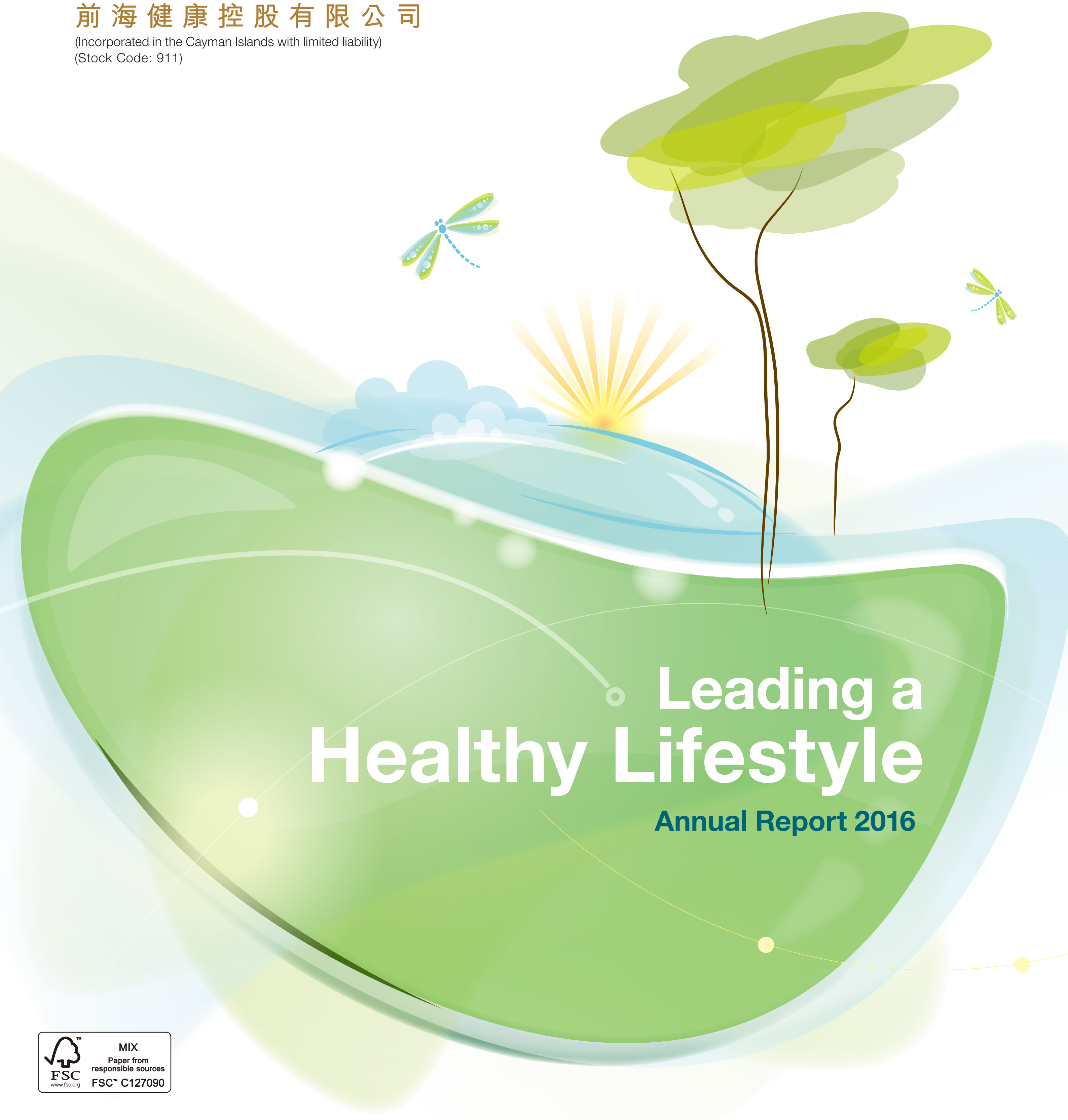
前 海 健 康
QIAN HAI HEALTH

Qianhai Health Holdings Limited
前 海 健 康 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 911)



Leading a Healthy Lifestyle

Annual Report 2016

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. George Lu *(Chairman)* (appointed on 17 May 2016)
Mr. Yeung Wing Kong
Mr. Wong Kwok Ming (appointed on 17 May 2016)
Mr. Yeung Wing Yan (resigned on 5 July 2016)
Ms. Fu Fung Sau (resigned on 17 May 2016)

NON-EXECUTIVE DIRECTORS

Mr. Yeung Wai Fai Andrew (appointed on 23 January 2017)
Ms. Shen Wei (appointed on 17 May 2016 and resigned 23 January 2017)
Mr. Shin Yick Fabian (appointed on 6 January 2016 and resigned on 3 February 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei (appointed on 17 May 2016)
Mr. Wu Wei Leung Danny (appointed on 29 February 2016)
Mr. Yuen Chee Lap Carl (appointed on 29 February 2016)
Mr. Wong Senta (resigned on 17 May 2016)
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

AUDIT COMMITTEE

Mr. Yuen Chee Lap Carl *(Chairman)* (appointed on 29 February 2016)
Mr. Li Wei (appointed on 17 May 2016)
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Wong Senta (resigned on 17 May 2016)
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

REMUNERATION COMMITTEE

Mr. Li Wei *(Chairman)* (appointed on 17 May 2016)
Mr. George Lu (appointed on 17 May 2016)
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Wong Senta (resigned on 17 May 2016)
Mr. Yeung Wing Yan (resigned on 17 May 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

NOMINATION COMMITTEE

Mr. Li Wei *(Chairman)* (appointed on 17 May 2016)
Mr. George Lu (appointed on 17 May 2016)
Mr. Wu Wei Leung Danny (appointed on 29 February 2016)
Mr. Wong Senta (resigned on 17 May 2016)
Mr. Yeung Wing Yan (resigned on 17 May 2016)
Mr. Cheng Chung Wai Billy (resigned on 22 February 2016)

AUTHORISED REPRESENTATIVES

Mr. George Lu
Ms. Yip Tak Yung Teresa

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAWS

CHIU & PARTNERS

40Th Floor, Jardine House
1 Connaught Place
Hong Kong

REGISTERED OFFICE

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P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

G/F, Nam Pak Hong Commercial Centre
44 Bonham Strand West, Hong Kong

PRINCIPAL SHARE REGISTRAR

CONYERS TRUST COMPANY (CAYMAN) LIMITED

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

HONG KONG BRANCH SHARE REGISTRAR

TRICOR INVESTOR SERVICES LIMITED

Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTOR RELATIONS

ir@qhhl.com.hk

STOCK CODE

0911

WEBSITE

www.qianhaihealth.com.hk

Management Discussion and Analysis

BUSINESS REVIEW

Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is one of the leading wholesaler of American ginseng, which is principally engaged in sourcing cultivated ginseng and wild ginseng (collectively, the "**American Ginseng**") from Canada and the United States and sell American Ginseng to the second level wholesalers in Hong Kong, China and overseas.

During the year of 2016, due to the unfavorable market condition, the global economic growth recovery continued to slowdown, and China was experiencing continuous adjustment of economic structure with changes in mode of economic growth and slowdown in growth of gross domestic product.

In addition, with the publication of the announcement of the Company dated 2 February 2016 regarding the change in control of the Company, a turbulence has been caused in the American Ginseng market and customers of the Group have been conscious of the American Ginseng trading. As a result, the price of the American Ginseng decreased significantly. It has been a harsh operating environment for American Ginseng industry in 2016 and which created a heavy pressure on the Group's financial results.

The Group continues to monitor the market trends and take prompt actions to adjust its business and operation plan under different market conditions. To improve the economic benefits, the Company proposed to cut down the costs and to focus on wholesale of the American Ginseng.

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

The following table sets out the Group's revenue by product type for the year ended 31 December 2016 as compared with the same of last year.

	2016		2015		Change in
	Revenue HK$'000	**% of total**	Revenue HK$'000	% of total	revenue (approximate %)
Cultivated ginseng	**220,408**	**62.2**	717,189	85.9	(69.3)
Wild ginseng	**125,729**	**35.5**	42,086	5.0	198.7
Ginseng wine	**6,583**	**1.8**	72,485	8.7	(90.9)
Others	**1,665**	**0.5**	3,771	0.4	(55.9)
TOTAL	**354,385**	**100**	835,531	100	(57.6)

During the year ended 31 December 2016, the Group's overall revenue (net of provision for rebates and discounts) amounted to approximately HK$354 million, representing a decrease of approximately 57.6% compared with the same of last year. Gross loss amounted to approximately HK$398 million (2015: HK$129 million) which was mainly attributable to provision for rebates and discounts and decrease in the market price of American Ginseng in 2016.

LOSS FOR THE YEAR

The loss for the year attributable to owners of the Company during the year amounted to approximately HK$526 million (2015: HK$438 million) which was mainly attributable from:

(i) provision of rebates and discounts of approximately HK$240 million (2015: HK$352 million);

(ii) provision for inventory write down of approximately HK$97 million (2015: HK$132 million), which included in cost of sales; and

(iii) foreign exchange loss of approximately HK$60 million (2015: HK$67 million).

INVENTORIES

The Group's inventories as at 31 December 2016 were approximately HK$166 million (net of provision for inventory write down) (2015: HK$657 million). The inventories of the Group were stated at lower of cost or net realisable value. With the lower selling price of the cultivated American Ginseng, a provision for inventory write down of approximately HK$97 million (2015: HK$132 million) has been recognised for the year ended 31 December 2016, after re-assessing the net realisable value of the inventories. The Group considered that the recognision of provision for inventory write down can more accurately reflect the financial position of the Group.

TRADE RECEIVABLES

The Group's trade receivables as at 31 December 2016 were approximately HK$613 million (2015: HK$615 million). The Group's net trade receivables as at 31 December 2016 were approximately HK$46 million (2015: HK$263 million).

The Group has been using its best endeavour to collect the trade receivables from the customers and at the same time seeking legal advice regarding the delayed settlement of the trade receivables. The Group undertook legal proceedings to enforce debt collection. Final judgements were released by the High Court in Hong Kong in December 2016, ordering certain of the customers to repay the outstanding balances together with accrued interests to the Group. In fulfilling their fiduciary duties to protect the Group's interests, the Board will continue to take the appropriate actions on each of the customers who had delayed the settlement.

FOREIGN EXCHANGE EXPOSURE

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("**HKD**") and some sales of the Group were denominated in Renminbi and the Group receives all its trade receivables from customers in HKD. The purchases of cultivated ginseng are mainly made in Canadian dollars ("**CAD**") and the purchases of wild ginseng are mainly made in United States dollars ("**USD**"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the year ended 31 December 2016, the Group incurred foreign exchange loss amounted to approximately HK$60 million (2015: a foreign exchange loss amounted to approximately HK$67 million). The Group utilises currency derivatives to hedge significant future transactions and cash flows arising from CAD exposure. The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$245 million (2015: HK$76 million) and net current assets of approximately HK$461 million, which increased by approximately HK$156 million as compared with the last fiscal year. The increase in cash and cash equivalents was mainly due to the increase of bank balances as a result of the subscription and placing of new shares during the year.

The Group had no interest-bearing loans as at 31 December 2016 (31 December 2015: HK$1,565 million).

On 24 April 2015, the Company issued the unsecured bonds in an aggregate amount of HK$132 million, which shall be due on 24 October 2018. The bonds carry fixed interest rate of 6% per annum, payable semi-annually in arrears. During the year ended 31 December 2016, the Group redeemed all of outstanding bonds at 100% of their principal amount, together with accrued interest. No outstanding bonds were noted as at 31 December 2016.

CHARGE OF ASSETS

The Group did not have any assets charged as at 31 December 2016.

CAPITAL COMMITMENTS

No significant capital commitments of the Group as at 31 December 2016 (31 December 2015: approximately HK$1.6 million, which was mainly used in acquisition of office premises for the Group's self-use.)

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2015 and 2016.

SHARE SUB-DIVISION AND CONSOLIDATION

On 26 May 2015, the shares of HK$0.01 each in the share capital of the Company had been subdivided into ten (10) sub-divided shares of par value of HK$0.001 each has become effective ("**Share Sub-division**").

On 7 July 2016, the share consolidation in which every four (4) of the existing issued and unissued shares of HK$0.001 each in the share capital of the Company has been consolidated into 1 consolidated share of par value of HK$0.004 each has become effective ("**Share Consolidation**"); and the authorised share capital of the Company was HK$200,000,000 representing 50,000,000,000 consolidated shares of the Company of HK$0.004 each, of which 15,004,050,000 consolidated shares of the Company are in issue and fully paid.

LOOKING AHEAD

Looking ahead into 2017, the Group expects market conditions to remain challenging. Yet, with the leading position in the ginseng market and experienced management team of the Group, the Group can remain competitive in the future. With the efforts and progress made over the year for the transformation, the financial situation of the Group has been strengthened and the business has been refined. The Group will accelerate its growth rate in the future, placing more focus on the wholesale of the American Ginseng and at the same time proactively exploring new business areas and seeking suitable investment opportunities.

Besides, the Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2016.

HUMAN RESOURCES

The Group reviews its human resources and remuneration policies periodically with reference to local legislations, market conditions, industry practice and assessment of the performance of the Group and individual employees. As at 31 December 2016, the Group had 39 full-time employees (including the Directors).

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

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

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Yuen Chee Lap Carl (Chairman of the Audit Committee), Mr. Li Wei and Mr. Wu Wai Leung Danny. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 December 2016 with the Directors.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining right of the shareholders of the Company to attend and vote at the annual general meeting of the Company (the "**AGM**"), the register of members will be closed from Wednesday, 17 May 2017 to Monday, 22 May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 16 May 2017.

Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

MR. GEORGE LU

Chief Executive Officer and Executive Director, aged 54

Mr. George Lu was appointed as an executive Director on 17 May 2016. Mr. Lu has more than fifteen years of entrepreneurial experience in strategic planning and general management of trading and manufacturing companies. Mr. George Lu is the founder, director and chairman of Huabang Financial Holdings Limited (formerly known as "Goldenmars Technology Holdings Limited"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 3638) ("**Huabang Financial**"), and is responsible for its overall management, operations and strategic development.

Mr. George Lu and Ms. Shen Wei are husband and wife.

MR. YEUNG WING KONG

Executive Director, aged 46

Mr. Yeung Wing Kong was appointed as an executive Director on 18 August 2011. Mr. Yeung has over 20 years of experience in the American Ginseng industry and is primarily responsible for operation, management and procurement of the Group. He joined the Group in 1989. From 1989 to 1991, he was responsible to supervise the processing and sale and purchase of American Ginseng. Since 1991, he has been responsible for the procurement of the products from Canada and the United States of America. He contacts suppliers in Canada and the United States regularly to obtain information regarding the quality of Cultivated Ginseng and Wild Ginseng and assists in making purchase decision. Mr. Yeung has been a member of Po Sau Tong Ginseng & Antler Association Hong Kong Limited（香港參茸藥材寶壽堂商會有限公司）since December 1990.

MR. WONG KWOK MING

Executive Director, aged 40

Mr. Wong Kwok Ming was appointed as an executive Director on 17 May 2016. Mr. Wong has more than 18 years of experience in the areas of auditing, accounting, taxation, capital markets, business advisory and corporate finance covering various industry sectors. He has worked at PricewaterhouseCoopers Hong Kong for over 10 years in audit and assurance department with his last position as senior manager and has worked at a well-established and sizable manufacturing company as the chief financial officer after he left PricewaterhouseCoopers. Mr. Wong possesses a Master Degree in Accounting from Curtin University of Technology. Mr. Wong is a Practicing Certified Public Accountant in Hong Kong and he is also a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong Kwok Ming is the chief financial officer of Huabang Financial, and is responsible for the overall finance management, risk management and company secretarial affairs.

NON-EXECUTIVE DIRECTORS

MR. YEUNG WAI FAI ANDREW

Non-executive Director, aged 44

Mr. Yeung Wai Fai Andrew joined the Company as the general manager of the Company in November 2016. He was appointed as the Deputy Chairman and a non-executive Director and resigned as the general manager of the Company on 23 January 2017, He has been the deputy chief executive officer of Qianhai Corporate Finance Limited since November 2016. He had been the head of investment banking and advisory of Kim Eng Securities (Hong Kong) Limited from July 2015 to October 2016. He has been appointed as an independent non-executive director of VPower Group International Holdings Limited (stock code: 1608) since October 2016, and was an independent non-executive director of Goldenmars Technology Holdings Limited (stock code: 3638) between June 2016 and September 2016, companies whose shares are listed on the Main Board of the Stock Exchange. He was an independent director of Eversol Corporation (stock code: 3647.TT), which was delisted on the Taiwan GreTai Securities Market in October 2016, from June 2014 to June 2016.

Mr. Yeung Wai Fai Andrew was the head of corporate finance advisory of Edmond de Rothschild (Suisse) S.A., Hong Kong Branch, from August 2014 to May 2015. Mr. Yeung has over 16 years of experience in investment and private banking. Prior to joining Edmond de Rothschild (Suisse) S.A., Hong Kong Branch, he was the managing director of DBS Asia Capital Limited and he worked at DBS Asia Capital Limited for over 10 years. He worked as the corporate finance associate in BNP Paribas Peregrine Capital Limited from April 2000 to May 2002. Mr. Yeung graduated from the Hong Kong Polytechnic University with a bachelor of arts (Hons.) in accountancy in 1994. Mr. Yeung Wai Fai Andrew has been a certified public accountant with the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. LI WEI

Independent non-executive Director, aged 62

Mr. Li Wei was appointed as an independent non-executive Director on 17 May 2016. Mr. Li has over twenty five years of experience in establishing and operating businesses in Asia, and particularly in Hong Kong and China. He was educated in China, Germany and Australia. He has been an independent non-executive director of VST Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 856) since 2007.

MR. WU WAI LEUNG DANNY

Independent non-executive Director, aged 56

Mr. Wu Wai Leung Danny was appointed as an independent non-executive Director on 29 February 2016. Mr. Wu graduated from the University of Hong Kong with a Bachelor's degree in Social Sciences in 1985. He is currently the chief executive officer and an executive director of Greenheart Group Limited (stock code: 0094), a company listed on the Main Board of the Stock Exchange. Mr. Wu has over 20 years of experience in investing and business operations in Asia. Since 2003, Mr. Wu has been a director of First Gateway Capital Limited (formerly "**First U.S. Capital Limited**"), which engages in early stage investment, and investment advisory services to small and medium enterprises in Asia, with a focus in transportation, resource, manufacturing, technology and telecommunication companies. He was an independent non-executive director of Newton Resources Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1231) from 25 January 2011 until 21 May 2015. He is currently a non-executive director of Newton Resources Limited.

MR. YUEN CHEE LAP CARL

Independent non-executive Director, aged 43

Mr. Yuen Chee Lap Carl was appointed as an independent non-executive Director on 29 February 2016. Mr. Yuen graduated from the University of Houston, United States. He attained a Bachelor's degree and a Master's degree in Business Administration in 1997 and 1998 respectively. Mr. Yuen is currently the financial controller of Courage Marine Group Limited (stock code: 1145), a company listed on the Main Board of the Stock Exchange and the Singapore Exchange Securities Trading Limited. He has rich experience in finance and accounting in Hong Kong, Singapore and the United States. Mr. Yuen commenced his career in the United States and served as chief accountant and managerial position in several companies between 1998 and 2003. Mr. Yuen joined Courage Marine Group Limited in 2004 and was appointed as financial controller in May 2006. He is in charge of the company's finance and accounting control as well as the company's reporting, SGX-ST and Stock Exchange compliance. Mr. Yuen is currently a member of the Hong Kong Institute of Directors and the Association of Hong Kong Accountants.

SENIOR MANAGEMENT

MS. YIP TAK YUNG, TERESA

Chief Financial Officer and Company Secretary, aged 35

Ms. Yip Tak Yung, Teresa joined the Group in 2013, and is responsible for finance management, compliance assurance and company secretarial matters of the Group. Ms. Yip has more than 10 years of experience in the areas of auditing, accounting and taxation. She has worked at Deloitte Touche Tohmatsu for over 7 years before joining the Group. She graduated from City University of Hong Kong with a bachelor's degree of Business Administration (Honours) in Accountancy. Ms. Yip is a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance and Other Information

COMPLIANCE WITH THE COPOERATE GOVERNANCE CODE

The Board is committed in achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the year ended 31 December 2016, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), except in relation to CG Code provisions A.2.1, A.5.1, A.6.7 and E.1.2 as more particular describe below:

CG CODE PROVISION A.2.1

CG Code provision A.2.1 states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by (i) Mr. Yeung Wing Yan (who resigned as an executive Director on 5 July 2016) during the period between 1 January 2016 and 16 May 2016; and (ii) Mr. George Lu since 17 May 2016. The Board considers that for the period between 1 January 2016 and 16 May 2016, the Company is still in its growing stage and it would be beneficial to the Group for Mr. Yeung Wing Yan to assume both roles as the chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. In respect of the period from 17 May 2016 to 31 December 2016, having considered (i) the change of control of the Company in May 2016; and (ii) the Board's strategy to (a) continue the trading of American Ginseng with a cautious approach; and (b) explore new business areas and seek for suitable investment opportunities, the Board considers that it would be beneficial to the Group for Mr. George Lu to assume both roles as the chairman and the chief executive officer of the Company, since, as abovementioned, the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's development. When the Group has developed to a more sizeable organisation, the Board will consider splitting the two roles to be assumed by two individuals. With the strong business experience of the Directors, they do not expect any issues would arise due to the combined role of Mr. Yeung Wing Yan (during the period between 1 January 2016 and 16 May 2016) and Mr. George Lu since 17 May 2016.

CG CODE PROVISION A.5.1

CG Code provision A.5.1 stipulates that the number of independent non-executive directors shall represent the majority of the nomination committee.

During the period between 22 February 2016 and 29 February 2016, due to the resignation of an independent non-executive Director, namely Mr. Cheung Chung Wai Billy, who was also then a member of the nomination committee of the Company, on 22 February 2016, the nomination committee of the Company then only consisted of one executive Director and one independent non-executive Director. Details of which please refer to the announcement of the Company dated 29 February 2016 (including non-compliance with Rules 3.10(1) and (2), 3.10A, 3.21 and 3.25 of the Listing Rules).

As Mr. Wu Wai Leung Danny was subsequently appointed as an independent non-executive Director, as well as, among others, a member of the nomination committee of the Company, on 29 February 2016 in order to replace the vacancy, such deviation from CG Code provision A.5.1 was rectified.

The Group also has in place an internal control system to perform the check and balance function. There are also three independent non-executive Directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

CG CODE PROVISION A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meeting. Due to other important business engagements at the relevant time, some independent non-executive Directors did not attend the extraordinary general meetings held on 6 July 2016 and 31 August 2016 and a non-executive Director did not attend the annual general meeting and extraordinary general meetings held during the period between 17 May 2016 and 31 December 2016.

CG CODE PROVISION E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 24 June 2016 due to other important business engagement. The Chairman will endeavor to attend all future annual general meetings of the Company unless unexpected or special circumstances preventing him from doing so.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the code of conduct rules (the "**Model Code**") regarding securities transactions by the Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code.

THE BOARD OF DIRECTORS

The Board takes responsibility for overseeing all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, monitoring senior management's performance and determining the policy for corporate governance. The Directors make decisions objectively in the interests of the Company.

The Board currently comprises a total of seven Directors, with three executive directors, one non-executive director and three independent non-executive Directors:

EXECUTIVE DIRECTORS

Mr. George Lu *(Chairman and Chief Executive Officer)* (appointed on 17 May 2016)
Mr. Yeung Wing Kong
Mr. Wong Kwok Ming (appointed on 17 May 2016)
Mr. Yeung Wing Yan (resigned on 5 July 2016)
Ms. Fu Fung Sau (resigned on 17 May 2016)

NON-EXECUTIVE DIRECTOR

Mr. Yeung Wai Fai Andrew (appointed on 23 January 2017)
Ms. Shen Wei (appointed on 17 May 2016 and resigned 23 January 2017)
Mr. Shin Yick Fabian (appointed on 6 January 2016 and resigned on 3 February 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei (appointed on 17 May 2016)
Mr. Wu Wei Leung Danny (appointed on 29 February 2016)
Mr. Yuen Chee Lap Carl (appointed on 29 February 2016)
Mr. Wong Senta (resigned on 17 May 2016)
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

The biography details of the Directors as at the date of this annual report are set out under the section headed "Board of Directors and Senior Management" in this annual report. Mr. Yeung Wing Yan, Ms. Fu Fung Sau, Ms. Shen Wei, Mr. Shin Yick Fabian, Mr. Wong Senta, Mr. Kwok Lam Kwong Larry and Mr. Cheng Chung Wai Billy were resigned as the Directors due to their personal or business engagements.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman is responsible for leading the Board and is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures.

Whereas the role of chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2016, the Board at all times (except from 23 February 2016 to 28 February 2016) met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board. These independent non-executive Directors are individuals from diversified backgrounds and industries and one member has appropriate accounting and related financial management expertise.

The independent non-executive Directors serve the relevant function of bringing independent judgment and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise. The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all of the independent non-executive Directors meet the guidelines for assessing independence as set out in the Listing Rules and considers them to be independent.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

CG Code provision A.1.1 prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

Details of Directors' attendance records during the year ended 31 December 2016 are set out in the table below:

	Meetings Attended/Held			
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Directors				
Mr. George Lu (appointed on 17 May 2016)	3/6	N/A	N/A	N/A
Mr. Yeung Wing Kong	5/6	N/A	N/A	N/A
Mr. Wong Kwok Ming (appointed on 17 May 2016)	3/6	N/A	N/A	N/A
Mr. Yeung Wing Yan (resigned on 5 July 2016)	4/6	N/A	1/1	1/1
Ms. Fu Fung Sau (resigned on 17 May 2016)	3/6	N/A	N/A	N/A
Non-Executive Director				
Mr. Yeung Wai Fai Andrew (appointed on 23 January 2017)	N/A	N/A	N/A	N/A
Ms. Shen Wei (appointed on 17 May 2016 and resigned on 23 January 2017)	2/6	N/A	N/A	N/A
Mr. Shin Yick Fabian (appointed on 6 January 2016 and resigned on 3 February 2016)	1/6	N/A	N/A	N/A
Independent Non-Executive Directors				
Mr. Li Wei (appointed on 17 May 2016)	2/6	1/3	N/A	N/A
Mr. Wu Wei Leung Danny (appointed on 29 February 2016)	5/6	3/3	1/1	1/1
Mr. Yuen Chee Lap Carl (appointed on 29 February 2016)	5/6	3/3	N/A	N/A
Mr. Wong Senta (resigned on 17 May 2016)	3/6	2/3	1/1	1/1
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)	1/6	N/A	N/A	N/A
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)	1/6	N/A	N/A	N/A

Apart from holding regular Board meetings during the year, the Board will meet on other occasions when a Board level decision on a particular matter is required. The Directors receive agenda of each meeting in advance.

Notice of at least 14 days is given to the Director to attend a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are despatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

All minutes of the Board meetings are kept by the company secretary of the Company and are available to all Directors for inspection.

The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, Directors' appointment, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

TRAINING AND SUPPORT FOR DIRECTORS

In accordance with A.6.5 of the CG Code with regards to continuous professional development, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills.

To further ensure all Directors are adequately informed about the Company's business and operations as well as his/her responsibilities under relevant laws, rules and regulations, the company secretary of the Company provides all Directors with regular updates regarding the Company's performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time.

The Directors received the following training for the year ended 31 December 2016 according to the records provided by the Directors:

Directors	**Training on corporate governance, regulatory development and other relevant topics**
Executive Directors	
Mr. George Lu (appointed on 17 May 2016)	✓
Mr. Wong Kwok Ming (appointed on 17 May 2016)	✓
Mr. Yeung Wing Yan (resigned on 5 July 2016)	✓
Ms. Fu Fung Sau (resigned on 17 May 2016)	✓
Non-executive Director	
Mr. Yeung Wai Fai Andrew (appointed on 23 January 2017)	N/A
Ms. Shen Wei (appointed on 17 May 2016 and resigned on 23 January 2017)	✓
Mr. Shin Yick Fabian (appointed on 6 January 2016 and resigned on 3 February 2016)	✓
Independent Non-executive Directors	
Mr. Li Wei (appointed on 17 May 2016)	✓
Mr. Wu Wei Leung Danny (appointed on 29 February 2016)	✓
Mr. Yuen Chee Lap Carl (appointed on 29 February 2016)	✓
Mr. Wong Senta (resigned on 17 May 2016)	✓
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)	✓
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)	✓

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

BOARD COMMITTEES

The Board has established an audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (collectively, the "**Board Committees**") for overseeing particular aspects of the Company's affairs under its defined scope of duties and terms of reference. The terms of reference of each of the Board Committees are posted on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

AUDIT COMMITTEE

The Audit Committee's current members include:

Mr. Yuen Chee Lap Carl (*Chairman*, appointed on 29 February 2016)
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Li Wei (appointed on 17 May 2016)
Mr. Wong Senta (resigned on 17 May 2016)
Mr. Cheung Chung Wai Billy (*previous Chairman*, resigned on 22 February 2016)
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)

All of the committee members are independent non-executive Directors with the chairman of which possesses the appropriate professional qualifications and accounting experience. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board, to develop and review policies and practices of the Group on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules, and to develop, review and monitor the code of conduct applicable to the employees of the Group.

The terms of reference of the Audit Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

During the year ended 31 December 2016, the Audit Committee held three meetings. The attendance records are set out under the section headed, "Number of Meetings and Directors' Attendance" in this report. The Audit Committee performed the following work during the year ended 31 December 2016:

(a) reviewed the interim financial statements and annual reports, including the accounting principles and accounting standards adopted, and made recommendations to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's internal control system and related matters; and

(d) considered and made recommendations on the re-appointment of the independent auditor of the Group and the terms of engagement

The Audit Committee has reviewed the Group's audited annual consolidated financial statement for the year ended 31 December 2015 and audited results for the year ended 31 December 2015 and unaudited interim condensed financial statement for the six months ended 30 June 2016 and had discussed the financial information with the management and the external auditors of the Company during the year ended 31 December 2016 before submission to the Board for its approval.

REMUNERATION COMMITTEE

The Remuneration Committee's current members include:

Mr. Li Wei (*Chairman*, appointed on 17 May 2016)
Mr. George Lu (appointed on 17 May 2016)
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Yeung Wing Yan (resigned on 17 May 2016)
Mr. Wong Senta (*previous Chairman*, resigned on 17 May 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

The majority of the members are independent non-executive Directors. The Remuneration Committee makes recommendations to the Board on the policy and structure for all remuneration of Directors and senior management, reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives, and makes recommendations to the Board on the remuneration packages of Directors and senior management. Staff remuneration is determined by the Group's management by reference to the individual staff's qualifications, work experience, performance and prevailing market conditions.

The terms of reference of the Remuneration Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

The Remuneration Committee met once during the year ended 31 December 2016. During the meeting, the Remuneration Committee reviewed the remuneration packages of the executive Directors, non-executive Directors and independent non-executive Directors and senior management.

The remuneration of the members of the senior management of the Company for the year ended 31 December 2016 is set out below:

	Number of members of senior management
HK$1,500,001 to HK$3,500,000	1
HK$1,000,001 to HK$1,500,000	1
	2

Further particular regarding the five highest paid employees and directors remuneration are set out in Note 10 and 37 to the consolidated financial statements respectively.

NOMINATION COMMITTEE

The Nomination Committee's current members include:

Mr. Li Wei (*Chairman*, appointed on 17 May 2016)
Mr. George Lu (appointed on 17 May 2016)
Mr. Wu Wai Leung Danny (appointed on 29 February 2016)
Mr. Yeung Wing Yan (resigned on 17 May 2016)
Mr. Wong Senta (*previous Chairman*, resigned on 17 May 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

The majority of the members are independent non-executive Directors. The principal duties of the Nomination Committee are to determine the policy of nomination of Directors and identify and nominate suitable candidates for appointment as Directors and make recommendations to the Board.

The terms of reference of the Nomination Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

The Nominate Committee has a policy concerning diversity of Board members which aims to maintain a diversified Board in terms of skills, experience, knowledge, expertise, culture, independence, age and gender, with a view to enhance the quality of performance of the Board.

The Nomination Committee met once during the year ended 31 December 2016. During the meeting, the Nomination Committee reviewed the structure and composition (including the skills, knowledge and experience) of the Board.

CONFLICT OF INTEREST

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, such Director is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction. The Group also adopted certain internal control policies to manage potential conflicts of interest.

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa, the company secretary of the Company, is a full time employee of the Group and has day-today knowledge of the Company's affairs. The company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the company secretary is set out in the section headed "Directors and Senior Management" in the annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional and development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance and accounts department of the Company are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2016, the Directors have reviewed and applied suitable accounting policies, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which reflect the financial information of the Group with reasonable accuracy.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

EXTERNAL AUDITOR

External auditor's responsibility is to form an independent opinion, based on the audit, on those financial statements and to report the opinion solely to the Company, as a body, and for no other purpose. It does not assume responsibility towards or accept liability to any other person for the contents of the auditor's report.

PricewaterhouseCoopers was appointed as the Company's external auditor in January 2017. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

The auditors of the Company expressed a qualified opinion in respect of limitation of scope of the provision for rebates and discounts of approximately HK$239,619,000 made for the year ended 31 December 2016. Since the announcements of Company regarding the possible change of control of the Company in February 2016, the Group had experienced a significant slowdown in the settlement of trade receivables from its customers, and nine major customers ("Customers") have requested for rebates and discounts on the original sales amounts. During the year ended 31 December 2016, the Directors continued to negotiate with the Customers on the rebate and discount amounts and the trade receivables settlement plan. No positive responses were obtained. The Group had then taken out legal proceedings to enforce debt collection against all Customers. Judgements were obtained by the Group to enforce debt settlement from certain Customers. However, the Customers did not respond to the judgements. In view of the above, the Group made a full provision for rebates and discounts of approximately HK$239,619,000 during the year ended 31 December 2016, attributable to revenue derived from sales to the Customers of approximately HK$134,057,000 and approximately HK$105,562,000 recognised during the period from January to February 2016 and for the year ended 31 December 2015, respectively.

As the Customers did not responded to any of the confirmations issued by the auditors of the Company and no formal contractual rebate agreements were concluded between the Company and the Customers during the year ended 31 December 2016, there were not sufficient information to address the auditors' concerns. Thus, a qualified opinion was issued.

The Audit Committee has reviewed these judgmental areas of the management of the Company, no disagreement was noted on the provision for rebates and discounts.

The remuneration paid to the Company's external auditors, PricewaterhouseCoopers, in respect of audit services and non-audit services, for the year ended 31 December 2016 is set out below:

Nature of services	**Fee paid/payable**
	HK$'000
Audit services	1,780
Non-audit services	20
Total	1,800

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system and for reviewing its effectiveness, particularly in respect of controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

The internal control system is designed to provide reasonable, but not absolute, assurance. The system aims to eliminate, or otherwise manage, risks of failure in achieving the Company's objectives.

The Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function. The Audit Committee oversees the internal control system of the Group and communicates any material issues with the Board.

REGULATORY COMPLIANCE

As disclosed under the section headed "Training and Support for Directors" in this annual report, the Directors have sufficient up-to-date knowledge of relevant laws and regulations.

The Company had engaged external professional advisers, including legal advisers, to render professional advice as to compliance with the statutory requirements applicable to the Group from time to time.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make appropriate investment decisions.

The members of the Board and Board Committees and the external auditors will be present to answer the shareholders' questions in the annual general meetings of the Company. Circulars will be distributed to all Shareholders before the annual general meeting and any special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the articles of association of the Company. All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the relevant general meetings.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong with any enquires.

SHAREHOLDERS' RIGHTS

CONVENING OF SPECIAL GENERAL MEETINGS AND REQUISITION BY SHAREHOLDERS

Pursuant to article 64 of the articles of association of the Company, shareholders holding in aggregate not less than one-tenth (10%) of the paid up capital of the Company shall have the right to request the Board to convene a special general meeting ("SGM"). Such requisition shall be made by a written request to the Board, stating the business to be transacted and signed by the requisitionist(s). Shareholders shall follow the requirements and procedures set out in the articles of association of the Company.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail 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 Directors shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: G/F, Nam Pak Hong Commercial Centre
44 Bonham Strand West,
Hong Kong
(For the attention of the Company Secretary)
Fax: 2545 7999
E-mail: ir@qhhl.com.hk

As regards to proposing a person other than the retiring Director for election as a Director in a general meeting, please refer to the procedures available on the website of the Company. Shareholders may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's articles of association during the year ended 31 December 2016. A copy of the Company's articles of association is also available on the Company's website and the Stock Exchange website.

Directors' Report

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in sourcing and wholesaling of American Ginseng in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 48 of this annual report.

For details regarding a fair review of the Company's business, please refer to the paragraph headed "Business review" of the section headed "Management discussion and analysis" of this annual report.

The Board does not recommend the payment of a dividend.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five financial years is set out on page 128 of this annual report. This summary does not form part of the audited consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining right of the shareholders of the Company to attend and vote at the annual general meeting of the Company (the "AGM"), the register of members will be closed from Wednesday, 17 May 2017 to Monday, 22 May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 16 May 2017.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at the end of the reporting period. For the year ended 31 December 2016, the net fair value decrease on investment properties arising on revaluation amounting to approximately HK$11,374,000 (2015: decrease of HK$2,108,000) has been recognised in profit or loss.

Details of movements in investment properties of the Group are set out in Note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired land and buildings situated in Hong Kong at a cost of HK$ Nil (2015: approximately HK$35,195,000), leasehold improvements at a cost of approximately HK$1,100,000 (2015: approximately HK$7,564,000), furniture, fixtures and office equipment at a cost of approximately HK$80,000 (2015: HK$5,597,000) and motor vehicles at a cost of HK$Nil (2015: approximately HK$811,000).

Details of movements in the property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

During the year ended 31 December 2016, there was an increase in the authorised share capital of the Company from HK$50,000,000 divided into 50,000,000,000 shares of par value HK$0.001 each to HK$200,000,000 divided into 200,000,000,000 shares (after the Share Consolidation: 50,000,000,000 shares of par value HK$0.004 each). Details of the movement in the issued share capital of the Company are set out in Note 27 to the consolidated financial statements.

SUBSCRIPTION AND PLACING

During the year ended 31 December 2016, there were subscription and placing of new shares. Details are set out in the table below:

Date of announcement	Event	Subscriber/placees	Closing price quoted on the Stock Exchange on date of subscription/ placing agreement	Net proceeds	Net price to the issuer	Intended use of proceeds	Actual use of proceeds as at the date of this report
29 February 2016 and 17 May 2016	Subscription of 7,800,000,000 new Shares at the price of HK$0.04 per share (No. of shares and price were adjusted as a result of Share Consolidation	Super Generation Group Limited ("Super Generation")	HK$0.268 (Adjusted as a result of Share Consolidation)	Approximately HK$300.9 million	HK$0.0388 (Adjusted as a result of Share Consolidation)	Approximately HK$225.9 million for repayment of banks loans and approximately HK$75.0 million for repayment of accounts payables.	Used as intended
29 February 2016 and 17 May 2016	Placing of 2,200,000,000 new Shares at the price of HK$0.04 per share (No. of shares and price were adjusted as a result of Share Consolidation	Not less than six placees, who were individuals, corporate, institutional investors or other investors	HK$0.268 (Adjusted as a result of Share Consolidation)	Approximately HK$82.8 million	HK$0.0376 (Adjusted as a result of Share Consolidation)	Approximately HK$49.7 million for repayment of banks loans and approximately HK$33.1 million for procurement of American ginseng.	Used as intended

Date of announcement	Event	Subscriber/placees	Closing price quoted on the Stock Exchange on date of subscription/ placing agreement	Net proceeds	Net price to the issuer	Intended use of proceeds	Actual use of proceeds as at the date of this report
26 July 2016 and 15 August 2016	Placing of 1,000,000,000 new shares at the price of HK$0.127 per share	Not less than six placees, who were individuals, corporate, institutional investors or other investors	HK$0.146	Approximately HK$123.2 million	HK$0.123	General working capital of the Group and funding investment opportunities as may be identified from time to time.	Used as intended
6 December 2016 and 22 December 2016	Placing of 1,000,000,000 new shares at the price of HK$0.135 per share	Not less than six placees, who were individuals, corporate, institutional investors or other investors	HK$0.153	Approximately HK$128.3 million	HK$0.128	General working capital of the Group and funding investment opportunities as may be identified from time to time.	Not yet been ultilised

As at 31 December 2016, the number of ordinary share issued of the Company was 17,004,050,000.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries redeemed, purchased or cancelled any redeemable securities during the year ended 31 December 2016. As at 31 December 2016, there were no outstanding redeemable securities of the Company.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 51 of the annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands and the Company's Articles of Association, the funds in the share premium and net of accumulated losses of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2016, the Company's aggregate amount of reserves available for distribution of shareholders of the Company was approximately HK$479,146,000 (2015: HK$402,755,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales (before provision for rebates and discounts) to the largest one and five largest customers accounted for approximately 48.4% and approximately 80.5% respectively of the total sales for the year. Purchases from the largest one and five largest suppliers accounted for approximately 11.7% and approximately 43.2% respectively of the total purchases for the year.

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

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. George Lu (*Chairman and Chief Executive Officer*) (appointed on 17 May 2016)
Mr. Yeung Wing Kong
Mr. Wong Kwok Ming (appointed on 17 May 2016)
Mr. Yeung Wing Yan (resigned on 5 July 2016)
Ms. Fu Fung Sau (resigned on 17 May 2016)

NON-EXECUTIVE DIRECTOR

Mr. Yeung Wai Fai Andrew (appointed on 23 January 2017)
Ms. Shen Wei (appointed on 17 May 2016 and resigned 23 January 2017)
Mr. Shin Yick Fabian (appointed on 6 January 2016 and resigned on 3 February 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei (appointed on 17 May 2016)
Mr. Wu Wei Leung Danny (appointed on 29 February 2016)
Mr. Yuen Chee Lap Carl (appointed on 29 February 2016)
Mr. Wong Senta (resigned on 17 May 2016)
Mr. Kwok Lam Kwong Larry (resigned on 22 February 2016)
Mr. Cheung Chung Wai Billy (resigned on 22 February 2016)

Biographical details of the Directors are set out on page 8 under the section titled "Directors and Senior Management" of this report.

At each annual general meeting, one third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Mr. Yeung Wing Kong and Mr. Yuen Chee Lap Carl will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for election. According to the Listing Rules, a director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. As such of Mr. Yeung Wai Fai Andrew was appointed as an non-executive director to fill in the causal vacancy of Mr. Shen Wei, Mr. Yeung Wai Fai Andrew will be eligible for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS'S SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in Note 34 to the consolidated financial statements, no contract of significance to which the Company, its holding company or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in Note 34 to the consolidated financial statements, there was no other contract of significance between the Group and the Company's controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and as at 31 December 2016, none of the Directors, directly or indirectly, had an interest in any business which competes or may compete with the business of the Company and/ or its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2016 and as at 31 December 2016, the Company has purchased liabilities insurance for the Directors and supervisors, which provides appropriate insurance for the Group's directors and supervisors. At no time during the year ended 31 December 2016 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of Directors or an associated company.

TAX RELIEF

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

REMUNERATION POLICY

The remuneration policy of the employees of the Group is set up by the Remuneration Committee and is based on merit, qualifications and competence of employees.

The remuneration policy of the Directors are decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 31 December 2016, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the Stock Exchange were as follows:

(I) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Mr. George Lu	Interest of controlled corporations	7,800,000,000 Shares *(Note1)*	45.87%
Mr. Yeung Wing Kong	Personal	5,000,000 Shares *(Note 2)*	0.03%
Mr. Yeung Wai Fai Andrew *(Note 3)*	Personal	160,040,000 Shares *(Note 2)*	0.94%

Notes:

1. These Shares held by Super Generation, which is wholly owned by Mr. George Lu.

2. These shares would be allotted and issued upon exercise in full of the options granted to such Director under the share option schemes of the Company.

3. Mr. Yeung Wai Fai Andrew was appointed as an employee on 1 November 2016 and appointed as an non-executive Director on 23 January 2017.

(II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY – SUPER GENERATION

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. George Lu	Beneficial owner	50,000 Shares of US$1 each	100%

Save as disclosed above, as at 31 December 2016, no Directors or chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Ms. Shen Wei	Interest of spouse	7,800,000,000 Shares *(Note1)*	45.87%
Super Generation	Beneficial owner	7,800,000,000 Shares	45.87%

Note:

1. Ms. Shen Wei is the wife of Mr. George Lu.

Saved as disclosed above, as at 31 December 2016, so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or has any options in respect of such capital.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in Note 34 to the consolidated financial statements. As these related party transactions constitute fully exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, none of them constitutes discloseable connected transaction as defined under the Listing Rules.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted for a period of 10 years commencing 9 June 2014 (which will expire on 8 June 2024) pursuant to an Ordinary Resolution passed at the special general meeting of the Shareholders held on 9 June 2014 for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible suppliers, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the Board.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be also approved by the Company's shareholders.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Shares.

On 6 January 2015, the Company granted 280,250,000* share options to certain individuals to subscribe for up to 280,250,000* Shares at the exercise price of HK$0.752* per Share , whereby the closing price per Share was HK$0.744* immediately before the date in which the share options were granted. (*adjusted for the effect of Share Sub-division and Share Consolidation.)

On 2 October 2015, the Company granted 500,000# share options to an individual to subscribe for up to 500,000# Shares at the exercise price of HK$2.36# per Share, whereby the closing price per Share was HK$2.32# per Share immediately before the date on which such share options were granted. (#adjusted for the effect of Share Consolidation.)

On 1 November 2016, the Company granted 160,040,000 share options to Mr. Yeung Wai Fai Andrew, who was an employee of Group on 1 November and appointed as an non-executive Director on 23 January 2017) to subscribe for up to 160,040,000 Shares at the exercise price of HK$0.165 per Share, whereby the closing price per Share was HK$0.162 immediately before the date in which the share options granted.

No new shares were issued regarding the exercise of share options during the year ended 31 December 2016.

As at 31 December 2016, options to subscribe for an aggregate of 426,140,000 shares granted to the Directors, certain employees and other participants pursuant to the Scheme remained outstanding, details of which are as follows:

				Number of options (thousands)				
Type of participants	Date of grant	Exercisable period	Adjusted exercise price	Outstanding as at 1 January 2016	Adjustment on Share Consolidation	Granted during the year	Lapsed during the year	Outstanding as at 31 December 2016
Executive Director								
Mr. Yang Wing Yan (resigned on 5 June 2016)	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752*	20,000	(15,000)	–	(5,000)	–
Mr. Yeng Wing Kong	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752*	20,000	(15,000)	–	–	5,000
Ms. Fu Fung San (resigned on 17 May 2016)	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752*	20,000	(15,000)	–	(5,000)	–
Non-executive Director								
Mr. Yeng Wai Fai Andrew (appointed as an employee on 1 November 2016 and appointed as an non-executvie director on 23 January 2017)	1 November 2016	1 November 2016 to 31 October 2019	HK$0.165	–	–	53.347	–	53.347
		1 November 2017 to 31 October 2019	HK$0.165	–	–	53.347	–	53.347
		1 November 2018 to 31 October 2019	HK$0.165	–	–	53.346	–	53.346
Associates of Directors	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752*	13,333	(10,000)	–	–	3.333
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.752*	13,333	(10,000)	–	–	3,333
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.752*	13,334	(10,000)	–	–	3,334
Other employees	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752*	2,000	(1,500)	–	(500)	–
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.752*	2,400	(1,800)	–	(50)	550
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.752*	2,400	(1,800)	–	(50)	550
Other participants	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752*	1,000,000	(750,000)	–	–	250,000
				1,106,800	(830,100)	160,040	(10,600)	426,140

* The exercise price were adjusted for the effect of Share Sub-Division and Share Consolidation.

Details of the movement of the share options are disclosed in Note 28 to the consolidated financial statements. The accounting policies adopted for the share options are described in Note 2 to the consolidated financial statements.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. During the year 31 December 2016, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except in relation to CG Code provisions A.2.1, A.5.1, A.6.1 and E.1.2 as more particularly described below.

CG CODE PROVISION A.2.1

CG Code provision A.2.1 states that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chairman and the chief executive officer of the Company are not separate and both are performed by (i) Mr. Yeung Wing Yan (who resigned as an executive Director on 5 July 2016) during the period between 1 January 2016 and 16 May 2016; and (ii) Mr. George Lu since 17 May 2016. The Board considers that for the period between 1 January 2016 and 16 May 2016, the Company is still in its growing stage and it would be beneficial to the Group for Mr. Yeung Wing Yan to assume both roles as the chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. In respect of the period from 17 May 2016 to 31 December 2016, having considered (i) the change of control of the Company in May 2016; and (ii) the Board's strategy to (a) continue the trading of American Ginseng with a cautious approach; and (b) explore new business areas and seek for suitable investment opportunities, the Board considers that it would be beneficial to the Group for Mr. George Lu to assume both roles as the chairman and the chief executive officer of the Company, since, as abovementioned, the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's development. When the Group has developed to a more sizeable organisation, the Board will consider splitting the two roles to be assumed by two individuals. With the strong business experience of the Directors, they do not expect any issues would arise due to the combined role of Mr. Yeung Wing Yan (during the period between 1 January 2016 and 16 May 2016) and Mr. George Lu since 17 May 2016.

CG CODE PROVISION A.5.1

CG Code provision A.5.1 stipulates that the number of independent non-executive directors shall represent the majority of the nomination committee.

During the period between 22 February 2016 and 29 February 2016, due to the resignation of an independent non-executive Director, namely Mr. Cheung Chung Wai Billy, who was also then a member of the nomination committee of the Company, on 22 February 2016, the nomination committee of the Company then only consisted of one executive Director and one independent non-executive Director. Details of which please refer to the announcement of the Company dated 29 February 2016 (including non-compliance with Rules 3.10(1) and (2), 3.10A, 3.21 and 3.25 of the Listing Rules).

As Mr. Wu Wai Leung Danny was subsequently appointed as an independent non-executive Director, as well as, among others, a member of the nomination committee of the Company, on 29 February 2016 in order to replace the vacancy, such deviation from CG Code provision A.5.1 was rectified.

The Group also has in place an internal control system to perform the check and balance function. There are also three independent non-executive Directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

CG CODE PROVISION A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meeting. Due to other important business engagements at the relevant time, some independent non-executive Directors did not attend the extraordinary general meetings held on 6 July 2016 and 31 August 2016 and a non-executive Director did not attend the annual general meeting and extraordinary general meetings held during the period between 17 May 2016 and 31 December 2016.

CG CODE PROVISION E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 24 June 2016 due to other important business engagement. The Chairman will endeavor to attend all future annual general meetings of the Company unless unexpected or special circumstances preventing him from doing so.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct rules (the "**Model Code**") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry to all Directors, the Company confirms that, save and except the dealing in shares of the Company as disclosed in the announcements of the Company dated 2 February 2016 and 1 March 2016, all Directors have complied with the Model Code during the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

During the year ended 31 December 2016 and as at the date of this report and based on publicly available information and the best knowledge of the Directors, the Company had sufficient public float of at least 25% of the Company's issued shares as required under Rule 8.08 of the Listing Rules.

CORPORATE GOVERNANCE AND BUSINESS OPERATION

Details of the Company's corporate governance practices are set out in the "Corporate Governance and Other Information" section in this annual report.

So far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts, if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

PRINCIPAL RISKS AND UNCERTAINTIES OF THE GROUP

The Directors consider that the principal risks and uncertainties faced by the Group during the year ended 31 December 2016 included credit risk, currency risk and liquidity risk. For further details, please refer to Note 3 to the consolidated financial statements.

AUDIT COMMITTEE

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

AUDITOR

Deloitte Touche Tohmatsu resigned as auditor of the Company on 3 January 2017, and on the same date, the Board, with the recommendation from the Audit Committee, has resolved to appoint PricewaterhouseCoopers as the new auditors of the Company to fill the casual vacancy.

The consolidated financial statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Mr. George Lu
Chairman & Chief Executive Officer
Hong Kong, 28 March 2017

Environmental, Social and Governance Report

The Group has been long active in participating corporate social responsibilities. The Board is responsible for leading the environmental, social and governance ("ESG") works, including establishing dedicated management teams to manage ESG issues within each business division, and assign designated staff to enforce and supervise the implementation of relevant policies. The Board is committed to making continuous improvements in corporate environmental and social responsibility in order to meet the changing needs of an advancing society. The Board is pleased to present the ESG report to demonstrate its efforts on sustainable development.

SCOPE AND PERIOD OF REPORTING

The ESG report mainly covers the trading businesses of the Group and presents the Group's strategic approach to sustainability and performance in the environmental and social aspects of its businesses in the reporting period from 1 January to 31 December 2016. The Group will continue to strengthen its efforts to collect information in order to enhance its performance in the environmental and social subject areas and to disclose related information in its sustainable development.

STAKEHOLDERS' ENGAGEMENT

To conduct the Group's materiality assessment in identifying and understanding the main concerns and material interests of stakeholders, the Group has invited the stakeholders to express their views and concerns on major social and environment issues, while the employees' health, safety measures, benefits & pay, development and training are the material topics of concern to stakeholders.

ENVIRONMENTAL SUSTAINABILITY

The Group strives to save energy and resource through persistent implementation of internal policies and use of advanced technologies.

NATURAL RESOURCES

The Group is committed to building an environmental-friendly corporation that pays close attention to conserving the Earth's natural resources. To incorporate environmental sustainability into the Group's operations, the Group strives to minimize its environmental impact while ensuring high standards in its product quality. The Group has active communication with its growers in Canada to ensure they have good agriculture practices on food safety and quality assurance. Canada's clean water and minimal pollution helps to ensure the high quality of Canadian ginseng. Ongoing agronomic research enables growers to use biological controls; and recent disease control research has led to the identification of products that will not only reduce the risk of plant disease in Canadian ginseng, but will reduce the environmental risk as well, ensuring agriculture is sustainable in the future.

In addition, Canada is concerned about the conservation of North American Ginseng and has rules concerning trade in North American Ginseng to ensure that trade does not threaten the continued wild existence of this species in Canada. As such, trade in North American Ginseng from Canada requires Convention on International Trade in Endangered Species of Wild Fauna and Flora export permits ("**CITES**").

Another main natural resource consumed by the Group is paper from the documentation printing. To minimise the use of paper, the Group has put great efforts to protect the natural resources, which include: using environmental friendly paper to print the annual reports and interim reports; disseminating information by electronic means, such as email, as much as possible; and re-using the single-sided paper and recycling the doubled-sided used paper.

EMISSIONS

The Group mainly engaged in sourcing and trading the American ginseng, while it does not constitute any significant impact to the environment and does not generate any material level of greenhouse gas and hazardous waste. Our management closely monitors and aims to minimise the environmental effect to its surroundings.

There is no non-compliance cases noted in relation to air and greenhouse gas emissions, discharge into water and land and generation of hazardous and non-hazardous waste for the year ended 31 December 2016.

USE OF RESOURCES

The Group has established "Reduce, Reuse and Recycle" environmental strategies focusing on the water, electricity and pare usage throughout our operational processes. The Group has always been devoted to reduce energy consumption. Aside from utilising energy-saving light bulbs and natural light, the Group also educates its employees to be more involved in executing our environmental guidelines in order to raise their awareness on energy conservation and environmental protection. In addition, the Group closely monitors energy consumption at its offices, shops and warehouses and encourage its staff to make use of natural light. Permission is required for lighting and air-conditioning during non-business hours.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

The Group have strict quality control in each operation step: procurement, production and warehousing. The Group tests quality and stability of product samples by on-site visits to supplier, so as to select high-quality product-suppliers and to ensure the quality of products. In respect of warehouse management, the Group has room temperature warehouse and cold warehouse to meet the storage requirement of different products. Warehouse inventory follows the principle of convenient storage and management. Computer management software is used for storage management which can minimise errors.

PRODUCT RESPONSIBILITY

The Group is engaging in sourcing and trading of the American ginseng, which regards as endangered species of plants under the Protection of Endangered Species of Animals and Plants Ordinance (Chapter 586 of the Laws of Hong Kong) (the "Protection of Endangered Species Ordinance"). The Group is strictly in compliance with the related rules and regulation for the year ended 31 December 2016. CITES permits were obtained for importing or re-exporting of all the American ginseng.

In addition, the Group are registered food importers for Chinese herbs and Chinese herb products under the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong) (the "Chinese Medicine Ordinance"). The Group has adequate and suitable facilities for proper storing products and ensure the products are kept in good conditions. The Group also keeps proper records relevant information about the acquisition of the products including the date and place that the products were acquired and the name and contact details of the person from whom the products were acquired; etc.

ANTI-CORRUPTION

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption and bribery irrespective of the area or country where the Group is conducting business such as Hong Kong's Prevention of Bribery Ordinance（防止賄賂條例）. The Group has formulated and strictly enforced anti-corruption policies that the Group will not tolerate any form of corruption. All employees are expected to discharge their duties with integrity and self-discipline. They should abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which may exploit their positions against the Group's interests in the course of business.

Employees have to report the declaration of conflict to the Group regularly. In addition, when the Group cooperates with external parties, the Group implements proper internal control process and tendering process to prevent any potential threats on corruption. The Group also arranges regular training to executives and employees for enhancing ethical awareness in conducting businesses.

The management conducts investigations against any suspicious or illegal behaviour which are related to bribery, extortion, fraud and money-laundering to protect the Group's interests. Corresponding internal assessment, consulting, investigation and punishment procedures are introduced. The management shall have in-depth investigation and ensure all the relevant information is kept intact and completely recorded.

Furthermore, the Group has set up internal whistleblowing policy system to enable the employees to lodge complaints and report any suspicious activities either verbally or in writing. The Group advocates a confidentiality mechanism to protect the whistle-blowers from the fear of threats. Where criminality is suspected after investigation, disciplinary actions will be taken, including termination of employment and relevant report is made to the relevant authorities. The Audit Committee of the Company shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT

The Group treasures talent as it is one of the most valuable assets and keys for driving success and maintaining sustainable development. The Group strives to provide its staff with a safe and competitive platform for career development and advancement.

The Group's human resources policies strictly adhere to the applicable employment laws and regulations in Hong Kong, including, the Hong Kong's Employment Ordinance and Mandatory Provident Fund Schemes Ordinance. The Group also provide employee benefits, such as medical insurance. The Group's human resources department reviews and updates relevant company policies in accordance with the latest laws and regulations regularly.

To attract high-calibre workforce, the Group offers competitive and fair remuneration and benefits based on individuals' performance, professional qualifications and experiences. In order to motivate and reward existing management and employees, the Group conducts regular salary review to ensure that its staff are recognised by the Group with regard to their working efforts and contributions. Meanwhile, any termination of employment contract should be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

The Group determines working hours and rest period for employees in line with employment laws and employment contracts with employees. In addition to statutory holidays such as the basic paid annual leave, employees may also entitle to maternity leave, marriage leave, paternity leave and birthday leave.

In terms of internal coaching and communication, the effective two-way communication between general staff and managerial staff is highly encouraged. Employees can maintain timely and smooth communication with their colleagues and the management through bulletin board postings, emails, trainings, internal meetings and social networks. The interactive communication system benefits the Group's decision-making process and results in a barrier-free employer-employee relationship.

As an equal opportunity employer, the management of the Company is committed to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of their gender, race, age, disability, family status, marital status, pregnancy status, sexual orientation, religion beliefs, nationality, social and ethnic origin or any other non-job related factors in all business units. The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimisation in accordance to relevant government legislations, ordinances and regulations such as Hong Kong's Disability Discrimination Ordinance and Sex Discrimination Ordinance. If there is any discrimination incidents, employees can report to Human Resources Department. Disciplinary actions would be taken against any employee if there is any non-compliance or breach of legislation related to the equal opportunities policies.

No violation of relevant employment laws and regulations was noted for the year ended 31 December 2016.

HEALTH AND SAFETY

To provide and maintain a good working conditions and a safe and healthy working environment, the Group's safety and health policies are in line with various laws and regulations stipulated by the local government, including the Hong Kong's Occupational Safety and Health Ordinance.

The Group has formulated monitoring and measuring equipment control procedures and other procedures documents in order to meet the specific safety management and comply with the related fire safety regulations, labour protection management regulations and the production site safety regulations.

In addition, the Group prohibits smoking and drinking liquor in workplace and carries out cleaning of the air-conditioning systems, disinfection treatment of carpets, emergency drill and safety inspection at regular intervals with an aim to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment and to examine the health & safety measures' effectiveness.

No violation of relevant employment health and safety laws and regulations laws and was noted for the year ended 31 December 2016.

STAFF DEVELOPMENT AND TRAINING

The Group endeavours to enhance the skills of each employee in various aspects by providing staff trainings. In order to assist employees in reaching the "keep moving" spirit, we support individual leaning and self-improvement among of employees at all levels by providing tailor-made training sessions and education subsidies. The trainings are beneficial for our employees in adopting professional knowledge and improving efficiency in processes, which ultimately increase their job satisfaction and morale. In addition, we implemented a fair performance evaluation system to reward employees for their work contributions. The Group constantly provided on-job education and training for its employees to improve their knowledge and expertise.

LABOUR STANDARDS

The Group strictly abides by the Employment Ordinance of Hong Kong and other laws and regulations to prohibits any child and forced labour. To combat against illegal employment, the human resources department of the Group responsible for recruitment requires the job applicants to provide valid identity documents prior to the confirmation of employment to ensure that the applicants are lawfully employable. The human resources department of the Group is responsible to monitor and ensure compliance of latest and relevant laws and regulations in relation to the prevention of child labour and forced labour.

No violation of relevant laws and regulations in relation to the prevention of child labour and forced labour was noted for the year ended 31 December 2016.

HARMONIOUS WORKPLACE

The Group believes employees hold strong positions in the success of our business. Therefore, the Group is determined to promote workplace diversity, protect employees' rights and encourage a friendly corporate culture. With the aim of motivating its employees to demonstrate its core values and to ultimately boost their sense of belongings, the Group strictly implements employment practices, internal equality and non-discrimination principles.

To ensure the ability to attract and retain employees, the Group regularly reviews the remuneration and welfare policy. Apart from an attractive bonus system, staff discounts, meal subsidies, housing allowance, the Group has expanded the scope of health assessment in its annual employee health check-ups for our senior management for disease prevention.

COMMUNITY INVESTMENT

The Group emphasise the importance of social responsibility awareness to its staff and encourage them to participate in social activities and charitable activities. During the year ended 31 December 2016, the Group encourage the staff to participate the blood donations during the office hours. The Group will put as much effort as possible on being a socially responsible corporation in the coming future.

CORPORATE GOVERNANCE

The Group has established corporate governance policies to ensure that its business operates in accordance with its well-defined corporate governance principals. The Group conducts efficient communications with our suppliers, customers, business partners and shareholders to ensure they comply with our corporate governance framework. The Group provides competent support, data analysis and updated market insights to our customers, business partners and suppliers for enhance its operations. These measures not only enable the Group to reinforce its continuous relationships with its business partners, but also help all parties comply with the Group's code of business ethics, and importantly, to achieve a win-win outcome.

In order to comply with the changing trends and the Listing Rules, the Group constantly reviews its corporate governance practices in a timely, fair and transparent manner, so as to circulate up-to date information to its investors and to the public. The Group understands effective communication and accurate information disclosure not only give its credibility, but also facilitate the flow of constructive feedback and ideas that are beneficial to good approaches to investor relations and its future corporate development. Besides annual reports, interim reports and announcements, the Group facilitates its communications between stakeholders by explaining financial and operational information through meetings and roadshows. Company, trade fair and store visits also allow them to have a deeper understanding of our business.

To enhance information accessibility and efficiency, the Group has launched a new website (www.qianhaihealth.com.hk) so that the stakeholders can obtain the most recent information on us anywhere and anytime. The Group not only announces its financial results but also instantly upload a wide range of relevant information onto its website such as annual and interim reports, press releases, announcements and presentations for interim and annual results.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF QIANHAI HEALTH HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Qualified opinion

What we have audited
The consolidated financial statements of Qianhai Health Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 127, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

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Basis for qualified opinion

Provision for rebates and discounts

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another firm of auditor whose report dated 31 March 2016 expressed a qualified opinion in respect of limitation of scope of the provision for rebates and discounts of HK$352,000,000 made for the year ended 31 December 2015. The previous firm of auditor stated that they were unable to obtain sufficient audit evidence to satisfy themselves as to whether the provision for discounts and rebates were fairly stated.

As described in Note 6 to the consolidated financial statements, in response to concerns expressed by and requests from certain major customers (the "Customers"), the Group recognised a provision for rebates and discounts of HK$352,000,000 in the consolidated financial statements for the year ended 31 December 2015 in relation to its certain sales to the Customers recognised during that year. During the year ended 31 December 2016, the directors of the Company continued its efforts to try to negotiate the rebates and discounts amounts with the Customers as well as the trade receivables settlement plan, and was able to obtain a court order to enforce debt settlement from certain of the Customers. However, the Customers did not respond to the court order.

In view of the insignificant repayments from the Customers during the year and the fact that the Customers did not respond to the court order, the Group made a further provision for rebates and discounts of HK$239,619,000 during the year ended 31 December 2016, attributable to revenue from sales to the Customers of HK$134,057,000 and HK$105,562,000 recognised during the period from January to February 2016 and for the year ended 31 December 2015, respectively. As at the same date, after offsetting the total provision for rebates and discounts of HK$567,037,000, total net trade receivables due from the Customers was nil.

As the Group was not able to commence any formal negotiations with the Customers and absent of any formal contractual rebate agreements, there were inadequate documentary evidence available to us to verify the provision for rebates and discounts made during the year ended 31 December 2016. We were not able to receive satisfactory confirmation replies from the Customers to confirm the receivable balances with them, nor were we able to arrange interviews with the Customers to verify the rebates and discounts arrangements, if any. As such, we were unable to obtain sufficient appropriate evidence to assess the appropriateness of the assumptions used by the directors of the Company in determining the amounts of provision for rebates and discounts, and to verify its occurrence, existence, valuation and accuracy. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the additional provision for rebates and discounts of HK$239,619,000 recognised during the year ended 31 December 2016 and the balance of provision of sales and rebates of HK$567,037,000 as at the same date were fairly stated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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 Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of inventories	
Refer to Notes 4.1(c) and 19 to the consolidated financial statements At 31 December 2016, the Group held inventories of HK$166 million, net of inventory provision of HK$154 million (2015: HK$657 million, net of inventory provision of HK$132 million). Inventories are carried at the lower of cost and net realisable value ('NRV') in the consolidated financial statements. Management estimated the NRV of inventories at 31 December 2016 based on the estimated selling price less cost to sell, which required significant judgements and assumptions to be made to determine the estimated selling price. The determination of estimated selling price of individual products is based on historical experience of sales of different products, expectation of future sales based on current market conditions; and latest selling price subsequent to year end date. The estimations may change as a result of future changes of market demand and management's sales and pricing strategy. We focused on this area due to significant management estimates and judgements were involved in determining the NRV for inventories, which was material to the consolidated financial statements.	We understood, evaluated and validated the key controls management adopted to determine the estimated selling price for different products. We evaluated the estimated selling price for different products based on discussion with management about the latest sales pattern and their sales and pricing strategy with reference to our knowledge on market demand and market trend of different products. We compared the estimated selling price with information of historical sales data and potential orders received subsequent to the year end. We also checked, on a sample basis, the NRV calculation prepared by management based on the estimated selling price and the inventory quantity as at the year end. Based on the procedures performed, we found management's judgements and assumptions made on the determination of NRV to be supported by the available evidence.

Other information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the provision for discounts and rebates. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional 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.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Kin Wah, Albert.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Revenue, net of rebates and discounts	*6*	**354,385**	835,531
Cost of sales	*7*	**(752,281)**	(964,219)
Gross loss		**(397,896)**	(128,688)
Other income	*8*	**11,470**	52,335
Other losses, net	*9*	**(83,661)**	(100,092)
Selling and distribution expenses	*7*	**(4,244)**	(31,644)
Administrative expenses	*7*	**(60,266)**	(146,567)
Finance costs	*11*	**(29,890)**	(42,200)
Loss before income tax		**(564,487)**	(396,856)
Income tax credit/(expense)	*12*	**38,625**	(41,664)
Loss for the year		**(525,862)**	(438,520)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operation		**27**	373
Total comprehensive loss for the year		**(525,835)**	(438,147)
Loss attributable to:			
– Owners of the Company		**(525,710)**	(438,396)
– Non-controlling interests		**(152)**	(124)
		(525,862)	(438,520)
Total comprehensive loss attributable to:			
– Owners of the Company		**(525,683)**	(438,023)
– Non-controlling interests		**(152)**	(124)
		(525,835)	(438,147)
			(Restated)
Basic loss per share	*13*	**(3.73) cents**	(8.77) cents

The notes on pages 54 to 127 are on integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**74,034**	79,450
Investment properties	*16*	**93,630**	116,576
Deposit placed for a life insurance policy	*20*	**–**	16,907
Deposits paid for acquisition of property, plant and equipment		**–**	900
		167,664	213,833
Current assets			
Inventories	*19*	**166,394**	657,436
Trade and other receivables	*20*	**60,641**	432,186
Pledged bank deposits	*21*	**–**	954,471
Cash and cash equivalents	*21*	**244,523**	75,630
		471,558	2,119,723
Total assets		**639,222**	2,333,556
EQUITY			
Equity attributable to owners of the Company			
Share capital	*27*	**68,016**	20,016
Reserves		**551,888**	487,374
		619,904	507,390
Non-controlling interests		**(3)**	2,876
Total equity		**619,901**	510,266

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases	*23*	**250**	349
Deferred income tax liabilities	*18*	**8,131**	8,621
		8,381	8,970
Current liabilities			
Trade and other payables	*22*	**7,310**	176,658
Obligations under finance leases	*23*	**91**	126
Bank borrowings	*24*	**–**	1,440,867
Bonds	*25*	**–**	123,746
Derivative financial instruments	*26*	**–**	29,300
Current income tax liabilities		**3,539**	43,623
		10,940	1,814,320
Total liabilities		**19,321**	1,823,290
Total equity and liabilities		**639,222**	2,333,556

The consolidated financial statements on pages 48 to 127 were approved and authorised for issue by the Board of Directors on 28 March 2017 and are signed on its behalf by:

George Lu
DIRECTOR

Yeung Wing Kong
DIRECTOR

The notes on page 54 to 127 are on integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserves HK$'000 *(Note)*	Exchange reserve HK$'000	Share option reserve HK$'000	Retained earnings/ accumulated deficits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015	20,000	931,527	8,553	–	–	128,990	1,089,070	(28)	1,089,042
Comprehensive income									
Loss for the year	–	–	–	–	–	(438,396)	(438,396)	(124)	(438,520)
Other comprehensive income for the year:									
Currency translation difference	–	–	–	373	–	–	373	–	373
Total comprehensive income/(loss) for the year	–	–	–	373	–	(438,396)	(438,023)	(124)	(438,147)
Transactions with owners in their capacity as owners									
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	3,028	3,028
Recognition of equity-settled share-based payments	–	–	–	–	72,494	–	72,494	–	72,494
Exercise of share options	16	4,966	–	–	(1,133)	–	3,849	–	3,849
Dividends	–	–	–	–	–	(220,000)	(220,000)	–	(220,000)
Total transactions with owners in their capacity as owners	16	4,966	–	–	71,361	(220,000)	(143,657)	3,028	(140,629)
Balance at 31 December 2015	20,016	936,493	8,553	373	71,361	(529,406)	507,390	2,876	510,266

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserves HK$'000 *(Note)*	Exchange reserve HK$'000	Share option reserve HK$'000	Retained earnings/ accumulated deficits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016	20,016	936,493	8,553	373	71,361	(529,406)	507,390	2,876	510,266
Comprehensive income									
Loss for the year	–	–	–	–	–	(525,710)	(525,710)	(152)	(525,862)
Other comprehensive income for the year:									
Currency translation difference	–	–	–	27	–	–	27	–	27
Total comprehensive income/(loss) for the year	–	–	–	27	–	(525,710)	(525,683)	(152)	(525,835)
Transactions with owners in their capacity as owners									
Changes in ownership interests in subsidiaries without change of control *(Note 33)*	–	–	(304)	–	–	–	(304)	(2,727)	(3,031)
Issuance of ordinary shares *(Note 27)*	48,000	614,000	–	–	–	–	662,000	–	662,000
Expense incurred in connection with issue of new shares	–	(27,047)	–	–	–	–	(27,047)	–	(27,047)
Recognition of equity-settled share-based payments	–	–	–	–	3,548	–	3,548	–	3,548
Lapse of share option	–	–	–	–	(2,910)	2,910	–	–	–
Total transactions with owners in their capacity as owners	48,000	586,953	(304)	–	638	2,910	638,197	(2,727)	635,470
Balance at 31 December 2016	68,016	1,523,446	8,249	400	71,999	(1,052,206)	619,904	(3)	619,901

Note: Capital reserves represents (i) an amount of HK$5,002,000 arising from the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the paid-in capital of subsidiaries acquired pursuant to the Group's restructuring in preparation for the listing of the Company's shares; (ii) deemed capital contribution from a shareholder amounting to HK$3,551,000 and (iii) the difference between the amount by which the non-controlling interests are adjusted and the fair value paid to acquire of equity interest in subsidiaries held by non-controlling shareholders.

The notes on pages 54 to 127 are on integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Cash generated from/(used in) operations	*29*	**145,985**	(46,141)
Hong Kong profits tax paid		**(1,473)**	(43,153)
Net cash generated from/(used in) operating activities		**144,512**	(89,294)
Cash flows from investing activities			
Interest received		**8,328**	47,555
Purchases of investment properties		**–**	(27,284)
Purchases of property, plant and equipment		**(280)**	(41,987)
Deposit placed for a life insurance policy		**–**	(16,907)
Deposits paid on acquisition of property, plant and equipment		**–**	(900)
Withdrawal of pledged bank deposits		**169,567**	1,579,646
Increase in pledged bank deposits		**–**	(1,147,846)
Proceeds from disposal of property, plant and equipment	*29*	**530**	2,464
Deposit refunded from/(paid for) a proposed acquisition	*20*	**5,998**	(24,400)
Net cash generated from investing activities		**184,143**	370,341
Cash flows from financing activities			
Interest paid		**(23,325)**	(38,261)
Proceeds from issuance of ordinary shares (net of issue costs)		**634,953**	3,849
Capital contributions from non-controlling shareholders		**–**	3,028
Proceeds from borrowings		**68,356**	1,925,631
Repayments of bank borrowings		**(707,412)**	(2,133,302)
Repayments of obligations under finance leases		**(134)**	(2,097)
Proceeds from issuance of bonds (net of issue costs)		**–**	121,696
Repayment of bonds		**(132,200)**	–
Dividends paid		**–**	(220,000)
Net cash used in financing activities		**(159,762)**	(339,456)
Net increase/(decrease) in cash and cash equivalents		**168,893**	(58,409)
Cash and cash equivalents at beginning of the year		**75,630**	134,039
Cash and cash equivalents at end of the year	*21*	**244,523**	75,630

The notes on pages 54 to 127 are on integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1 GENERAL INFORMATION

Qianhai Health Holdings Limited (formerly known as Hang Fat Ginseng Holdings Company Limited) (the "Company") and its subsidiaries (together, the "Group") are principally engaged in sourcing cultivated ginseng and wild ginseng (collectively, the "America Ginseng") from Canada and the United States and sell American Ginseng to the second level wholesalers in Hong Kong, China and overseas.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 33 of 1961, as consolidated and revised) of Cayman Islands. The Company's immediate and ultimate holding company is Super Generation Group Limited ("Super Generation"), a company incorporated in the British Virgin Islands. Super Generation is directly wholly owned by Mr. George Lu. The address of the Company's registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is G/F., Nam Pak Hong Commercial Center, 44 Bonham Strand West, Hong Kong. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated, which is also the functional currency of the Company. These financial statements have been approved for issue by the board of directors on 28 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION (CONTINUED)

(A) NEW STANDARDS, AMENDMENTS TO STANDARDS AND ANNUAL IMPROVEMENTS ADOPTED BY THE GROUP

The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1 January 2016 and currently relevant to the Group:

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exemption
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual improvements project	Annual improvements 2012 – 2014 cycle

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group's results and financial position.

(B) NEW STANDARDS AND AMENDMENTS TO STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT EFFECTIVE

		Effective for accounting periods beginning on or after
Amendments to HKFRS 2	Share-based payment	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 7	Statement of cash flows	1 January 2017
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date to be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION (CONTINUED)

(B) NEW STANDARDS AND AMENDMENTS TO STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT EFFECTIVE *(CONTINUED)*

The Group has already commenced an assessment of the likely impact of adopting the above new standards and amendments to existing standards but it is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group plans to adopt these new standards and amendments to existing standards when they become effective. The assessment of the likely impact of adopting HKFRS 9, HKFRS 15 and HKFRS 16 are set out below.

HKFRS 9 "FINANCIAL INSTRUMENTS"

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in statement of profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in statement of profit or loss, in which case, all fair value movements are recognised in statement of profit or loss. There is no subsequent recycling of the amounts in OCI to statement of profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in statement of profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses "ECL" model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stages" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in statement of profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS 39.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION (CONTINUED)

(B) NEW STANDARDS AND AMENDMENTS TO STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT EFFECTIVE *(CONTINUED)*

HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes to an "asset-liability" approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The directors of the Company anticipate that the application of HKFRS 15 in the future is unlikely to have material impact on the amounts reported and disclosures made in the Group's consolidated financial statements, in consideration of the current trading of ginseng operation model. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of the other new and revised HKFRSs issued but not yet effective will have a material impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 *BASIS OF PREPARATION (CONTINUED)*

(B) NEW STANDARDS AND AMENDMENTS TO STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT EFFECTIVE *(CONTINUED)*

HKFRS 16 "LEASES"

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The standard replaces HKAS 17 "Leases", and related interpretations.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$3,119,000 (Note 30). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Apart from aforementioned HKFRS9, HKFRS15 and HKFRS16, the directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

(C) PRIOR YEAR RECLASSIFICATIONS

The Group has made certain reclassifications in the comparative information to conform to the current year presentation. The nature and amounts of the reclassifications is as follows:

(i) reclassifying provision for inventory write-down amounting to HK$131,568,000 to cost of sales, which was previously recognised within "other losses, net" for the year ended 31 December 2015;

(ii) reclassifying importing freight charges amounting to HK$10,355,000 to cost of sales, which was previously recognised within "administrative expenses" for the year ended 31 December 2015;

(iii) reclassifying changes in fair value loss of investment properties amounting to HK$2,108,000 to "other losses, net", which was previously presented in statement of profit or loss separately; and

(iv) reclassifying consultancy service fee amounting to HK$66,495,000 to "administrative expenses", which was previously recognised within "other losses, net" for the year ended 31 December 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 *BASIS OF PREPARATION (CONTINUED)*

(C) PRIOR YEAR RECLASSIFICATIONS *(CONTINUED)*

The reclassification impact on consolidated statement of profit or loss for the year ended 31 December 2015 are presented as below:

	2015 HK$'000
Increase in cost of sales	(141,923)
Decrease in other losses, net	195,955
Increase in administrative expenses	(56,140)
Decrease in changes in fair value of investment properties	2,108

2.2 *SUBSIDIARIES*

2.2.1 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2016.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(A) BUSINESS COMBINATIONS

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 SUBSIDIARIES *(CONTINUED)*

2.2.1 CONSOLIDATION *(CONTINUED)*

(A) BUSINESS COMBINATIONS *(CONTINUED)*

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in statement of profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in statement of profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(B) CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(C) DISPOSAL OF SUBSIDIARIES

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to statement of profit or loss or transferred to another category of equity as permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 SUBSIDIARIES (CONTINUED)

2.2.2 SEPARATE FINANCIAL STATEMENTS

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets.

2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars (HK$), which is the functional currency of the Company and presentation currency of the Group.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

All foreign exchange gains and losses are presented in statement of profit or loss within "other losses, net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(C) GROUP COMPANIES

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment, other than freehold land, is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land and buildings	2% or over the unexpired lease term, whichever is shorter
Leasehold improvements	20%
Motor vehicles	20%
Fixtures and office equipment	20%

TRANSFER FROM OWNER-OCCUPIED PROPERTY TO INVESTMENT PROPERTY CARRIED AT FAIR VALUE

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 *PROPERTY, PLANT AND EQUIPMENT (CONTINUED)*

TRANSFER FROM INVESTMENT PROPERTY CARRIED AT FAIR VALUE TO OWNER-OCCUPIED PROPERTY

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for initial recognition is the fair value of property at the date of change in use. If a property owned by the Group as an investment property becomes an owner-occupied property, the Group accounts for such property in accordance with the accounting policy stated above since the date of change in use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Assets held under finance leases commence depreciation from the time when the assets become available for intended use. Assets are depreciated over their expected useful lives on the same basis as owned assets. When there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

2.6 *INVESTMENT PROPERTY*

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statement of profit or loss within "other losses, net".

2.7 *IMPAIRMENT OF NON-FINANCIAL ASSETS*

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 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 is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

2.10 FINANCIAL ASSETS

2.10.1 CLASSIFICATION

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(A) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(B) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "pledged bank deposits" and "cash and cash equivalents" in the statement of financial position (Notes 2.14 and 2.15).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 FINANCIAL ASSETS (CONTINUED)

2.10.2 RECOGNITION AND MEASUREMENT

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

2.11 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

ASSETS CARRIED AT AMORTISED COST

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

ASSETS CARRIED AT AMORTISED COST *(CONTINUED)*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

2.13 DERIVATIVE FINANCIAL INSTRUMENTS WHICH DO NOT QUALIFY FOR HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date derivative contracts are entered into and are subsequently remeasured at fair value. Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognised immediately in the statement of profit or loss within "other losses, net".

2.14 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for sales of goods performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.15 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investment within the original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.16 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.17 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 BORROWINGS AND BONDS

Borrowings including bonds issued are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings and bonds are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit or loss within "finance costs".

Borrowings and bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 BORROWING COSTS

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

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(A) CURRENT INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(B) DEFERRED INCOME TAX

INSIDE BASIS DIFFERENCES

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(C) OFFSETTING

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(A) SALE OF GOODS – WHOLESALE

Sale of goods is recognised when the Group has delivered goods to the customer, and the customer has accepted the goods and collectability of the related receivables is reasonably assured.

The Group sells a range of American ginseng in the wholesale market. Sales of goods are recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. The Group normally does not accept any returns from customers. Delivery occurs when the products have been collected at the specified location, the risks of obsolescence and loss have been transferred to the wholesaler.

Sales are recorded based on the price specified in the sales invoices, net of the foreseeable rebates and discounts (if any). Accumulated experience is used to estimate and provide for the amount of rebates and discounts.

(B) SALE OF GOODS – RETAIL

The Group operates a retail shop for selling Amercian ginseng and related health products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash, by credit card or by cheque.

(C) RENTAL INCOME

Rental income from investment property is recognised in the statement of profit or loss on a straight-line basis over the term of the lease.

(D) INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 *EMPLOYEE BENEFITS*

(A) PENSION OBLIGATIONS

The Group operates a mandatory provident fund scheme ("MPF Scheme") in Hong Kong, the assets of which are held in separate trustee-administered funds.

DEFINED CONTRIBUTION PLAN

Defined contribution plan is a pension plan under which the Group pays fixed contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The Group has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

MPF Scheme in Hong Kong is a defined contribution plan for certain employees. The assets of the MPF Scheme are held in separate trustee-administered funds. Both the entity and the employees are required to contribute 5% of the employees' relevant income up to a maximum of $1,500 per employee per month. The entity's contributions to the MPF Scheme are expensed as incurred.

(B) BONUS PLAN

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(C) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 SHARE-BASED PAYMENT

(A) EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

(i) including any market performance conditions (for example, an entity's share price);

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options which are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

(B) SHARE-BASED PAYMENT TRANSACTIONS AMONG GROUP ENTITIES

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.25 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets and financial liabilities are disclosed in Note 2.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk. The management identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(A) FOREIGN EXCHANGE RISK

The Group primarily operated in Hong Kong. It is also exposed to foreign exchange risk arising from purchases in Canadian Dollars ("CAD") and certain sales in Renminbi ("RMB"). Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. During the year ended 31 December 2016, approximately 92% (2015: 82%) of the Group's purchases are denominated in CAD, which is not the functional currency of the group entities. Sales to certain PRC customers exposed the Group to foreign exchange risk with respect to RMB. Moreover, the conversion of RMB is subject to the rules and regulations of exchange control promulgated by the PRC government.

Management manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure.

Management continuously monitors the foreign exchange exposure from CAD by entering into short-term forward foreign currency contracts to mitigate the foreign exchange risk arising from CAD during the year. No hedging for the foreign exchange exposure from RMB has been performed.

Management is of the view that the Group's exposure to USD is minimal since HK$ is pegged to the USD.

The analysis has been determined assuming that the depreciation trend in foreign exchange rates against HK$ had occurred at the date of statement of financial position, and that all other variables remain constant. The potential effects on profit or loss include the impacts from translation on assets or liabilities recognised as at the end of reporting period.

As at 31 December 2016, if RMB had strengthened or weakened by 5% (2015: 5%) against HK$, with all other variables held constant, post-tax loss for the year would have been approximately HK$13,000 (2015: HK$43,834,000) lower or higher as a result of foreign exchange gains/losses on translation of RMB denominated assets.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(B) INTEREST RATE RISK

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets except for cash at banks and pledged bank deposits, which earn interest income. As at 31 December 2015, the Group's exposures to changes in interest rates are mainly attributable to its borrowings and bonds but these borrowings were repaid during the year.

As at 31 December 2016, if interest rates on pledged bank deposits and bank balances at variable interest rates had been higher or lower 30 basis points with all other variables held constant, the Group's post-tax loss for the year would have been lower or higher by HK$613,000 (2015: HK$2,580,000).

(C) CREDIT RISK

Credit risk is managed on a group basis. The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group has a concentration of credit risk on certain customers. For the year ended 31 December 2016, the top customer accounted for approximately 81% of the revenue, net (2015: 21%). Trade receivables from the Group's top five customers as at 31 December 2016 amounted to approximately HK$30,469,000 (2015: HK$184,341,000), representing 66% (2015: 70%) of the Group's net trade receivables as at 31 December 2016.

Two (2015: Four) of the Group's five largest customers' principal operation location are mainly based in Guangdong Puning Chinese Herbal Medicine Market (廣東普寧中藥材專業市場) which is one of the major traditional Chinese herbal medicine distribution centres in the PRC. These customers are mainly Chinese herbal medicine wholesalers. The remaining three (2015: one) of the Group's five largest customers are distributors located in Hong Kong. Before accepting any new customer, the Group will internally assess the potential customer's credit quality and defines an appropriate credit limit and credit period. Management has implemented tighter credit control after the change in control of the Company. The Company tried to request advance deposits from the customers in advance of goods delivery. Moreover, the Group shortens the credit period from a range of 30 to 360 days in 2015 to 30 to 60 days in 2016.

In order to minimise the credit risk, management is responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade and other receivables. In addition, the management reviews the recoverable amount of each individual debt regularly. Except for customers as detailed in Note 6, where the Group undertook legal procedures to recover certain trade receivables and deposits due from counterparties, the Group considered the associated credit risk are significant. Generally, the credit risk of trade receivables and debtors are manageable. The Group's bank balances are deposited with banks of high credit ratings in the Hong Kong.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(D) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash. During the year ended 31 December 2016, the Group repaid all the outstanding borrowings and bonds.

During the year ended 31 December 2016, the Group has allotted subscription shares and placements of shares as set out in Note 27 to the financial statements.

The Group's primary cash requirements have been the payment for operating expenses. The Group mainly finances its working capital requirements through internal resources. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and working capital to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities at amortised cost and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flow.

	Within 1 year	Over 1 year	Total undiscounted cash flows
	HK$'000	HK$'000	HK$'000
As at 31 December 2016			
Trade and other payables	**6,861**	**–**	**6,861**
Obligations under finance leases	**91**	**250**	**341**
	6,952	**250**	**7,202**
As at 31 December 2015			
Trade and other payables	164,132	–	164,132
Obligations under finance leases	126	349	475
Bank borrowings and interest payable	1,448,770	–	1,448,770
Bonds and interest payable	132,861	–	132,861
Foreign exchange forward contracts	29,300	–	29,300
	1,775,189	349	1,775,538

The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 *CAPITAL MANAGEMENT*

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

The capital structure of the Group consists of borrowings, net of pledged bank deposits and cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium, reserves and retained earnings/accumulated deficits as disclosed in the consolidated statement of changes in equity.

Management of the Group reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of bank loans.

The Group monitors capital on the basis of the gearing ratio at 31 December 2015 and 2016. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "Bank borrowings" and "Bonds") and obligations under finance leases, less the cash and cash equivalents and pledged bank deposits, as shown in the consolidated statement of financial position. Total capital is calculated as "Total equity" as shown in the consolidated statement of financial position plus net debt or less net cash.

	2016	2015
	HK$'000	HK$'000
Obligations under finance leases *(Note 23)*	**341**	475
Total borrowings *(Note 24 and 25)*	**–**	1,564,613
Less: cash and cash equivalents *(Note 21)*	**(244,523)**	(75,630)
Less: pledged bank deposits *(Note 21)*	**–**	(954,471)
Net (cash)/debt	**(244,182)**	534,987
Total equity	**619,901**	510,266
Total capital	**375,719**	1,045,253
Gearing ratio	**N/A**	51%

Decrease in gearing ratio during 2016 resulted primarily from the repayment of borrowings and the issuance of shares.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION

(A) FAIR VALUE OF FINANCIAL INSTRUMENTS THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

The table below analyzes financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2015. Refer to Note 16 for disclosures of the investment properties that are measured at fair value.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2015				
Liabilities				
Derivative financial instruments	–	29,300	–	29,300

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There were no transfers between levels 1, 2 and 3 during the year ended 31 December 2016. The carrying amounts of the Group's current financial assets, including bank balances, pledged bank deposits, trade receivables, deposits and other receivables; and the Group's current financial liabilities, including trade payables, and accruals and other payables approximate their fair values due to their short maturities.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS THAT ARE RECORDED AT AMORTISED COST

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities (except bonds) recorded at amortised cost in the consolidated statement of financial position approximate their fair values at the end of the reporting period. In addition, the carrying amount of bonds payable and accrued interest payable approximate the fair value of the bonds at the end of the reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(A) PROVISION FOR REBATES AND DISCOUNTS

As set out in Note 6, the Group has experienced a significant slowdown in settlement of trade receivables from the Group's customers. In addition, certain major customers expressed concerns about the potential negative impact on the ginseng price and have requested the former Chairman of the Company for rebates and discounts on the original invoiced amounts.

In the light of the requests from the Customers and the developments in the current year as detailed in Note 6, the directors of the Company considered whether the amount recognised as revenue from sales of the ginseng to the customers should be further adjusted to take into account of the possible rebates and discounts. In making the judgement, the directors of the Company reconsidered the requirements set out in HKAS 18 Revenue and, in particular, that the Group should measure revenue at the fair value of the estimated consideration received or receivable taking into account the amount of any rebates and discounts allowed by the Group. Accordingly, following a detailed assessment, having regard to the insignificant amount of settlement so far and the fact that certain major customers did not respond to court order, the directors of the Company made a provision for rebates and discounts in the consolidated financial statements further.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(B) ESTIMATION OF PROVISION FOR IMPAIRMENT OF RECEIVABLES

On assessing any impairment of the Group's trade receivables (excluding the customers with provision of rebates and discounts), management regularly reviews the recoverability, creditworthiness of customers and aging of the trade receivables. Impairment on trade receivables is made on the estimation of the future cash flows discounted at an effective interest rate. If the financial condition of the customers of the Group were deteriorated, resulting in an impairment of their ability to make payments, additional impairment may be required. The carrying amount of trade receivables (excluding the above-mentioned customers) as at 31 December 2016 is HK$46,306,000 (2015: HK$29,326,000).

(C) NET REALISABLE VALUE OF INVENTORIES

Determining whether a write down is necessary in the carrying amount of inventories is based on a comparison of whether the historical value of the inventories is greater than their estimated selling price less all the related costs related to the selling process. In addition, a detailed physical examination and quality tests are also carried out in order to obtain an indication of realisable values. Once the carrying amount of the inventories is higher than their net realisable values, a write down will be made so that the carrying amount of inventories would not be higher that their net realisable values. As at 31 December 2016, the carrying amount of inventories is HK$166,394,000 (2015: HK$657,436,000).

5 SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, which are the executive directors of the Company, for the purpose of allocating resources to the segments and to assess their performance which focus on the different types of products. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Cultivated ginseng;

(ii) Wild ginseng from the United States ("Wild ginseng");

(iii) Ginseng wine; and

(iv) Others: trading of other foods (including dried cordyceps, dried cubilose and dried seafood)

5 SEGMENT INFORMATION *(CONTINUED)*

The comparative segment information has been reclassified to align with the presentation of the consolidated statement of profit or loss and other comprehensive income.

The following is an analysis of the Group's revenue net of rebates and discounts and results by segment:

	Cultivated ginseng HK$'000	Wild ginseng HK$'000	Ginseng wine HK$'000	Others HK$'000	Total HK$'000
During the year ended 31 December 2016					
Segment revenue	**220,408**	**125,729**	**6,583**	**1,665**	**354,385**
Cost of sales	**(529,665)**	**(201,816)**	**(9,297)**	**(11,503)**	**(752,281)**
Segment result	**(309,257)**	**(76,087)**	**(2,714)**	**(9,838)**	**(397,896)**
Write-off on property, plant and equipment	**–**	**–**	**939**	**5,834**	**6,773**
During the year ended 31 December 2015					
Segment revenue	717,189	42,086	72,485	3,771	835,531
Cost of sales	(797,543)	(141,339)	(23,398)	(1,939)	(964,219)
Segment result (restated)	(80,354)	(99,253)	49,087	1,832	(128,688)

5 SEGMENT INFORMATION *(CONTINUED)*

	2016 HK$'000	2015 HK$'000 (Restated)
Segment result	**(397,896)**	(128,688)
Unallocated		
Other income	**11,470**	52,335
Other losses, net	**(83,661)**	(100,092)
Selling and distribution expenses	**(4,244)**	(31,644)
Administrative expenses	**(60,266)**	(146,567)
Finance costs	**(29,890)**	(42,200)
Loss before income tax	**(564,487)**	(396,856)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2015 and 2016.

Segment result during the year represents the gross loss of each segment without allocation of other income, other losses, net, selling and distribution expenses, administrative expenses and finance costs. This is the measure reported to the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

SEGMENT ASSETS AND LIABILITIES

No segment assets and segment liabilities and other segment information are presented as such amounts are not reviewed by the Group's chief operating decision maker for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision maker.

GEOGRAPHICAL INFORMATION

No geographical segment information is presented as the Group's revenue is all derived from Hong Kong based on the location of goods delivered and the Group's property, plant and equipment and investment properties are all physically located in Hong Kong.

5 SEGMENT INFORMATION *(CONTINUED)*

INFORMATION ABOUT MAJOR CUSTOMERS

Revenues (before provision for rebates and discounts) from customers of the corresponding years contributing over 10% of the total gross revenue of the Group are as follows:

	2016 **HK$'000**	2015 HK$'000 (Restated)*
Customer A		
– Cultivated ginseng	**253,403**	894
– Wild ginseng	**34,324**	–
	287,727	894
Customer B		
– Cultivated ginseng	**86,386**	161,264
Customer C		
– Cultivated ginseng	**47,671**	288,117
Customer D		
– Cultivated ginseng	**–**	187,308

* The amounts for the year ended 31 December 2015 is changed from net of provision for rebates and discounts to before provision for rebates and discounts.

6 REVENUE

	2016 HK$'000	2015 HK$'000
Sales of goods	**594,004**	1,187,531
Less: provision for rebates and discounts	**(239,619)**	(352,000)
Revenue, net of rebates and discounts	**354,385**	835,531

Since the announcements of the possible change in control of the Company in February 2016, the Group had experienced a significant slowdown in settlement of trade receivables from the customers. Certain major customers (the "Customers") expressed concerns about the negative impact on the ginseng price and have requested the former Chairman of the Company for rebates and discounts on the original sales amounts. During the year ended 31 December 2015, the Group recognised a provision for rebates and discounts of HK$352,000,000 in relation to the sales made to the Customers.

As at 31 December 2015, the Group had net trade receivables of HK$234,149,000 due from the Customers, after offsetting the provision for rebates and discounts of HK$352,000,000. During the period from January 2016 to February 2016, the Group recognised revenue of HK$134,057,000 from sales to two of the Customers.

During the year ended 31 December 2016, the directors of the Company attempted to contact the Customers to commence negotiations of the rebates and discounts amounts as well as the trade receivable settlement plan. The Group undertook legal proceedings to enforce debt collection. Final judgements were released by the High Court in Hong Kong in December 2016, ordering certain of the Customers to repay the outstanding balances together with accrued interests to the Group. Despite the court's verdict and the Group's continued efforts to enforce settlement, the Customers did not respond to the court order.

In light of the requests from the Customers and the developments in the current year, the board of directors considered whether the amounts recognised as revenue from sales of ginseng to the Customers should be further adjusted to take into account the possible rebates and discounts. In making the judgement, the directors of the Company reconsidered the requirements set out in *HKAS18 Revenue* and, in particular, that the Group should measure revenue at the fair value of the estimated consideration received or receivable taking into account the amount of any rebates and discounts allowed by the Group. Accordingly, following a detailed assessment, having regard to the insignificant amount of settlement so far and the fact that the Customers still did not respond to the court order, the directors of the Company made a further provision for rebates and discounts of HK$239,619,000 during the year ended 31 December 2016, attributable to revenue from sales to the Customers of HK$134,057,000 and HK$105,562,000 recognised during January to February 2016 and for the year end 31 December 2015, respectively. As at 31 December 2016, the net trade receivables due from the Customers became nil (2015: HK$234,149,000) after offsetting the total provision for sales rebates and discounts of HK$567,037,000.

6 REVENUE *(CONTINUED)*

In the opinion of the board of directors, the provision for rebates and discounts represented the board of directors' assessments based on the requests from the Customers and the Group's current circumstances. The provision for rebates and discounts calculated by the directors was based on a number of assumptions, including an assessment of the probability of the customers resuming payments having regard to the fact that the Customers did not respond to the court order, an estimate of the potential timing of these payments and the likelihood that the customers will agree with alternative settlement plans should they become contactable, taking into account the Group's current circumstances.

7 EXPENSE BY NATURE

	2016 **HK$'000**	2015 HK$'000
Auditor's remuneration		
– Audit services	**1,780**	1,320
– Non-audit services	**20**	400
Cost of inventories sold	**646,234**	832,651
Write-off on property, plant and equipment *(Note 15)*	**10,037**	–
Impairment loss on property, plant and equipment *(Note 15)*	**2,764**	–
Inventory write-down *(Note 19)*	**96,510**	131,568
Consultancy service fee *(Note (a))*	**–**	66,495
Hair-cut for investment project deposit *(Note 20(b))*	**–**	2,440
Employee benefit expense (including directors' emoluments) *(Note 10)*	**26,363**	35,978
Depreciation of property, plant and equipment *(Note 15)*	**4,938**	4,468
Operating lease payments	**5,519**	7,449
Transportation expenses	**1,630**	2,914
Legal and professional fee	**5,563**	9,090
Insurance expense *(Note (b))*	**1,832**	4,875
Office expense	**2,329**	4,048
Advertising expense	**2,635**	4,620
Others	**8,637**	34,114
Total cost of sales, selling and distribution and administrative expenses	**816,791**	1,142,430

7 EXPENSE BY NATURE *(CONTINUED)*

Notes:

(a) On 6 January 2015, the Company granted 100,000,000 share options (before share sub-division with effective from 26 May 2015) to six consultants to subscribe for 100,000,000 shares at HK$1.88 each (before share sub-division) in consideration for the consultancy services provided by these six consultants. Under the share option scheme adopted on 9 June 2014, the option is exercisable from 6 January 2015 to 5 January 2018. The share options were immediately vested during the year ended 31 December 2015.

(b) During the year ended 31 December 2015, the insurance expenses included a write-down to surrender value arising from key management insurance of approximately HK$3,154,000 (Note 20 (a)).

8 OTHER INCOME

	2016 HK$'000	2015 HK$'000
Other income comprised the follows:		
– Interest income on bank deposits	**8,328**	49,715
– Rental income	**2,963**	2,620
– Sundry income	**179**	–
	11,470	52,335

9 OTHER LOSSES, NET

	2016 HK$'000	2015 HK$'000
Gain on disposal of property, plant and equipment	**101**	406
Changes in fair value of investment properties	**(11,374)**	(2,108)
Gain on disposal of a subsidiary	**475**	–
Discount of trade receivable	**(1,050)**	–
Provision for investment project deposit *(Note 20(b))*	**(15,962)**	–
Exchange loss, net	**(59,653)**	(66,984)
Loss on disposal of financial assets at fair value through profit or loss	**(311)**	–
Realised gain/(loss) on change in fair value of derivative financial instruments, net	**4,249**	(2,106)
Unrealised loss on change in fair value of derivative financial instruments	**–**	(29,300)
Others	**(136)**	–
	(83,661)	(100,092)

10 EMPLOYEE BENEFIT EXPENSE

	2016 HK$'000	2015 HK$'000
Wages and salaries	**21,820**	28,837
Share options granted to directors and employees	**3,548**	5,999
Pension costs – defined contribution plans	**995**	1,142
Total employee benefit expense	**26,363**	35,978

Note:

Five highest paid individuals

Among the five individuals with the highest emoluments in the Group, three (2015: three) were the directors of the Company for the year ended 31 December 2016 whose emoluments are included in the disclosures in Note 37. The emoluments of the remaining two (2015: two) individuals were as follows:

	2016 HK$'000	2015 HK$'000
Wages and salaries	**2,384**	1,488
Share options granted to employees	**2,317**	133
Pension costs – defined contribution plans	**36**	32
	4,737	1,653

The emoluments fell within the following bands:

	No. of individuals	
	2016	2015
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$3,500,000	**1**	–

11 FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expense on:		
– Bank loans and overdrafts	**16,112**	36,728
– Bonds	**5,324**	5,455
– Finance leases	**–**	17
	21,436	42,200
Direct issue cost of bonds due to early repayment	**8,454**	–
	29,890	42,200

12 INCOME TAX CREDIT/(EXPENSE)

	2016 HK$'000	2015 HK$'000
Hong Kong profits tax		
Current income tax	**(221)**	(41,446)
Over/(under)-provision in respect of prior years *(Note)*	**38,832**	(177)
	38,611	(41,623)
Deferred tax credit/(charge) *(Note 18)*	**14**	(41)
Income tax credit/(expense)	**38,625**	(41,664)

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

12 INCOME TAX CREDIT/(EXPENSE) *(CONTINUED)*

The taxation for the year is reconciled to loss per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	HK$'000	HK$'000
Loss before income tax	**(564,487)**	(396,856)
Tax credit at the applicable income tax rate (16.5%)	**93,140**	65,481
Tax effect of expenses not deductible for tax purposes	**(12,234)**	(109,411)
Tax effect of income not taxable for tax purpose	**2,394**	13,573
Over/(under)-provision in respect of prior years *(Note)*	**38,832**	(177)
Tax effect of tax loss not recognised	**(84,334)**	(9,527)
Others	**827**	(1,603)
Tax credit/(expense) for the year	**38,625**	(41,664)

Note:

Over-provision in respect of prior years was resulted from the provision for rebates and discounts of HK$352,000,000 recognised in year of assessment of FY2015/2016, where management of the Group considered the provision and corresponding tax impact as uncertain for claiming deductions purpose. During the year ended 31 December 2016, the Customers remained uncontactable and the Group undertook legal procedures for debt collection purpose. As at the end of reporting period, provision for rebates and discounts of HK$567,037,000 was recognised and the directors of the Company considered these trading receipts from the customers were irrecoverable, given the development of rebates as detailed in Note 6.

13 LOSS PER SHARE

(A) BASIC

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016 HK$'000	2015 HK$'000
Loss		
Loss attributable to owners of the Company	**(525,710)**	(438,396)
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share (thousands)	**14,094,592**	5,000,849

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2015 has been retrospectively adjusted to reflect the share-consolidation on 7 July 2016 as disclosed in Note 27.

The weighted average number of ordinary shares for the year ended 31 December 2016 has included the effect of share-consolidation as mentioned above as well as the bonus element arising from placement of shares at discount.

(B) DILUTED

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all share options. The Company has dilutive potential ordinary shares from share options. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted loss per share.

Diluted loss per share is of the same amount as the basic loss per share for both years ended 31 December 2015 and 2016 because the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

	2016 HK$'000	2015 HK$'000
Final dividend–2014 *(Note (a))*	–	40,000
Special dividend–2014 *(Note (b))*	–	60,000
Interim dividend–2015 *(Note (c))*	–	120,000
	–	220,000

No dividend has been proposed by the directors of the Company during the year ended 31 December 2016 and subsequent to the end of the reporting period.

Note:

(a) On 22 May 2015, the directors of the Company declared the payment of a final dividend of HK$0.02 per share (representing HK$0.002 per share after the share sub-division as detailed in Note 27 (a)), amounting to HK$40,000,000 for the year ended 31 December 2014.

(b) On 22 May 2015, the directors of the Company declared a special dividend of HK$0.03 per share (representing HK$0.003 after the share sub-division as detailed in Note 27 (a)) amounting to HK$60,000,000 in aggregate for the year ended 31 December 2014.

(c) Pursuant to a resolution passed at the board of directors meeting on 21 August 2015, the directors of the Company declared an interim dividend for the year ended 31 December 2015 of HK$0.006 per ordinary share totaling HK$120,000,000.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Fixtures and office equipment HK$'000	Total HK$'000
At 1 January 2015					
Cost	32,836	4,919	6,750	6,485	50,990
Accumulated depreciation	(1,685)	(935)	(3,966)	(4,595)	(11,181)
Net book amount	31,151	3,984	2,784	1,890	39,809
Year ended 31 December 2015					
Opening net book amount	31,151	3,984	2,784	1,890	39,809
Additions	35,195	7,564	811	5,597	49,167
Disposals	–	–	(1,701)	(357)	(2,058)
Transfer to investment properties *(Note 16)*	(3,000)	–	–	–	(3,000)
Depreciation charge	(1,743)	(1,400)	(437)	(888)	(4,468)
Closing net book amount	61,603	10,148	1,457	6,242	79,450
At 31 December 2015					
Cost	65,031	12,483	2,451	11,621	91,586
Accumulated depreciation	(3,428)	(2,335)	(994)	(5,379)	(12,136)
Net book amount	61,603	10,148	1,457	6,242	79,450
Year ended 31 December 2016					
Opening net book amount	61,603	10,148	1,457	6,242	79,450
Additions	–	1,100	–	80	1,180
Transfer from investment properties	11,572	–	–	–	11,572
Disposals	–	–	(420)	(9)	(429)
Impairment loss	–	(1,577)	–	(1,187)	(2,764)
Write-off	–	(6,139)	(203)	(3,695)	(10,037)
Depreciation charge	(1,743)	(1,965)	(295)	(935)	(4,938)
Closing net book amount	71,432	1,567	539	496	74,034
At 31 December 2016					
Cost	76,603	4,904	1,446	2,112	85,065
Accumulated depreciation	(5,171)	(1,760)	(907)	(429)	(8,267)
Accumulated impairment loss	–	(1,577)	–	(1,187)	(2,764)
Net book amount	71,432	1,567	539	496	74,034

15 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

As at 31 December 2016, the carrying amount of motor vehicles and equipment of HK$341,100 (2015: HK$516,800) were held under finance leases. There were no leasehold land and buildings pledged to secure the banking facilities granted to the Group as at 31 December 2016 (2015: HK$59,582,000).

All depreciation expense has been charged in "administrative expenses".

Write-off of HK$3,264,000 and HK$6,773,000 has been charged in "administrative expenses" and 'cost of sales' respectively. Impairment loss of HK$2,764,000 has been charged in "cost of sales".

16 INVESTMENT PROPERTIES

	2016	2015
	HK$'000	HK$'000
At fair value		
At 1 January	**116,576**	88,400
Additions	**–**	27,284
Transfer (to)/from property, plant and equipment *(Note 15)*	**(11,572)**	3,000
Loss from fair value adjustments *(Note 9)*	**(11,374)**	(2,108)
At 31 December	**93,630**	116,576

No investment properties were pledged to secure banking facilities as at 31 December 2016 (2015: HK$113,336,000). The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sale.

16 INVESTMENT PROPERTIES *(CONTINUED)*

Amounts recognised in statement of profit or loss for investment properties

	2016 HK$'000	2015 HK$'000
Rental income	2,963	2,620
Direct operating expenses from properties which generated rental income	(432)	(616)
Direct operating expenses from properties which did not generate rental income	–	–
	2,531	2,004

(A) VALUATION PROCESSES OF THE GROUP

The fair value has been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent valuer which is not related to the Group. The Group's finance department reviews the valuations performed by JLL for financial reporting purpose. These valuation results are then reported to the Group's management for discussions and review in relation to the valuation processes and the reasonableness of valuation results.

(B) VALUATION TECHNIQUES

The fair value of the investment properties were arrived by using direct comparison method based on market observable transactions of similar properties in the similar conditions and locations of the subject properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

16 INVESTMENT PROPERTIES *(CONTINUED)*

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

	2016	2015
	HK$'000	HK$'000
Recurring fair value measurements		
Investments properties:		
– Investment properties in Hong Kong	**93,630**	116,576

Investment property	HK$'000	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Range of unobservable inputs**	**Relationship of unobservable inputs to fair value**
As at 31 December 2016					
Properties I and II-properties in Hong Kong *(Note)*	93,630	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: 1) Property size 2) Property floor Level	Price per square feet, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	Property I: HK$24,669 – 29,700 per square feet Property II: HK$2,012 – 2,913 per square feet	1) The higher the floor level, the higher the price per square feet and the fair value 2) The higher the floor level, the higher the fair value
As at 31 December 2015					
Properties I and II-properties in Hong Kong *(Note)*	116,576	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions of the subject property. The key inputs are: 1) Property size 2) Property floor level	Price per square feet, using market direct comparables and taking into account of size adjustment and floor level adjustment of the property	Property I: HK$30,054 – 34,330 per square feet Property II: HK$2,407 – 2,893 per square feet	1) The higher the floor level, the higher the price per square feet and the fair value 2) The higher the floor level, the higher the fair value

Note: Property I refers the residential property and property II refers the industrial properties.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK$'000
Assets as per consolidated statement of financial position	
31 December 2016	
Trade and other receivables *(Note 20)*	**47,136**
Cash and cash equivalents *(Note 21)*	**244,523**
Total	**291,659**
31 December 2015	
Trade and other receivables *(Note 20)*	290,035
Amount due from non-controlling shareholders *(Note 34)*	3,027
Amount due from a related company *(Note 34)*	1,434
Deposit placed for life insurance policy *(Note 20)*	16,907
Cash and cash equivalents *(Note 21)*	1,030,101
Total	1,341,504

	Derivatives HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Liabilities as per consolidated statement of financial position			
31 December 2016			
Trade and other payables *(Note 22)*	**–**	**6,861**	**6,861**
Obligations under finance lease *(Note 23)*	**–**	**341**	**341**
Total	**–**	**7,202**	**7,202**
31 December 2015			
Trade and other payables *(Note 22)*	–	164,132	164,132
Obligations under finance lease *(Note 23)*	–	475	475
Bank borrowings *(Note 24)*	–	1,440,867	1,440,867
Bonds *(Note 25)*	–	123,746	123,746
Derivative financial instruments *(Note 26)*	29,300	–	29,300
Total	29,300	1,729,220	1,758,520

18 DEFERRED INCOME TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movement during the year:

	Accelerated tax depreciation HK$'000	Fair value changes of investment properties HK$'000	Total HK$'000
At 1 January 2015	477	8,103	8,580
Charged to statement of profit or loss	41	–	41
At 31 December 2015	518	8,103	8,621
Through disposal of a subsidiary	(476)	–	(476)
Credited to statement of profit or loss	(14)	–	(14)
At 31 December 2016	28	8,103	8,131

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$97,175,000 (2015: HK$12,841,000) in respect of unutilised tax losses amounting to HK$588,937,000 (2015: HK$77,822,000) that can be carried forward against future taxable income without expiry dates.

19 INVENTORIES

	2016 HK$'000	2015 HK$'000
Cultivated ginseng	**93,130**	438,310
Wild ginseng	**60,533**	193,684
Ginseng wine	**12,731**	18,415
Others	**–**	7,027
	166,394	657,436

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$646,234,000 (2015: HK$832,651,000). During the year ended 31 December 2016, the Group has also recognised provision for inventory write down totaling HK$96,510,000 (2015: HK$131,568,000), which were included in "cost of sales".

Analysis of the provision for inventory write down is as below:

	2016 HK$'000	2015 HK$'000
At 1 January	**131,568**	–
Provision for the year	**96,510**	131,568
Utilisation for the year	**(73,999)**	–
At 31 December	**154,079**	131,568

20 TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Deposit placed for a life insurance policy		
– non-current portion *(Note (a))*	**–**	16,907
Trade receivables	**613,343**	615,475
Less: Provision for rebates and discounts	**(567,037)**	(352,000)
	46,306	263,475
Deposits paid for inventory purchase	**11,904**	133,179
Deposit for proposed acquisition *(Note (b))*	**–**	21,960
Amounts due from non-controlling shareholders	**–**	3,027
Amount due from a related company	**–**	1,434
Interest receivables	**–**	2,160
Other deposits	**1,405**	2,628
Prepayments	**1,026**	4,323
	14,335	168,711
Total trade and other receivables	**60,641**	432,186

Notes:

(a) In August 2015, the Company's subsidiary, Hang Fat Ginseng Trading Company Limited ("HFG Trading"), entered into a life insurance policy with an insurance company to insure a former executive director. Under the policy, the beneficiary and policy holder is HFG Trading and the total insured sum is US$6,000,000 (approximately HK$46,500,000), HFG Trading is required to pay an upfront deposit of US$2,586,000 (approximately HK$20,061,000) including a premium charge at the inception of the policy amounting to US$500,000 (approximately HK$3,875,000). HFG Trading can terminate the policy at any time and receive cash based on the cash value of the policy at the date of withdrawal which is determined by the upfront deposit payment of US$2,586,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value"). In addition, if withdrawal is made between the 1st to 29th policy year there is a specified percentage of surrender charge. The insurance company would pay HFG Trading a guaranteed interest rate of 3.65% per annum on the outstanding Cash Value of the policy for the first year. Commencing on second year, the guaranteed interest would become 1.8% per annum plus a premium determined by the insurance Company on an annual basis.

20 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: (Continued)

(a) *(Continued)*

It is the Group's policy to recognise the life insurance initially at the amount of the premium and deposit paid of approximately HK$20,061,000 and is subsequently measured at the amount that could be realised under the life insurance policy at the end of the reporting period (the "surrender value"). During the year ended 31 December 2015, the changes of HK$3,154,000 are recognised in statement of profit or loss within "administrative expenses".

As at 31 December 2015, the life insurance product was assigned to a bank to secure the general banking facilities granted to the Group. During the year, the life insurance was terminated and the surrender value of HK$16,907,000 was realised by netting off the repayment of bank borrowings during the year ended 31 December 2016.

As at 31 December 2015, the carrying amount of the life insurance product approximates the cash value of the insurance policy and the expected life of the policy remained unchanged from the initial recognition. The life insurance product is denominated in US$, currency other than the functional currency of the respective group entity.

(b) On 19 November 2015, the Group entered into a non-legally binding memorandum of understanding in relation to the proposed acquisition of 100% of the equity interest of a target group ("Proposed Acquisition") for a total consideration of RMB200,000,000 (approximately HK$244,000,000). The target group is principally engaged in (i) the research and development, sales, application, technical consulting, technical training and technical testing of electronic equipment; (ii) the business of investments, and imports and exports; and (iii) the manufacturing of machinery and electronic equipment. In 2015 and in connection with the Proposed Acquisition, the Group paid a refundable deposit of RMB20,000,000 (approximately HK$24,400,000) as part of the consideration of the Proposed Acquisition.

In March 2016, the Group terminated the Proposed Acquisition and agreed a settlement plan with the vendor for the refund of the deposit to be repaid to the Group before the end of year 2016. In connection with the settlement plan, the Group agreed a hair cut amount of RMB 2,000,000 (approximately HK$2,440,000) with the vendor, which was charged in the statement of profit or loss within "administrative expenses" during the year ended 31 December 2015. During the year ended 31 December 2016, amount of HK$5,998,000 was received. The remaining receivables from vendor were not settled in accordance with the originally agreed settlement plan and time-table; and thus have become overdue. In this connection, management has taken legal procedures for the debt collection. Final judgement have been released by High Court on 25 January 2017. On 20 February 2017, the High Court has issued a garnishee order to order a bank, garnishee, to attend a hearing for recovering the debts of approximately HK$125,000 due to the vendor and one of the guarantors. Given the outstanding amounts have become overdue, the Group has recognised a provision against the remaining amounts of deposits paid of HK$15,962,000 (Note 9).

The Group generally grants credit periods ranging from 30 days to 60 days (2015: 30 days to 365 days) to its customers. The Group has reduced its credit periods from 365 days granted to certain customers in the current year in order to tighten the credit term to customers. Before accepting any new customer, the Group internally assesses the potential customer's credit quality and define an appropriate credit limit. Management closely monitors the credit quality and follow-up action is taken if overdue debts are noted.

20 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The following is an aging analysis of trade receivables (net of rebates and discounts) based on the invoice date at the end of each reporting period:

	2016	2015
	HK$'000	HK$'000
Within 30 days	**33,299**	72,254
31 to 90 days	**13,007**	18,897
91 to 180 days	**–**	17,907
Over 180 days to 365 days	**–**	154,417
	46,306	263,475

The following is an aging analysis of trade receivables (net of rebates and discounts) which are past due but not impaired:

	2016	2015
	HK$'000	HK$'000
31 to 90 days	**4,030**	–
Over 180 days to 365 days	**–**	18,210
	4,030	18,210

Included in the Group's trade receivable balance as at 31 December 2016 are debtors with aggregate carrying amount of HK$4,030,000 (2015: HK$18,210,000), which are past due at the reporting date but not assessed as individually impaired as these receivables are due from certain major customers of which the Group had either good trading relationship and long history of business development with these customers with good credit quality rating assessed internally by the Group. The Group does not hold any collateral over these balances.

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with satisfactory settlement history. No allowance for doubtful debts are recognised by the Group for the years ended 31 December 2015 and 2016.

20 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The carrying amounts of the trade and other receivables (net of rebates and discounts) are dominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK$	**48,737**	188,414
RMB	**–**	243,772
CAD	**11,904**	–
	60,641	432,186

21 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash on hand	**26**	441
Cash at banks	**244,497**	75,190
Bank overdrafts	**–**	(1)
Cash and cash equivalents	**244,523**	75,630
Pledged bank deposits	**–**	954,471
	244,523	1,030,101
Maximum exposure to credit risk	**244,497**	1,029,660

21 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS *(CONTINUED)*

The carrying amounts of pledged bank deposits and cash and cash equivalents are denominated in following currencies:

	2016 **HK$'000**	2015 HK$'000
HK$	**237,627**	221,265
RMB	**320**	806,141
US$	**6,533**	409
CAD	**43**	2,284
JPY	**–**	2
	244,523	1,030,101

22 TRADE AND OTHER PAYABLES

	2016 **HK$'000**	2015 HK$'000
Trade payables	**–**	157,844
Other payables		
– Accrued expenses	**6,361**	11,767
– Rental deposit	**435**	527
– Freight charges	**–**	4,287
– Others	**514**	2,233
	7,310	18,814
	7,310	176,658

22 TRADE AND OTHER PAYABLES *(CONTINUED)*

The Group normally receives credit terms of 90 days to 150 days (2015: 90 days to 150 days) from its suppliers. The following is an aging analysis of trade payables based on invoice date at the end of each reporting period:

	2016 HK$'000	2015 HK$'000
Within 30 days	**–**	137,673
31 to 90 days	**–**	3,978
91 to 180 days	**–**	10,556
Over 180 days	**–**	5,637
	–	157,844

The carrying amounts of trade and other payables were denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK$	**7,310**	35,146
US$	**–**	2,154
CAD	**–**	139,250
RMB	**–**	108
	7,310	176,658

23 OBLIGATIONS UNDER FINANCE LEASES

	2016 HK$'000	2015 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**91**	126
Non-current liabilities	**250**	349
	341	475

The Group has leased certain motor vehicles and office equipment under finance leases. The lease terms range from 4 to 5 years and no interests charge for the remaining lease in 2016 (2015: nil to 4.5%). These leases have purchase options upon expiring of the leases.

23 OBLIGATIONS UNDER FINANCE LEASES *(CONTINUED)*

	Minimum lease payments and present value of minimum lease payments	
	2016	2015
	HK$'000	HK$'000
Amounts payable under finance leases		
Within one year	**91**	126
In more than one year but not more than two years	**91**	91
In more than two years but not more than five years	**159**	258
	341	475
Present value of lease obligations	**341**	475
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(91)**	(126)
Amount due for settlement after 12 months	**250**	349

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

24 BANK BORROWINGS

	2016	2015
	HK$'000	HK$'000
Bank borrowings		
– Revolving loans	**–**	944,000
– Trust receipt loans	**–**	409,540
– Mortgage loans	**–**	37,327
– Other bank loans	**–**	50,000
Secured bank borrowings	**–**	1,440,867

24 BANK BORROWINGS *(CONTINUED)*

The bank loans of the Group comprised of variable-rate loans which carry interest with reference to HIBOR, LIBOR or Prime and the ranges of effective interests of the banks loans are as follows:

	2016	2015
Variable-rate loans	–	1.19% to 3.75%

There are no pledged assets to secure general banking facilities as at 31 December 2016 (2015: HK$1,144,296,000). As at 31 December 2015, the banking facilities were secured by buildings, investment properties, deposit placed for a life insurance policy and pledged bank deposits as set out in Note 32 and the corporate guarantee provided by certain group companies.

In February 2016, certain banks demanded in writing for the Group to make immediate repayment of the amounts outstanding which included an aggregate amount of the principal amount of approximately HK$179,000,000 and the interest so accrued as at 29 February 2016. During the year ended 31 December 2016, all of the outstanding loans were repaid.

The Group did not have available credit facilities as at 31 December 2016 (2015: HK$1,179,801,000).

The carrying amounts of bank borrowings are denominated in the following currencies:

	2016 **HK$'000**	2015 HK$'000
US$	–	61,128
HK$	–	1,334,498
CAD	–	45,241
	–	1,440,867

25 BONDS

	2016 HK$'000	2015 HK$'000
Carrying amount repayable:		
More than two years, but not more than five years	–	132,200
Less: Direct issue cost	–	(8,454)
	–	123,746

On 24 April 2015, the Company completed the issuance of the unsecured bonds in an aggregate amount of HK$132,200,000, which is due on 24 October 2018. The bonds carry fixed interest rate of 6.0% per annum, payable semi-annually in arrears.

During the year ended 31 December 2016, the bondholders requested for a full redemption. Following the redemption of bonds on 5 September 2016, the Company does not have any outstanding bonds as at 31 December 2016. All outstanding bonds as at 31 December 2015 were redeemed at bondholders' request.

26 DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group utilises a variety of forward foreign exchange contracts to manage its exchange rate exposures. The instruments adopted are primarily to hedge the currencies used in the Group's principal markets.

At the end of the reporting period, notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below:

	2016 US$'000	2015 US$'000
Sell US$/Buy CAD at rate from 1.3151 to 1.3386	–	84,000

As at 31 December 2016, there is no outstanding currency derivative. As at 31 December 2015, the fair value of the Group's currency derivatives is estimated to be HK$29,300,000, based on the difference between the market forward rate at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates at the end of the reporting period. The contracts outstanding as at 31 December 2015 mainly related to buying of CAD with maturities in the first quarter of 2016.

27 SHARE CAPITAL

	Notes	Number of shares (thousands)	Nominal value HK$'000
Ordinary shares			
Authorised:			
At 1 January 2015		5,000,000	50,000
Share sub-division and increase in authorised share capital	*(a)*	45,000,000	–
At 31 December 2015 and 1 January 2016		50,000,000	50,000
Increase in authorised share capital	*(b)*	150,000,000	150,000
Share consolidation	*(e)*	(150,000,000)	–
At 31 December 2016		50,000,000	200,000

		Number of shares (thousands)	Share capital HK$'000
Issued and fully paid:			
At 1 January 2015		2,000,000	20,000
Share sub-division	*(a)*	18,000,000	–
Exercise of share options		16,200	16
At 31 December 2015 and 1 January 2016		20,016,200	20,016
Issue of new shares upon the subscription	*(c)*	31,200,000	31,200
Issue of new shares upon placing	*(d)*	8,800,000	8,800
Share consolidation	*(e)*	(45,012,150)	–
Issue of new shares upon placing	*(f)*	1,000,000	4,000
Issue of new shares upon placing	*(g)*	1,000,000	4,000
At 31 December 2016		17,004,050	68,016

27 SHARE CAPITAL *(CONTINUED)*

Notes:

(a) On 26 May 2015, the Company had completed a capital reorganisation in which each of the existing issued and unissued shares of HK$0.01 each in the share capital of the Company had been subdivided into 10 sub-divided shares of par value of HK$0.001 each. Following the effective date of the share sub-division, the authorised share capital of the Company became HK$50,000,000 representing 50,000,000,000 subdivided shares of HK$0.001 each, of which 20,000,000,000 subdivided shares were in issue and fully paid.

(b) On 6 May 2016, the Company had increased the authorised share capital from HK$50,000,000 divided into 50,000,000,000 shares to HK$200,000,000 divided into 200,000,000,000 shares.

(c) On 17 May 2016, 31,200,000,000 ordinary shares were duly allotted and issued to a subscriber, at the subscription price of HK$0.01 per share, with consideration of HK$312,000,000.

(d) On 17 May 2016, 8,800,000,000 ordinary shares were issued at the subscription price of HK$0.01 per share by way of placement for an aggregate consideration of HK$88,000,000.

(e) On 7 July 2016, the Company implemented the share consolidation on the basis that every four issued and unissued existing ordinary shares of HK$0.001 each in the share capital of the Company be consolidated into one consolidated ordinary share of HK$0.004 each.

(f) On 15 August 2016, 1,000,000,000 ordinary shares were issued at the subscription price of HK$0.127 per share by way of placement for an aggregate consideration of HK$127,000,000.

(g) On 22 December 2016, 1,000,000,000 ordinary shares were issued at the subscription price of HK$0.135 per share by way of placement for an aggregate consideration of HK$135,000,000.

The shares issued rank pari passu with other shares in issue in all respects.

28 SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 9 June 2014 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to third parties for settlement in respect of goods or services provided to the Group.

As at 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 426,140,000 (2015: 1,106,800,000), representing 2.5% (2015: 5.5%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 1 November 2016, 160,040,000 options (2015: 112,100,000 and 2,000,000 options on 6 January 2015 and 2 October 2015 respectively) were granted at an exercise price of HK$0.165 (6 January 2015: HK$1.88; 2 October 2015: HK$0.59). The estimated fair value of the options on grant date was HK$6,545,000 (6 January 2015: HK$74,753,000; 2 October 2015: HK$188,000).

28 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

The following table discloses movements of the Company's outstanding share options held by directors and its associates, employees and consultants during the year:

Type of participates	Date of grant	Exercisable period	Adjusted exercise price	Number of Share Options (thousands) Outstanding at 1 January 2016	Adjustment on share consolidation	Granted during the year	Forfeited during the year	Outstanding at 31 December 2016
Directors and its associates	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	73,333	(55,000)	–	(10,000)	8,333
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.752	13,333	(10,000)	–	–	3,333
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.752	13,334	(10,000)	–	–	3,334
Employees	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	2,000	(1,500)	–	(500)	–
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.752	2,400	(1,800)	–	(50)	550
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.752	2,400	(1,800)	–	(50)	550
	1 November 2016	1 November 2016 to 31 October 2019	HK$0.165	–	–	53,347	–	53,347
		1 November 2017 to 31 October 2019	HK$0.165	–	–	53,347	–	53,347
		1 November 2018 to 31 October 2019	HK$0.165	–	–	53,346	–	53,346
Consultants	6 January 2015	6 January 2015 to 5 January 2018	HK$0.752	1,000,000	(750,000)	–	–	250,000
				1,106,800	(830,100)	160,040	(10,600)	426,140

On 7 July 2016, the exercise price for options granted on 6 January 2015 was adjusted upwards from HK$0.188 to HK$0.752 per share with effect from 7 July 2016 as a result of share consolidation and the total number of share options was adjusted downwards from 1,106,800,000 to 276,700,000.

The closing price of the Company's share immediately before 1 November 2016, the date of grant, was HK$0.162.

28 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

The following table discloses movements of the Company's outstanding share options held by directors and its associates, employees, consultants and service provider during the year 2015:

Type of participates	Date of grant	Exercisable period	*(Note)* Adjusted exercise price	Outstanding at 1 January 2015	Granted during the year	Adjustment on share sub-division	Exercised during the year	Outstanding at 31 December 2015
				Number of Share Options (thousands)				
Directors and its associates	6 January 2015	6 January 2015 to 5 January 2018	HK$0.188	–	7,333	66,000	–	73,333
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.188	–	1,333	12,000	–	13,333
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.188	–	1,334	12,000	–	13,334
Employees	6 January 2015	6 January 2015 to 5 January 2018	HK$0.188	–	1,620	14,580	(14,200)	2,000
	6 January 2015	6 January 2016 to 5 January 2018	HK$0.188	–	240	2,160	–	2,400
	6 January 2015	6 January 2017 to 5 January 2018	HK$0.188	–	240	2,160	–	2,400
Consultants	6 January 2015	6 January 2015 to 5 January 2018	HK$0.188	–	100,000	900,000	–	1,000,000
Service provider	2 October 2015	2 October 2015 to 1 October 2016	HK$0.59	–	2,000	–	(2,000)	–
				–	114,100	1,008,900	(16,200)	1,106,800

Note: The exercise price for options granted on 6 January 2015 was adjusted downwards from HK$1.88 per share to HK$0.188 per share with effective from 26 May 2015 as a result of Share sub-division.

The exercise price has not been adjusted for share consolidation with effective from 7 July 2016.

28 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1 January	**0.188**	**1,106,800**	–	–
Granted	**0.165**	**160,040**	1.857	114,100
Share (consolidation)/sub-division	**N/A**	**(830,100)**	N/A	1,008,900
Forfeited	**0.752**	**(10,600)**	–	–
Exercised	**–**	**–**	0.238	(16,200)
At 31 December	**0.532**	**426,140**	0.188	1,106,800

Out of the 426,140,000 outstanding options (2015: 1,106,800,000), 315,563,000 options (2015: 1,075,333,000) were exercisable. Options exercised in 2015 resulted in 16,200,000 shares being issued at a weighted average price of HK$0.238 each. The related weighted average share price at the time of exercise was HK$0.58 per share.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	**Exercise price in HK$ per share option**	**Number of share options (thousands)**	
		2016	2015
05 January 2018	0.752	**266,100**	1,106,800
31 October 2019	0.165	**160,040**	–
		426,140	1,106,800

28 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

The fair values for the share options granted were calculated using the Binomial model. The inputs into the model were as follows:

	6 January 2015	2 October 2015	1 November 2016
Share price on grant date	HK$1.88 (before share sub-division and consolidation)	HK$0.59	HK$0.162 (after share consolidation)
Exercise price	HK$1.88 (before share sub-division and consolidation)	HK$0.59	HK$0.165 (after share consolidation)
Expected volatility	58.69%	41.39%	37.24%
Expected life	3 years	1 year	3 years
Risk-free rate	0.92%	0.08%	0.63%
Expected dividend yield	1.7%	0.88%	0.00%
Early exercise multiple			
– Directors:	N/A	N/A	N/A
– Employees, consultants and service provider:	2.2X	2.2X	3.09X

Expected volatility was determined by using the historical volatility of the Company's share prices over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

In the opinion of directors of the Company, the fair value of services provided by certain consultants (as referred to Note 9(a)) and a service provider cannot be measured reliably and therefore measured based on the fair value of share options granted.

During the year ended 31 December 2016 the Group recognised total share-based payment expenses of approximately HK$3,548,000 (2015: HK$72,494,000) in relation to share options granted by the Company, which were recorded in "administrative expenses".

29 CASH GENERATED FROM/(USED IN) OPERATIONS

	2016 HK$'000	2015 HK$'000
Loss before income tax	**(564,487)**	(396,856)
Adjustments for:		
Depreciation of property, plant and equipment	**4,938**	4,468
Interest expense	**29,890**	42,200
Changes in fair value of investment properties	**11,374**	2,108
Gain on disposal of property, plant and equipment	**(101)**	(406)
Write-off on property, plant and equipment	**10,037**	–
Impairment loss on property, plant and equipment	**2,764**	–
Interest income	**(8,328)**	(49,715)
Net foreign exchange loss	**–**	66,060
Share-based payments	**3,548**	72,494
Changes in derivative financial instrument	**(29,300)**	29,300
Provision for rebates and discounts	**239,619**	352,000
Provision for investment project deposit	**15,962**	–
Discount of trade receivable *(Note 9)*	**1,050**	–
Gain on disposal of a subsidiary	**(475)**	–
Provision for inventory write down	**96,510**	131,568
Operating cash flows before changes in working capital	**(186,999)**	253,221
Decrease/(increase) in trade and other receivables	**105,911**	(126,387)
Decrease in inventories	**394,532**	24,559
Decrease in trade and other payables	**(167,459)**	(197,534)
Cash generated from/(used in) operations	**145,985**	(46,141)

Note:

Non-cash fransactrons

During the year ended 31 December 2016, bank borrowings amounting to HK$801,811,000 was repaid by net-off with the pledged bank deposits of HK$784,904,000 and pledged deposits placed for life insurance of HK16,907,000.

29 CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES *(CONTINUED)*

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2016 HK$'000	2015 HK$'000
Net book amount *(Note 15)*	**429**	2,058
Gain on disposal of property, plant and equipment *(Note 9)*	**101**	406
Proceeds from disposal of property, plant and equipment	**530**	2,464

30 OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

As at 31 December 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 HK$'000	2015 HK$'000
Leasehold land and buildings		
Within one year	**1,574**	4,052
In the second to fifth years inclusive	**1,545**	3,580
	3,119	7,632

Operating lease payments represent rentals payable by the Group for the office premises and office equipment. Leases are negotiated for an average term of three years and rentals are fixed.

30 OPERATING LEASE COMMITMENTS *(CONTINUED)*

THE GROUP AS LESSOR

As at 31 December 2016, the Group had contracted with tenants for the following minimum lease payments:

	2016 HK$'000	2015 HK$'000
Within one year	**2,441**	2,858
In the second to fifth years inclusive	**5,801**	8,149
Over five years	**266**	–
	8,508	11,007

Operating lease income represents rental income receivable by the Group for the investment properties. Lease is negotiated for a term of two years and rentals are fixed.

31 CAPITAL COMMITMENTS

	2016 HK$'000	2015 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**–**	1,555

32 PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure the banking facilities granted to the Group. Details of arrangement with banking facilities are set out in Note 24.

	2016	2015
	HK$'000	HK$'000
Investment properties	–	113,336
Property, plant and equipment	–	59,582
Deposit placed for a life insurance policy	–	16,907
Pledged bank deposits	–	954,471
	–	1,144,296

33 TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

(a) On 7 January 2016, the Company acquired an additional 15% of the issued shares of subsidiary, HF Development (Asia) Limited for a purchase consideration of approximately HK$2,000. The Group recognised an increase in non-controlling interests of HK$146,000 and a decrease in equity attributable to owners of the Company of HK$148,000.

(b) On 13 June 2016, the Company acquired an additional 49% of the issued shares of Hang Fat Ginseng E-Commerce Company Limited for a purchase consideration of approximately HK$2,452,000. The Group recognised a decrease in non-controlling interests of HK$2,448,000 and a decrease in equity attributable to owners of the Company of HK$4,000.

(c) On 30 November 2016, the Company acquired an additional 35% of the issued shares of Pak Shing Pharmaceutical Limited for a purchase consideration of approximately HK$351,000. The Group recognised a decrease in non-controlling interests of HK$201,000 and a decrease in equity attributable to owners of the Company of HK$150,000.

(d) On 30 November 2016, the Company acquired an additional 45% of the issued shares of Hang Fat Tsukino Katsura (Hong Kong) Limited for a purchase consideration of HK$226,000. The Group recognised a decrease in non-controlling interests of HK$224,000 and a decrease in equity attributable to owners of the Company of HK$2,000.

33 TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS *(CONTINUED)*

ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES (CONTINUED)

All the consideration mentioned above (HK$3,031,000 in total) for acquisition of additional interest in subsidiaries were settled through current account maintained with non-controlling shareholders.

The effect of changes in the ownership interest of the above companies on the equity attributable to owners of the company during the year is summarised as follows:

	2016 **HK$'000**
Carrying amount of non-controlling interests acquired	**2,727**
Consideration settled through amount due to non-controlling interests	**(3,031)**
Excess of consideration paid recognised within equity	**(304)**

34 RELATED PARTY TRANSACTIONS

As at 1 January 2016, the Group is controlled by Cervera Holdings Limited ("Cervera"), which is owned as to 63% by Mr. Yeung Wing Yan, 30% by Mr. Yeung Wing Kong and 7% by Ms Fu Fung Sau. On the same date, the ultimate controlling party of the Group was Mr. Yeung Wing Yan.

On 21 February 2016, the Company entered into a subscription agreement with Super Generation, which agreed to conditionally subscribe for 31,200,000,000 shares to be allotted by the Company. On completion of subscription together with the placement of shares on 17 May 2016, Super Generation owns 60% of the Company's shares. Subsequent to the completion of share placement and consolidation as set out in Note 27 (c) and 27 (e), Super Generation owns 45.9% of the Company's shares as at 31 December 2016. The ultimate parent of the Group is Super Generation. The ultimate controlling party of the Group is Mr. George Lu.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or joint control. Members of key management and their close family member are also considered as related parties. For purpose of related party disclosure, the Group has identified the related parties both before and after the change of control of the Company.

34 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(A) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

(i) In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with its related parties. All the transactions were carried out based on the terms agreed between the transacting parties. They are summarised as follows:

	2016 **HK$'000**	2015 HK$'000
Rental expense paid	**756**	1,116

(ii) On 1 June 2015, the Group and Hang Fat Capital Limited ("HFC"), a related company, entered into a lease agreement with an independent third party for lease of an office premise at a monthly rent of HK$328,000 for the period from 1 June 2015 to 31 May 2018. HFC is under control of Mr. Yeung Wing Yan, a former executive director of the Company. Pursuant to a supplementary agreement entered between the Group and HFC, the usage of the office premises and related expense would be equally shared between the two parties.

The Group also shared 50% of the capital expenditure incurred for leasehold improvements, furniture and equipment of the aforementioned office premise. For the year ended 31 December 2015, the Group recognised HK$1,682,000 as property, plant and equipment arising from the office premise.

On 17 February 2016, both parties entered into another supplementary agreement to dispose of leasehold improvement and furniture, fixture and equipment at the office premise at a consideration of approximately HK$1,434,000.

(B) YEAR-END BALANCES

	2016 **HK$'000**	2015 HK$'000
Receivables from non-controlling shareholders	**–**	3,027
Receivable from a related company owned by Mr. Yeung Wing Yan, the former executive director of the Company	**–**	1,434
	–	4,461

The amounts are unsecured, interest-free and repayable on demand.

34 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(C) Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	2016	2015
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**9,686**	14,195
Share-based payments	**2,317**	4,279
	12,003	18,474

(D) As mentioned in Note 20(a), in August 2015, the Company's subsidiary, Hang Fat Ginseng Trading Company Limited ("HFG Trading"), entered into a life insurance policy with an insurance company to insure an ex-director. Under the policy, the beneficiary and policy holder is HFG Trading and the total insured sum is US$6,000,000 (approximately HK$46,500,000), HFG Trading is required to pay an upfront deposit of US$2,586,000 (approximately HK$20,061,000) including a premium charge at the inception of the policy amounting to US$500,000 (approximately HK$3,875,000).

The life insurance product was assigned to a bank to secure the general banking facilities granted to the Group as at 31 December 2015. During the year ended 31 December 2016, the life insurance product was terminated and the surrender value of HK$16,907,000 was used to settle the bank borrowings.

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 31 December 2015 and 2016, the details of the Group's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital		Proportion of ownership interest held by the Company		Principal activities
		2016	2015	**2016**	2015	
Flying Century Limited	Hong Kong	**HK$10**	HK$10	**100%**	100%	Property and other assets holding
Fortune Gaining Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Property holding and leasing
Luck Power Development Limited	Hong Kong	**HK$10**	HK$10	**100%**	100%	Property holding and leasing
Luck Power (Hong Kong) Limited	Hong Kong	**HK$10**	HK$10	**100%**	100%	Property holding and leasing
Fortune Topping Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Property holding
Hang Fat Holdings Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Provision of administrative service
Hang Fat Ginseng (2014) Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food
Hang Fat Ginseng (2015) Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food
Hang Fat Ginseng Company Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food
Hang Fat Ginseng (Hong Kong) Company Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Provision of financing services for the Group

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital		Proportion of ownership interest held by the Company		Principal activities
		2016	2015	**2016**	2015	
Hang Fat Ginseng Hong Limited	Hong Kong	**Nil** *(Note)*	HK$5,000,000	**100%**	100%	Souring, wholesaling and retailing of American Ginseng and other product
Hang Fat Ginseng Importer (2013) Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Retailing and wholesaling of American Ginseng and other product
Hang Fat Ginseng Importer Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Retailing and wholesaling of American Ginseng and other product
Hang Fat Ginseng (Retail) Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food
Hang Fat Ginseng Trading Company Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of ginseng and dried food
Hang Fat Importer Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Retailing and wholesaling of American Ginseng and Other Product
Long Xi Group Company Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Processing and sale of ginseng related product

Note:

On 30 April 2016, the Group disposed the entire share capital of Hang Fat Ginseng Hong Limited to an independent third party.

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

36 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Interests in subsidiaries *(note)*	**491,684**	586,201
Current assets		
Other receivables	**1,077**	3,461
Cash and cash equivalents	**131,109**	32,511
	132,186	35,972
Total assets	**623,870**	622,173
Equity		
Equity attributable to owners of the Company		
Capital and reserves		
Share capital	**68,016**	20,016
Reserves	**551,145**	474,116
Total equity	**619,161**	494,132
Current liabilities		
Other payables	**4,709**	4,295
Bonds	**–**	123,746
Total liabilities	**4,709**	128,041
Total equity and liabilities	**623,870**	622,173

Note:

The interests in subsidiaries included investment cost in an unlisted subsidiary of HK$1,000 and deemed contribution to subsidiaries amounting to HK$1,521,684,000 (2015: HK$1,136,201,000), net of provision of impairment loss on interests in subsidiaries of HK$1,030,000,000 (2015: HK$550,000,000). Impairment charge for interests in subsidiaries amounting to HK$480,000,000 (2015: HK$550,000,000) was recognised in the statement of profit or loss during the year ended 31 December 2016.

36 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

MOVEMENT OF RESERVES:

	Share premium HK$'000	Share options reserve HK$'000	Retained earnings/ (accumulated deficits) HK$'000	Total HK$'000
At 1 January 2015	931,527	–	44,154	975,681
Loss and total comprehensive loss for the year	–	–	(357,892)	(357,892)
Recognition of equity-settled share-based payments	–	72,494	–	72,494
Exercise of share options	4,966	(1,133)	–	3,833
Dividends paid	–	–	(220,000)	(220,000)
At 31 December 2015	936,493	71,361	(533,738)	474,116
Loss and total comprehensive loss for the year	–	–	(513,472)	(513,472)
Recognition of equity-settled share-based payments	–	3,548	–	3,548
Lapse of share options	–	(2,910)	2,910	–
Issuance of new shares	614,000	–	–	614,000
Expenses incurred in connection with new shares	(27,047)	–	–	(27,047)
At 31 December 2016	1,523,446	71,999	(1,044,300)	551,145

37 BENEFITS AND INTEREST OF DIRECTORS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The remuneration of every director and the chief executive for the year ended 31 December 2016 is set out below:

Name	Fees	Salary *(Note (viii))*	Discretionary bonuses	Allowances and benefits in kinds *(Note (ix))*	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman and the Chief Executive Officer							
George Lu *(Note (i))*	–	374	–	–	12	–	386
Yeung Wing Yan *(Note (ii))*	–	2,800	–	–	11	–	2,811
Executive directors							
Yeung Wing Kong	–	2,200	733	420	18	–	3,371
Fu Fung Sau *(Note (iii))*	–	550	–	–	–	–	550
Wong Kwok Ming *(Note (i))*	–	225	–	–	11	–	236
Non-executive directors							
Shen Wei *(Note (iv))*	225	–	–	–	–	–	225
Shin Yick Fabian *(Note (vi))*	–	–	–	–	–	–	–
Independent non-executive directors							
Li Wei *(Note (i))*	110	–	–	–	–	–	110
Wong Senta *(Note (iii))*	66	–	–	–	–	–	66
Wu Wai Leung Danny *(Note (v))*	147	–	–	–	–	–	147
Yuen Chee Lap Carl *(Note (v))*	147	–	–	–	–	–	147
Kwok Lam Kwong Larry *(Note (vii))*	25	–	–	–	–	–	25
Cheung Chung Wai Billy *(Note (vii))*	25	–	–	–	–	–	25
Total	745	6,149	733	420	52	–	8,099

37 BENEFITS AND INTEREST OF DIRECTORS *(CONTINUED)*

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

The remuneration of every director and the chief executive for the year ended 31 December 2015 is set out below:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kinds	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
		(Note (viii))		*(Note (ix))*			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman and the Chief Executive Officer							
Yeung Wing Yan *(Note (ii))*	–	4,010	2,880	–	18	–	6,908
Executive directors							
Yeung Wing Kong	–	2,109	1,200	420	18	–	3,747
Fu Fung Sau *(Note (iii))*	–	1,288	800	–	–	–	2,088
Independent non-executive directors							
Wong Senta *(Note (iii))*	169	–	–	–	–	–	169
Kwok Lam Kwong Larry *(Note (vii))*	169	–	–	–	–	–	169
Cheung Chung Wai Billy *(Note (vii))*	169	–	–	–	–	–	169
Total	507	7,407	4,880	420	36	–	13,250

37 BENEFITS AND INTEREST OF DIRECTORS *(CONTINUED)*

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Notes:

(i) George Lu, Wong Kwok Ming and Li Wei were appointed on 17 May 2016. George Lu became the Chairman and the Chief Executive Officer of the Company with effect from 17 May 2016.

(ii) Yeung Wing Yan resigned on 5 July 2016. He ceased to be the Chairman and the Chief Executive Officer of the Company with effect from 17 May 2016.

(iii) The directors resigned on 17 May 2016.

(iv) The director was appointed on 17 May 2016 and resigned on 23 January 2017.

(v) The directors were appointed on 29 February 2016.

(vi) The director was appointed on 6 January 2016 and resigned on 3 February 2016.

(vii) The directors resigned on 22 February 2016.

(viii) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the company or its subsidiary undertakings.

(ix) Includes housing allowances and estimated money value of other non-cash benefits: share options, car, insurance premium and club membership.

(B) DIRECTORS' RETIREMENT BENEFITS AND TERMINATION BENEFITS

None of the directors received or will receive any retirement benefits or termination benefits during the year (2015: Nil).

(C) CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the year ended 31 December 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: Nil).

(D) INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS, CONTROLLED BODIES CORPORATE BY AND CONNECTED ENTITIES WITH SUCH DIRECTORS

As at 31 December 2016, there were no loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors (2015: Nil).

(E) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 4 to the financial statements, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company 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 (2015: Nil).

Five-year Financial Summary

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note (b))	(Note (b))		(Note (a))	(Note (a))
RESULTS					
Revenue	**354,385**	835,531	1,219,651	762,970	492,276
(Loss)/profit before income tax	**(564,487)**	(396,856)	230,740	152,939	60,770
Income tax credit/(expense)	**38,625**	(41,664)	(25,416)	(24,326)	(28,428)
(Loss)/profit for the year	**(525,862)**	(438,520)	205,324	128,613	32,342
Attributable to:					
– Owners of the Company	**(525,710)**	(438,396)	205,353	128,613	32,342
– Non-controlling interests	**(152)**	(124)	(29)	–	–
	(525,862)	(438,520)	205,324	128,613	32,342

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**639,222**	2,333,556	3,152,184	1,012,857	710,870
Total liabilities	**(19,321)**	(1,823,290)	(2,063,142)	(770,657)	(597,284)
Net assets	**619,901**	510,266	1,089,042	242,200	113,586
Equity attributable to owners of the Company	**619,904**	507,390	1,089,070	242,200	113,586
Non-controlling interests	**(3)**	2,876	(28)	–	–
	619,901	510,266	1,089,042	242,200	113,586

Note:

(a) The results and summary of assets and liabilities as at and for each of the two years ended 31 December 2012 and 2013 which were extracted from the Prospectus have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout those years.

(b) Revenue for the years ended 31 December 2015 and 2016 represents the revenue, net of provision for rebates and discounts.