchance Spinnery Co., Ltd. ("ZJG Addchance Spinnery") – continued

Assets and liabilities of the Disposal Group as at 31st December, 2016:

	HK$'000
Property, plant and equipment	66,981
Prepaid lease payments	12,399
Inventories	15,923
Trade receivable, bill receivables and other receivables, deposits and prepayments	14,310
Bank balances and cash	4,700
Total assets classified as held for sale	114,313
Trade payables and other payables	(39,908)
Tax liabilities	(5,368)
Bank borrowings	(88,427)
Total liabilities associated with assets classified as held for sale	(133,703)

As at 31st December, 2016, the corporate guarantees provided by the Group to a bank in respect of short-term bank borrowings granted to the Disposal Group amounted to RMB61,200,000 in aggregate (equivalents to approximately HK$68,764,000). Pursuant to the corporate guarantee agreement entered into with the Buyer dated 14th February, 2017, the Group will continue to provide the guarantee for a period up to 14th June, 2018 while a counter-indemnity in favour of the Group will be executed by the Buyer pursuant to which the Buyer undertakes to indemnify the Group the liabilities arising from the above loan facilities, if any.

(ii) Luoding Addchance Limited

As disclosed in the announcement made by the Company dated 25th September, 2012 (the "Announcement"), the Group entered into an operation right transfer agreement (the "Agreement") with an independent third party (the "Original Acquirer") for the transfer of the operation rights of 100% interest in a subsidiary, Good Spread Industrial Limited ("Good Spread"), the immediate holding company of Luoding Addchance Limited, for a cash consideration of approximately HK$554,321,000 which will be payable in six installments within five years from 31st December, 2012. The first two instalments of approximately HK$184,774,000 in total have been received in 2012 and 2013 and the remaining four installments with an aggregate amount of approximately HK$369,547,000 are originally scheduled to be received from 30th January, 2014 to 30th July, 2016.

25. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE – continued

(ii) Luoding Addchance Limited – continued

Subject to fulfilment of all conditions precedent set out in the Agreement, the Original Acquirer can, within 60 days from the date when the Group has received the full amount of the first three installments of the consideration which should have taken place on 30th January, 2014 in accordance with the Agreement, subscribe for 99.999% of the enlarged issued share capital of news shares of Good Spread with an exercise price of HK$1 per share.

During the year ended 31st December, 2013, the Company borrowed approximately HK$184,774,000, the amount equal to the third and the fourth installments in total, from a bank and the Original Acquirer agreed to transfer fund to the Company to repay the loans when they fall due in December 2014. This arrangement of fund transfer would replace the third and the fourth installments which should originally be payable on 30th January, 2014 and 30th November, 2014, respectively. Due to the above arrangement, the third installments was considered not yet have been received and the pre-requisite conditions precedent set out in the Agreement (the "Conditions") was considered not yet have been fulfilled on 30th January, 2014.

During the year ended 31st December, 2014, the Original Acquirer failed to transfer the agreed fund to the Company and transferred only approximately HK$51,282,000 to the Company for the settlement of the bank loan while the maturity date of the remaining bank loan of approximately HK$134,492,000 was agreed by the Company and the bank, to be extended to December 2015 and the Conditions was considered not having been fulfilled on 31st December, 2014.

During the year ended 31st December, 2015, no amount of the above bank loan was repaid and the maturity date of the outstanding bank loan of approximately HK$134,492,000 was agreed by the Company and the bank to be further extended to 31st December, 2016.

As at 31st December, 2015, the Group has received deposits of HK$236,056,000 from the Original Acquirer and no impairment on assets classified as assets held for sale is considered necessary based on the consideration to be received for the disposal.

On 30th June, 2016, the Group and the Original Acquirer entered into a supplemental agreement to the Agreement and agreed to adjust the structure of the deal and offered the 100% of the registered capital in Luoding Addchance Limited (the "Luoding Addchance") for public auction (the "Auction").

On 23rd July, 2016, an independent third party (the "New Acquirer") won the bid for the Auction with the bidding price of approximately RMB45,369,000 (equivalent to approximately HK$51,282,000). The disposal has been completed on 13th December, 2016 (the "Completion").

In addition to the said bidding price, the New Acquirer is required to, upon Completion, repay outstanding bank loans of the Group in the aggregate sum of approximately RMB155,109,000 (equivalent to approximately HK$161,606,000) and settle with the Original Acquirer for, among other conditions, the deposits paid by the Original Acquirer to the Group of HK$236,056,000 (which the Group will not refund the same to the Original Acquirer). Pursuant to the Auction, the New Acquirer shall also be responsible for all taxes, fees and land grant premium in connection with the acquisition of Luoding Addchance.

25. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE – continued

(ii) Luoding Addchance Limited – continued

Assets of Luoding Addchance on completion of disposal:

	HK$'000
Analysis of assets under assets held for sale over which control was lost:	
Property, plant and equipment	33,408
Prepaid lease payments	75,555
	108,963
Consideration:	
Consideration received	51,282
Repayment of bank loans of the Group by the New Acquirer	161,606
Repayment of deposit received from the Original Acquirer in prior years by the New Acquirer	236,056
	448,944
Gain on disposal of Luoding Addchance:	
Consideration received	448,944
Net assets disposed of	(108,963)
Reclassification of translation reserve upon disposal of foreign operations	(10,986)
	328,995

The subsidiary disposed of during the current year did not have significant contribution to the results or cash flows of the Group during the current and prior years.

26. TRADE PAYABLES AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables (note i)	19,576	62,766
Receipt in advance from customers	30	4,667
Accrued expenses	23,927	39,069
Accrued salary	26,304	11,923
VAT tax payables	1,175	3,407
Interest payables	14,169	13,614
Amounts due to former related/related parties (note ii)	50,198	50,000
Other payables	18,314	20,489
Trade payables and other payables shown under current liabilities	153,693	205,935

Notes:

(i) The following is an aged analysis of trade payables presented based on the invoice dates at the end of reporting period:

	2016 HK$'000	2015 HK$'000
Aged:		
0-60 days	6,220	31,993
61-90 days	722	11,573
Over 90 days	12,634	19,200
	19,576	62,766

The average credit period on purchases of goods is 60 days to 90 days.

(ii) The balance represents amounts due to a former substantial shareholder and former director of the Company and an entity, to the best knowledge of the directors of the Company, beneficially owned by a former director of the Company with details set out in note 1.

(iii) The Group's trade payables and other payables that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	2016 HK$'000	2015 HK$'000
USD	10,953	18,853

27. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS

	2016 HK$'000	2015 HK$'000
Bank borrowings (notes i and v)		
– Bank loans	167,843	529,892
– Trust receipt loans	388,604	404,279
	556,447	934,171
Unlisted and unguaranteed corporate bonds issued by the Company (note ii)		
Bonds issued in 2015	11,236	9,861
Bonds issued in 2016	10,573	–
	21,809	9,861
Other borrowings (note iii)	33,000	–
Bank overdrafts (note iv)	68,128	53,772
	679,384	997,804
Carrying amount are repayable, based on scheduled repayment dates set out in the loan agreements, as follows:		
Within one year	153,851	284,057
Repayable within one year and being demanded by the Banks for immediate repayment	504,673	666,204
Repayable more than one year, but being demanded by the Banks for immediate repayment	–	807
Repayable more than one year but not more than five years from the end of the reporting period, but contain a repayment on demand clause		
– More than one year but not more than two years	–	36,875
– More than two years but not more than five years	9,624	–
– More than five years	11,236	9,861
	679,384	997,804
Less: Amount due and repayable within one year shown under current liabilities		
– Bank and other borrowings	(590,396)	(934,171)
– Bank overdrafts	(68,128)	(53,772)
Amount shown under non-current liabilities	20,860	9,861

27. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS – continued

	2016 HK$'000	2015 HK$'000
Analysed as:		
Secured (note v)	282,340	671,753
Unsecured	397,044	326,051
	679,384	997,804
Fixed-rate (note vi)	174,711	447,231
Variable-rate (note vi)	504,673	550,573
	679,384	997,804

Notes:

(i) As at 31st December, 2015 and 2016, the Group breached certain of loan covenants of certain bank facilities. The Group has also failed to make repayment of certain bank borrowings when they became due. The Banks have, as set out in note 1, demanded in writing that the Group shall make immediate repayment of the amounts that has been overdued or they may consider commencing legal proceedings against the Group. The aggregate balances of the relevant bank borrowings as at 31st December, 2016 was HK$504,673,000 (2015: HK$667,011,000). In addition, the Group has been actively negotiating with the Banks for the terms of repayments.

Subsequent to the reporting date, on 9th March, 2017, the Group entered to a Debt Restructuring Deed with the Banks to refinance the defaulted bank borrowings due to the Banks amounting to HK$527 million on that date, being the outstanding Defaulted Bank Borrowings on the same date. Pursuant to the Debt Restructuring Deed the Group has to pay (i) HK$50 million upon the execution of the Debt Restructuring Deed; (ii) HK$40 million by 30 days from date of entering into the Debt Restructuring Deed; (iii) HK$140 million by 180 days from date of entering into the Debt Restructuring Deed; and (iv) the remaining balance of the outstanding defaulted of the outstanding Defaulted Bank Borrowings at the date of the Debt Restructuring Deed, which would be reduced to HK$150 million should such amount be paid within one year from the date of entering into the Debt Restructuring Deed. Up to the date these consolidated financial statements were authorised for issuance, the Group has repaid an amount of HK$50 million to the Banks.

The ranges of effective interest rates (which are also equal to contracted interest rates) per annum on the Group's bank borrowings are as follows:

	2016	2015
Fixed-rate borrowings	4.6% to 8.26%	4.6% to 8.4%
Variable-rate borrowings	1.80% to 6.75%	1.80% to 6.75%

27. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS – continued

Notes: -continued

(ii) Bonds are fixed-rate borrowings. Bonds issued in 2015 with principal amount of HK$19,900,000 are unsecured and carry coupon interest rates of 6% per annum. The effective interest rates ranging from 10.47% to 10.63% per annum and the bonds due in 2022. In addition, the Group issued bonds in 2016 with principal amount of HK$16,000,000 which are unsecured and carry coupon interest rates ranging from 6% to 10% per annum. The effective interest rate ranging from 15.92% to 25.36% per annum and the bonds due in 2017 to 2019.

(iii) In 2016, the Group raised fund from an independent third parties of a principal amount of HK$33,000,000 bearing a fixed interest rates ranging from 24% to 33% per annum and are repayable within one year.

(iv) Bank overdrafts are repayable on demand.

(v) The secured bank loans are secured by the Group's certain prepaid lease payments, property, plant and equipment, pledged bank deposits, other assets, corporate guarantee given by the Company and a property owned by Addchance Dyeing. Details are set out in note 32.

(vi) The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2016 HK$'000	2015 HK$'000
On demand or within one year	152,902	437,370
More than five years	21,809	9,861
	174,711	447,231

The Group's variable-rate borrowings are on demand or due within one year and carry interests at rates based on HIBOR or LIBOR.

(vii) The Group's and other bank borrowings and bank overdrafts that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016 HK$'000	2015 HK$'000
USD-borrowings:		
– Bank loans	–	166,438
– Trust receipt loans	372,191	373,491
	372,191	539,929

28. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1st January, 2015, 31st December, 2015 and 31st December, 2016	10,000,000,000	100,000
Issued and fully paid:		
At 1st January, 2015	441,250,000	4,413
Issue of new shares (note i)	178,000,000	1,780
Issue of consideration shares in an acquisition (note ii)	86,480,909	864
At 31st December, 2015	705,730,909	7,057
Issue of new shares (note iii)	141,000,000	1,410
At 31st December, 2016	846,730,909	8,467

Notes:

(i) On 24th December, 2014, the Company entered into a placing agreement with the placing agent, KGI Asia Limited (the "2014 Placing Agent"), pursuant to which the 2014 Placing Agent has agreed to place 88,000,000 shares of the Company held by Powerlink Industries Limited ("Powerlink Industries"), the immediate holding company, to not less than six independent investors at the price of HK$1.05 per share. On the same date, the Company and Powerlink Industries entered into a subscription agreement for the subscription of up to 88,000,000 new shares ("Subscription Shares") at the subscription price of HK$1.05 per share. On 29th December, 2014, the placing was completed and 88,000,000 shares represented approximately 19.94% of the then existing issued share capital of the Company have been placed to not less than six independent investors. The gross proceeds from the placing was approximately HK$92.4 million. The net proceeds from the placing after deduction of commission and other related expenses, which amounted to approximately HK$90.2 million, constituted a deposit (the "Deposit") payable by the Company to Powerlink Industries for the allotment and issue of the Subscription Shares as at 31st December, 2014. On 7th January, 2015, the Company allotted and issued 88,000,000 ordinary shares of HK$0.01 each of the Company at the price of HK$1.05 per share, to Powerlink Industries. The Deposit was applied as payment of the subscription price of the Subscription Shares and is used for general working capital of the Group. The number of 88,000,000 shares represented approximately 16.62% of the then existing issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

On 21st August, 2015, the Company entered into another placing agreement with the 2014 Placing Agent, pursuant to which the placing agent agrees, as agent of the Company, to procure on a best effort basis not less than six individuals, all of which were independent third parties, to subscribe for up to 122,000,000 placing shares at the placing price of HK$1.05 per placing share. On 15th September, 2015, the placing was completed and 90,000,000 shares, represented approximately 12.75% of the then issued share capital of the Company as enlarged by the issue of the 90,000,000 placing shares, have been placed to not less than six placees at the placing price of HK$1.05 per placing share. The gross and net proceeds from the placing amounted to approximately HK$94.5 million and approximately HK$92.6 million, respectively.

28. SHARE CAPITAL – continued

Notes: -continued

(ii) As set out in note 19, the Purchaser acquired 13% of equity interest in Coulman International during the year ended 31st December, 2015 and the consideration has been partially settled by the issue of an aggregate of 86,480,909 new ordinary shares of HK$0.01 each in the share capital of the Company. The acquisition was completed on 24th April, 2015 and the new ordinary shares have been issued.

(iii) On 4th August, 2016, the Company entered into a placing agreement with Yuanta Securities (Hong Kong) Company Limited (the "2016 Placing Agent"), pursuant to which the 2016 Placing Agent agrees, as agent of the Company, to procure on a best effort basis not fewer than six investors, who will be Independent Third Parties, to subscribe for up to 141,000,000 Placing Shares at the Placing Price of HK$0.305 per Placing Share. On 26th August, 2016, the placing was completed and 141,000,000 shares, represented approximately 16.65% of the then issued share capital of the Company as enlarged by the issue of the 141,000,000 placing shares, have been placed to not less than six places at the placing price of HK$0.315 per placing share. The gross and net proceeds from the placing amounted to approximately HK$44.4 million and approximately HK$42.2 million, respectively.

29. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Unrealised profit on inventories HK$'000	Withholding tax on undistributed profits of subsidiaries HK$'000	Total HK$'000
At 1st January, 2015	10,105	2,258	3,333	15,696
(Credit) charge to profit or loss	(10,024)	(1,896)	384	(11,536)
At 31st December, 2015	81	362	3,717	4,160
Credit to profit or loss	(36)	(362)	(18)	(416)
At 31st December, 2016	45	–	3,699	3,744

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards.

Under the Law on Taxation of Cambodia, withholding tax is imposed on dividends declared in respect of profits earned by Cambodian subsidiaries from 1st June, 1998 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Cambodian subsidiaries amounting to HK$71,065,000 as at 31st December, 2016 (2015: HK$151,038,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31st December, 2016, the Group has unused tax losses of HK$644,192,000 (2015: HK$519,231,000). No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$315,925,000 (2015: HK$257,567,000) that will expire between 2017 to 2021 (2015: 2016 to 2020). Other losses may be carried forward indefinitely.

30. ACQUISITION OF A SUBSIDIARY

On 4th August, 2016, an indirect wholly-owned subsidiary of the Company, Fortune Planet Holdings Limited acquired 51% equity interest in Group Profit Holdings Limited ("Group Profit") at a cash consideration of HK$510. Group Profit engages in petroleum trading business in Southern East Asia. The acquisition has been accounted for using the acquisition method.

	HK$'000
The fair value of assets and liabilities acquired in the transaction, are as follows:	
Other receivables	1,404
Bank balances and cash	20
Other payables	(1,426)
Tax liabilities	(1)
Net identifiable liabilities	(3)
Non-controlling interest	4
	1
Satisfied by:	
Cash paid during the year	1
Net cash inflows arising on acquisition:	
Cash consideration paid	(1)
Less: bank balances and cash acquired	20
	19

31. OPERATING LEASES

The Group as lessee

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	1,115	5,955
In the second to fifth year inclusive	3,606	4,706
Over five years	–	206
	4,721	10,867

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for an average term of two to ten years with fixed rental.

32. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to banks for the bank borrowings and credit facilities granted to the Group:

	2016 HK$'000	2015 HK$'000
Prepaid lease payments (note)	20,858	99,997
Property, plant and equipment (note)	54,628	69,081
Pledged bank deposits	–	49,125
Other assets	–	10,989
	75,486	229,192

Note: At 31st December, 2016, property, plant and equipment of HK$49,079,000 (2015: nil) and prepaid lease payments of HK$11,841,000 (2015: HK$75,555,000) is included in assets classified as held for sale (note 25).

33. CAPITAL COMMITMENTS

	2016 HK$'000	2015 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of a subsidiary (note 20)	1,000	–

34. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The qualified employees employed by the operations in the PRC are members of the state-managed retirement benefits schemes operated in the PRC. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC is to make the required contributions under the schemes.

During the year, the retirement benefit scheme contributions amounted to HK$6,831,000 (2015: HK$8,200,000).

35. RELATED PARTY DISCLOSURES

During the year, the Group entered into the following transactions with related parties:

Related parties	Nature of transactions	2016 HK$'000	2015 HK$'000
Dr. Sung Chung Kwun (note (i))	Rental expense paid/payable by the Group	371	889
Addchance Dyeing (note (i))	Rental expense paid/payable by the Group	2,992	5,640
RC Corporate Services Limited ("RC") (note (ii))	Services fee paid by the Group	1,052	1,037
RCK Consulting Limited ("RCK") (note (ii))	Services fee paid by the Group	60	60

Notes:

(i) A former substantial shareholders and former director of the Company. Dr. Sung Chung Kwun has beneficial interests in Addchance Dyeing. Dr. Sung Chung Kwun retired as a director of the Company on 31st May, 2013 and ceased to be substantial shareholder during the year ended 31st December, 2016. The amounts for the year ended 31st December, 2016 represent the amounts incurred in the period from 1st January, 2016 up to the date Dr. Sung Chung Kwun and Addchance Dyeing ceased to be related parties. In addition, Addchance Dyeing has arranged the execution of second mortgage in respect of its properties in favour of the Banks to secure the borrowings granted to the Group, as set out in notes 1 and 27.

(ii) Mr. Chui Chi Yun, Robert, a non-executive director of the Company has beneficial interests in RC and RCK.

Key management compensation for the year are as follow:

	2016 HK$'000	2015 HK$'000
Salaries and other short-term employee benefits	12,161	9,633
Post employment benefits	150	145
	12,311	9,778

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2016 and 2015 are as follows:

Name of subsidiary	*Notes*	Place and date of incorporation/ operation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2016	2015	2016	2015	
Interlink Atlantic Limited		BVI 24th November, 1999	Ordinary share US$1	100%	100%	–	–	Investment holding
Addchance Limited		Hong Kong 2nd October, 1981	Ordinary shares HK$1,500,000	–	–	100%	100%	Manufacturing and trading of dyed yarn, provision of yarn-dyeing services, trading of cotton raw white yarn and fancy yarn and property holding
Chinakey (Hong Kong) Limited		Hong Kong 22nd October, 1997	Ordinary shares HK$1,000,000	–	–	100%	100%	Manufacturing and trading of knitted sweaters
Sky Emperor International Limited		Hong Kong 12th March, 1997	Ordinary shares HK$10,000	–	–	100%	100%	Trading of knitted sweaters
張家港互益染整有限公司 Zhangjiagang Addchance Dyeing & Finishing Co., Ltd.	*(i)*	PRC 9th March, 2001	Registered capital US$35,044,000	–	–	100%	100%	Manufacturing of dyed yarn and provision of dyeing services
羅定互益染廠有限公司 Luoding Addchance Dyeing Factory Ltd.	*(i)*	PRC 6th November, 1986	Registered capital US$24,124,000	–	–	100%	100%	Provision of yarn dyeing services
張家港互益紡織有限公司 Zhangjiagang Addchance Spinnery Co., Ltd.	*(i)*	PRC 12th December, 2003	Registered capital US$12,000,000	–	–	100%	100%	Manufacturing of knitted sweaters and provision of knitting services
廣西岑溪互益紡織有限公司 Cenxi Addchance Textile Factory Ltd.	*(i)*	PRC 27th September, 2003	Registered capital US$2,000,000	–	–	100%	100%	Provision of knitting services
廣西梧州互益紡織有限公司 Wu Zhou Addchance Textile Factory Limited	*(i)*	PRC 16th December, 2005	Registered capital US$3,500,000	–	–	100%	100%	Manufacturing of knitted sweaters
安慶市宿松互益精紡有限公司 An Qing Su Song Addchance Spinning Company Limited	*(i)*	PRC 14th April, 2007	Registered capital US$10,000,000	–	–	100%	100%	Manufacturing of cotton yarn
新疆博樂互益紡織有限公司 Xinjiang Bole Addchance Textile Limited	*(i)*	PRC 3rd April, 2007	Registered capital US$15,000,000 Paid up capital US$13,200,000	–	–	100%	100%	Manufacturing of cotton yarn

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	*Notes*	Place and date of incorporation/ operation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2016	2015	2016	2015	
Chung Yick Textile Factory Limited (Formerly known as Full Fortune Knitting Ltd.)	*(ii)*	Cambodia 30th July, 2007	Registered capital US$7,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Dignity Knitter Limited	*(ii)*	Cambodia 26th May, 2011	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Great Honour Textile Factory Limited	*(iii)*	Cambodia 26th May, 2011	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Ecobase Factory Limited		Cambodia 1st January, 2014	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Endless Rich Limited		BVI 2nd January, 2015	Registered capital US$1	–	–	100%	100%	Investment in natural gas business
Endless Synergy		BVI 5th July, 2016	Registered capital US$100	–	–	100%	N/A	Investment holding
Eternity Fortune Holdings Limited		BVI 2nd January, 2015	Registered capital US$100	–	–	100%	100%	Investment holding
Group Profit Holdings Limited		Hong Kong 4th December, 2013	Ordinary shares HK$1,000	–	–	51%	N/A	Trading of petroleum
Luoding Addchance Limited	*(i) (iv)*	PRC 30th December, 2011	Registered capital US$49,810,000	–	–	–	100%	Property holding

Notes:

(i) These companies are wholly-foreign owned enterprise.

(ii) The registered capital has not yet been paid up as at 31st December, 2016.

(iii) The subsidiary is in the process of winding up during the year ended 31st December, 2016.

(iv) The subsidiary is disposed of during the year ended 31st December, 2016.

Except Interlink Atlantic Limited, Endless Rich Limited and Eternity Fortune Holdings Limited, all the above subsidiaries operate in their places of incorporation or establishment. Interlink Atlantic Limited, Endless Rich Limited and Eternity Fortune Holdings Limited, incorporation in BVI, operates in Hong Kong.

All subsidiaries are limited liability companies. None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong and PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2016	2015
Inactive	Hong Kong	8	3
	PRC	1	2
	BVI	1	2
		10	7
Investment holding	BVI	17	3
	Hong Kong	4	1
		21	4
		31	11

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

The Company's summarised financial position at the end of the reporting period are as follows:

	2016 HK$'000	2015 HK$'000
Non-current Asset		
Interests in subsidiaries, unlisted	155,014	419,207
Current Assets		
Other receivables	2,335	–
Bank balances and cash	58,327	10,827
	60,662	10,827
Current Liabilities		
Other payables	7,148	5
Amount due to a subsidiary	237,962	33
Bank and other borrowings - due within one year	25,000	166,438
	270,110	166,476
Net Current Liabilities	(209,448)	(155,649)
Total Assets less Current Liabilities	(54,434)	263,558
Capital and Reserves		
Share capital	8,467	7,057
Reserves (note)	(84,711)	246,640
	(76,244)	253,697
Non-current Liability		
Bank and other borrowings - due after one year	21,810	9,861
	(54,434)	263,558

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued

Note:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2015	134,054	227,072	(297)	360,829
Loss and total comprehensive expense for the year	–	–	(411,695)	(411,695)
Ordinary shares issued	185,120	–	–	185,120
Transaction cost attributable to issue of new ordinary shares	(4,070)	–	–	(4,070)
Ordinary shares issued as consideration to acquire an available-for-sale investment	116,456	–	–	116,456
At 31st December, 2015	431,560	227,072	(411,992)	246,640
Loss and total comprehensive expense for the year	–	–	(372,135)	(372,135)
Ordinary shares issued	43,005	–	–	43,005
Transaction cost attributable to issue of new ordinary shares	(2,221)	–	–	(2,221)
At 31st December, 2016	472,344	227,072	(784,127)	(84,711)

The contributed surplus of the Company represents (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited, over the nominal value of the share capital of the Company issued in exchange in prior years thereof and less (ii) dividends paid.

38. EVENTS AFTER REPORTING PERIOD

(i) Acquisition of a subsidiary

Pursuant to the announcement of the Company on 6th January, 2017, the Group entered into a sale and purchase agreement with an independent third party for a consideration of HK$20,400,000 to acquire 51% equity interest of 深圳市易簡行數據技術有限公司(Shenzhen Easton Data Technology Co. Ltd.), which is engaged in investment holding, provision of consultancy services to financial institutes and small and medium enterprises, management of investment portfolio and development of computer network. Up to the date of these consolidated financial statements were authorised for issuance, the acquisition has not yet been completed.

38. EVENTS AFTER REPORTING PERIOD – continued

(ii) Share subscriptions

On 6th January, 2017, the Company and Gold Train Investments Limited (the "First Subscriber") entered into the conditional subscription agreement, pursuant to which the First Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue no less than 2,500,000,000 shares and no more than 3,800,000,000 shares to the First Subscriber at the subscription price of HK$0.08 per subscription share (the "First Subscription"). The estimated gross proceeds from the First Subscription is expected to be no less than approximately HK$200 million and no more than approximately HK$304 million. The ultimate beneficial owner of the First Subscriber is Mr. Poon Sum, who, together with his spouse, held approximately 0.9% of the issued shares of the Company as at 6th January, 2017. An ordinary resolution in relation to the First Subscription has been approved in an extraordinary general meeting of the Company convened on 17th March, 2017.

In addition, on 6th January, 2017, the Company and each of three individuals, each of which is an independent third party of the Group and held no issued share of the Company on that date, entered into three separate conditional subscription agreements, pursuant to which each of the three subscribers has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 250,000,000 shares to each of these three subscriber at the subscription price of HK$0.08 per subscription share (the "Other Subscriptions"). The estimated gross proceeds from each of the three Other Subscription is expected to be approximately HK$20 million. Ordinary resolutions in relation to each of the three Other Subscriptions has been approved in an extraordinary general meeting of the Company convened on 17th March, 2017.

The agreements of each of the First Subscription and the three Other Subscriptions are not inter-conditional to each other.

As at the date these consolidated financial statements were authorised for issuance, gross proceed of HK$304 million has been received by the Group from the First Subscription and an aggregate gross proceed of HK$40 million has also been received by the Group from the other subscriptions.

(iii) Completion of the disposal of the Disposal Group

On 14th February, 2017, the disposal of the Disposal Group has been completed. Further details are set out in note 25. Up to the date of these consolidated financial statements were authorised for issuance, the Group is in the process of assessing the financial impact.

(iv) Legal proceeding with former related parties

No hearing has been heard in respect of any of the two cases in connection with the legal proceedings with the former related parties as set out in notes 1 and 26 up to the date of these consolidated financial statements were authorised for issuance. The Group is actively dealing with these legal proceedings with a view to defend them or having them withdrawn.

(v) Completion of acquisition of LW Asset

On 7th March, 2017, the acquisition of LW Asset (as set out in note 20) has been completed. The control of LW Asset has been passed to the Group on the same date and the transaction is accounted for using the purchase method. At the date these consolidated financial statements were authorised for issuance, the Group is in the process of assessing the financial impact.

FINANCIAL SUMMARY

For the year ended 31st December, 2016

RESULTS

	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000
Revenue	1,450,209	1,401,667	1,016,283	961,072	**467,138**
Profit (loss) before tax	28,655	61,328	(180,731)	(961,654)	**(350,173)**
Income tax (expense) credit	1,906	(1,873)	(3,527)	10,525	**405**
Profit (loss) for the year	30,561	59,455	(184,258)	(951,129)	**(349,768)**
Profit (loss) attributable to:					
Owners of the Company	32,139	59,455	(184,258)	(951,129)	**(349,771)**
Non-controlling interests	(1,578)	–	–	–	**3**
	30,561	59,455	(184,258)	(951,129)	**(349,768)**

ASSETS AND LIABILITIES

	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000
Total assets	2,514,351	2,691,972	2,641,692	1,712,118	**881,655**
Total liabilities	(1,437,015)	(1,582,992)	(1,693,875)	(1,448,527)	**(971,307)**
	1,077,336	1,108,980	947,817	263,591	**(89,652)**
Equity attributable to owners of the Company	1,077,293	1,108,980	947,817	263,591	**(89,651)**
Non-controlling interests	43	–	–	–	**(1)**
	1,077,336	1,108,980	947,817	263,591	**(89,652)**