意科控股

eFORCE HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE : 943)

Annual Report

2016

This Annual Report is printed on environmentally friendly paper

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DIRECTORS

Executive Directors

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Liu Liyang *(CEO and Deputy Chairman)*
Mr. Au Yeung Yiu Chung
Mr. Chan Tat Ming, Thomas
Mr. Luo Xiaohong

Independent Non-executive Directors

Mr. Hau Chi Kit
Mr. Lam Bing Kwan
Mr. Leung Chi Hung
Mr. Li Hon Kuen

AUDIT COMMITTEE

Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
Mr. Lam Bing Kwan
Mr. Leung Chi Hung

REMUNERATION COMMITTEE

Mr. Lam Bing Kwan *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Liu Liyang
Mr. Tam Lup Wai

NOMINATION COMMITTEE

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Hau Chi Kit
Mr. Lam Bing Kwan
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Liu Liyang

COMPANY SECRETARY

Mr. Chan Tsz Leung

AUDITOR

ZHONGHUI ANDA CPA Limited
Unit 701-3 & 8, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

PRINCIPAL REGISTRAR

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Bermuda

BRANCH REGISTRAR

Union Registrars Limited
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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3008, Man Yee Building,
68 Des Voeux Road Central,
Central,
Hong Kong

STOCK CODE

943

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Lup Wai, Franky ("Mr. Tam")

(Chairman)

Mr. Tam, aged 68, was appointed as executive Director of the Company on 17 December 2001 and the Chairman of the board of Directors of the Company on 21 July 2011. He was also appointed as a member of the remuneration committee of the Company on 3 July 2007 and the chairman of the nomination committee on 29 March 2012. Mr. Tam holds a BA in Applied Mathematics from the University of California at Berkeley, USA. He has diversified management experiences in the fields of property, retail and technology. He also specializes in formulating and executing business strategies for companies and has experience in the investment of technology start-up. He was previously an administration director of a conglomerate comprises four listed companies in Hong Kong and directly oversaw the administration of the group and responsible in managing several subsidiaries' operations, including properties acquisition, strategic investments and hotel start-up project. Mr. Tam also served as executive director of a Hong Kong publicly listed fashion retail chain store with over 200 outlets in Hong Kong and China and was instrumental in setting up the franchise operation in the PRC before joining the Company in 2001.

Mr. Liu Liyang ("Mr. Liu")

(CEO and Deputy Chairman)

Mr. Liu, aged 56, was appointed as executive Director, Deputy Chairman of the Board and the Chief Executive Officer ("CEO") and a member of the remuneration committee of the Company on 19 August 2010. He was further appointed as a member of the nomination committee of the Company on 29 March 2012. Mr. Liu has 16 years of experience in the investment banking industry. Before joining the Company, he was the co-head of the China Investment Banking of Nomura International (HK) Limited. He had also worked in the Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc. Mr. Liu holds an MBA degree from Columbia University. Mr. Liu currently is also an executive director of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Limited) (stock code: 1194) and an independent non-executive director of Beautiful China Holdings Company Limited (stock code: 706), both of which are companies listed on the Main Board of the Stock Exchange.

Mr. Au Yeung Yiu Chung ("Mr. Au Yeung")

Mr. Au Yeung, aged 35, was appointed as executive Director of the Company on 11 June 2014. Mr. Au Yeung was graduated from the Hong Kong Polytechnic University with a bachelor of Applied Biology in Biotechnology. Mr. Au Yeung is also an International Certified Valuation Specialist holder. Mr. Au Yeung has over ten years of experience in financial industry. From 10 March 2012 to 1 April 2015, Mr. Au Yeung was an executive director of TLT Lottotainment Group Limited (now known as Evershine Group Holdings Limited) (stock code: 8022) which is a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Au Yeung holds a Master of Business Administration degree from the University of Wales, UK.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Tat Ming, Thomas ("Mr. Chan")

Mr. Chan, aged 51, was appointed as executive Director of the Company on 7 March 2014. Mr. Chan was graduated from York University, Toronto, Canada, with a Business Administration Studies degree. Mr. Chan has over 20 years of experience in administration and operational management in international trade business and also on production process facility in the PRC.

Mr. Luo Xiaohong ("Mr. Luo")

Mr. Luo, aged 52, was appointed as executive Director of the Company on 20 December 2011. Mr. Luo has been involved in mineral evaluation work for more than 20 years. He graduated from Chengdu College of Geology (成都地質學院) in 1985 with a major in Mining Studies, specializing in Geology and Mining Investigation. He obtained a title of Senior Engineer in Geology and Mining in 1999 and was qualified as a Mineral Resources Reserves Evaluation Expert of Guangxi Province in 2004. In 2007, he obtained the title of Professor-Level Senior Engineer in Geology and Mining. He acted as Deputy Director-General of the Resources Evaluation Department in Jiangxi Geology Investigation Research Institute (江西省地質調查研究院) from 2006 and was in charge of the work in the Resources Evaluation Department at the end of 2007. In June 2009, he acted as the Deputy Chief Engineer of the Jiangxi Geology 3 Investigation Research Institute and the Director General of the Resources Evaluation Department. Since 2006, he has been the responsible person of the National Geology Big Investigation Project of "Jiangxi Shangli Fengxin District Copper Polymetallic Mine Evaluation" (江西上栗奉新地區銅多金屬礦評價) and "Jiangxi Jiurui District Copper Polymetallic Mine Prospective Study" (江西九瑞地區銅多金屬礦遠景調查).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hau Chi Kit ("Mr. Hau")

Mr. Hau, aged 45, was appointed as an independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company on 7 March 2014. Mr. Hau was a barrister-at-law in private practice in Hong Kong from 2001 to 2008 and is currently a solicitor in private practice. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. He was an independent non-executive director of CNC Holdings Limited (Stock Code: 8356) from May 2011 to May 2015 and Celebrate International Holdings Limited (Stock Code: 8212) from May to November 2015, both of which are companies listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. Mr. Hau currently is also an independent non-executive director of China Zenith Chemical Group Limited (stock code: 362), Trillion Grand Corporate Company Limited (formerly known as Tai Shing International (Holdings) Limited) (stock code: 8103) and Code Agriculture (Holdings) Limited (stock code: 8153) all of which are companies listed on the Main Board or the GEM of the Stock Exchange.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Bing Kwan ("Mr. Lam")

Mr. Lam, aged 67, was appointed as an independent non-executive Director and member of the audit committee of the Company on 30 September 2004. He was further appointed as the Chairman of the Remuneration Committee on 1 August 2005 and a member of the nomination committee on 29 March 2012. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. Mr. Lam has been in senior management positions in the banking and financial industry for more than 10 years. He is a non-executive director of Sino-i Technology Limited (stock code: 250) and Nan Hai Corporation Limited (stock code: 680), and an independent non-executive director of Lai Fung Holdings Limited (stock code: 1125), Lai Sun Development Company Limited (stock code: 488) and Lai Sun Garment (International) Limited (stock code: 191), all of which are companies listed on the Main Board of the Stock Exchange.

Mr. Leung Chi Hung ("Mr. Leung")

Mr. Leung, aged 61, was appointed as an independent non-executive Director of the Company and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company on 13 December 2013. Mr. Leung commenced his accountancy professional training since 1976 and is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung is also a fellow of The Taxation Institute of Hong Kong and a Certified Tax Adviser and a member of the Society of Registered Financial Planners in Hong Kong. Mr. Leung is a Certified Public Accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited (CPA). Mr. Leung currently is also an independent non-executive Director of Daido Group Limited (stock code: 544), Finet Group Limited (stock code: 8317) and REF Holdings Limited (stock code: 8177), all of which are companies listed on the Stock Exchange.

Mr. Li Hon Kuen ("Mr. Li")

Mr. Li, aged 50, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company on 19 July 2013. Mr. Li is a Certified Public Accountant (Practising) in Hong Kong with general assurance experience in clients operating in a variety of industries, including textile, construction, property development, freight forwarding, golf club, jewelry manufacturing and trading, application software development and installation, website design and development, manufacturing and ATM operation business. Moreover, Mr. Li has extensive experience in public listings and due diligence in Hong Kong. Mr. Li had worked in Deloitte and as senior audit manager in RSM Nelson Wheeler before setting up Alfred H.K. Li & Co., CPA, in 2013.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Sugahara Toshio ("Mr. Sugahara")

Mr. Sugahara, aged 52, joined the Group in 2007. Mr. Sugahara is the General Manager of Fairform Manufacturing Limited, a wholly-owned subsidiary of the Group, and is responsible for the overall production management and quality control of the Group's manufacturing and sales of health and household products. Mr. Sugahara has obtained a Bachelor Degree in Mechanical Engineering from the University of Brighton (UK) and a Master Degree of Business Administration from the University of South Australia. He is a member of the Institution of Engineering and Technology (UK) and has extensive working experience in project engineering, product research and development and production management.

Mr. Wong Sze Yat, Robert ("Mr. Wong")

Mr. Wong, aged 53, joined the Group in 1998. Mr. Wong is the Marketing Director of Fair form Manufacturing Limited and is responsible for sales and marketing function of the Group's manufacturing and sales of health and household products. Mr. Wong has a Diploma in Business Studies from the Salford Technology College (UK). Mr. Wong has over 20 years of working experience in marketing small household electrical appliances and household products.

Mr. Chan Tsz Leung ("Mr. Chan Tsz Leung")

Mr. Chan Tsz Leung, aged 50, is the Company Secretary of the Company. Mr. Chan Tsz Leung is a member of CPA Australia. Mr. Chan Tsz Leung holds a Bachelor degree in Commerce from the Murdoch University, Western Australia, Australia. Mr. Chan Tsz Leung joined the Group in 2004 as Accountant and had working experience in Hong Kong, Singapore and the PRC.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of eForce Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 December 2016.

REVIEW AND PROSPECT

2016 was a promising year for the Group's manufacturing business as its revenue increased to HK$207.2 million or by 29% as compared to HK$160.5 million in 2015 and it continued to be the main revenue contributor to the Group by contributed about 78% of our total revenue in 2016. Furthermore, 2016 was the first full financial year after the completion of the acquisition of the organic agricultural and fertilizers business in September 2015 and the revenue from it was HK$49.9 million or about 19% of our total revenue in 2016. The remaining 3% of our total revenue in 2016 was contributed by the money lending business which was has contributed about 3% of our total revenue in 2016. Both of these two business segments had proven to provide a steady stream of income to the Group in 2016. As for our coal mining business, there was no exploration activity, development activity or mining activity carried out during the year and hence it did not make any contribution to the Group revenue in 2016. Overall, revenue of the Group for the year ended 31 December 2016 had increased to HK$265.0 or by 48% as compared to HK$179.5 million in 2015. Loss from operation for the Group had decreased from HK$20.0 million in 2015 to HK$0.9 million in 2016 due to contribution from new business segments as well as higher revenue and higher profit margin in our subsisting business segment. Despite the decrease in operating loss, the consolidated loss of the Group for 2016 only decreased by HK$10.2 million amounted to HK$39.1 million. The detailed analysis of the Group's performance in 2016 is in the Management Discussion and Analysis section of this report.

The outlook of the global operating environment remains flat, nevertheless we are optimistic about growth in the PRC market and therefore our manufacturing business and organic agricultural and fertilizers business will continue focus in the PRC market in 2017. At the same time, we will also expand the money lending business with available resources to provide the Group with a steady stream of income. As for the PT Bara Mine, we are still caution about the development of it and have no immediate plan to carry out any exploration, development and mining activity in 2017. And in line with the Group's long-term development goal to maximize corporate value and meet the expectations of shareholders and investors, we will continue our strategy to seek other business opportunities in the Asia Pacific region and to explore the feasibility of expanding into other business sectors to improve the Group's potential for expansion and growth.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENTS
On behalf of the Board, I would like to take this opportunity to express our utmost appreciation of the continuing supports of our Shareholders, business partners and parties from various fields, and also of the contribution and dedication of our management and dedicated staff in previous year.

Tam Lup Wai, Franky
Chairman and Executive Director
28 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Results for the year

Revenue of the Group for the year ended 31 December 2016 amounted to HK$265.0 million, which represented an increase of 48% as compared to HK$179.5 million in 2015.

The consolidated loss of the Group for the year ended 31 December 2016 amounted to HK$39.1 million. This represented a decrease of approximately HK$10.2 million or 21% as compared to the loss of HK$49.3 million in 2015.

Following is the review of the principal activities of the Group in 2016 and outlook of the Group's business in 2017.

Manufacture and sale of healthcare and household products

As mentioned in our Interim Report 2016, the revenue of the Group's manufacturing business has increased by 20% in the first half of 2016 when compared to the revenue in the corresponding period in 2015. This trend has continued and increased in the second half of 2016 and revenue for 2016 was increased to HK$207.2 million or by 29% as compared to HK$160.5 million in 2015. The increase reflected a combined effect of sales volume changes in different locations of customers with decrease from Italy, Japan and United Kingdom and prominent increase from Germany and the People's Republic of China (the "PRC"). As mentioned in our Interim Report 2016, the PRC market was our focus in 2016 and our PRC sales had increased approximately 174% from HK$24.6 million in 2015 to HK$67.4 million in 2016.

Gross profit margin increased from 24.3% in 2015 to 28.5% in 2016 mainly due to decrease in raw material cost and a slight increase in labour productivity. Gross profit increased by HK$19.9 million to HK$59 million in 2016 as compared to HK$39.1 million in 2015. The increase in gross profit was attributable to the abovementioned increase in revenue and gross profit margin. Overall, the Group's manufacturing business recorded a segmental profit of HK$10.8 million in 2016 as compared to HK$1.5 million in 2015.

In the beginning of 2017, the International Monetary Fund had upgraded its growth forecast for China's economy in 2017 to 6.5 percent, 0.3 percentage points higher than their forecast in last October. As such we are optimistic about sales in the PRC market and it will continue be our focus in 2017. On the other hand, we expect a flat growth in 2017 for United States of America, France, Italy, Japan and United Kingdom due to recovery in these traditional markets are less certain. Apart from focus on developing the PRC market, we will continue our efforts in new products development and operational improvement in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Coal mining business

In 2016 the Group did not have any production at the coal mine project in Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine"), as such no revenue was recognized from the coal mining business for the year under review.

There was still no exploration activity, development activity and mining activity in the PT Bara Mine in 2015 and 2016. In addition, there was no contract enter or commitment for arrangement of infrastructure building, mining subcontracting and equipment purchasing in 2015 and 2016. No progress had been made in the land use negotiation with the local landowners and villagers in 2015 and 2016.

No capital expenditure was incurred on mining infrastructure as there was still no development activity during 2016. Operating expenses related to the Group's mining business charged to statement of profit or loss and other comprehensive income were mainly administrative expenses and amounted approximately HK$0.5 million in 2016 as compared to HK$0.6 million in 2015.

The coal resource estimates as at 31 December 2016 were as follows:

	Coal Resource Estimate (in thousand tonnes)			
JORC Category	**As at 31 December 2015**	**As at 31 December 2016**	**Change in %**	**Reason of change**
Measured	8,705	8,705	Nil	N/A
Indicated	11,537	11,537	Nil	N/A
Inferred	6,097	6,097	Nil	N/A
Total	26,339	26,339		

The above coal resources estimate of the PT Bara Mine as at 31 December 2016 were the same as they were previously disclosed in the report dated 2 June 2011 (the "2011 Report") prepared by Roma Oil and Mining Associates Limited ("Roma") under the JORC Code and there was no material change to the status of the project since then.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company had engaged Greater China Appraisal Limited ("GCA") to assist the management to determine the fair value (the "Valuation 2016") and the impairment, if any, of the PT Bara Mine for the year ended 31 December 2016. GCA, after considering the different approaches of valuation of asset, had selected to use the Comparable Transaction Method under the market approach in the Valuation 2016. The same methodology and method was selected and used in the valuation of the PT Bara Mine since 2013.

An underlying assumption when using the Comparable Transaction Method is that the terms negotiated and agreed are linked to the coal price at the time of the transaction. Therefore, to compare any project transaction to the Mineral Asset as at the valuation date, it is necessary to establish what the likely transaction value would have been if it had occurred at that date. GCA has done this by adjusting the actual transaction parameters at the date of the transaction to the change in coal prices by multiplying the acquisition parameters by the following 'normalising' factor:

US$50.09 tonne (as at 31 December 2016) (US$31.41 tonne as at 31 December 2015) divided by the US$ coal price at the date of the transaction of the comparable project

The selected comparable transactions of coal projects in Indonesia in the last 5 years are set forth in the table below:

Table 1 – Details of comparable transactions

Completion Date	**Target/Project Name**	**Acquirer Name**	**Location**	**Percentage** *(%)*	**Reserves** *(Mt)*	**Consideration** *(US$ million)*
29 Jun 2012	Ganda Alam Makmur PT	LG International Corp	Kalimantan	60%	275.00	212.57
28 Feb 2013	PT Delta Ultima Coal	Altura Mining Limited	Kalimantan	33%	37.94	25.00
3 Jul 2014	Bumi Resources Tbk PT	China Investment Corp	Kalimantan	19%	9,307.00	950.00
26 Dec 2015	Borneo International Pte Ltd	Geo Energy Resources Ltd	Kalimantan	34%	52.50	25.00
18 Jul 2016	PT Tanah Bumbu Resources	Geo Energy Resources Ltd	Kalimantan	99%	55.50	90.00

Source: Bloomberg

MANAGEMENT DISCUSSION AND ANALYSIS

The relevant coal prices used for the comparable transactions are shown in table below:

Table 2 – Coal Prices utilised in the comparable valuations

Completion Date	Event	Coal Price* *(US$/t)*	Adjusted Consideration *(US$/t)*
31 Dec 2016	Effective Valuation Date for the Mineral Asset	50.09	n/a
29 Jun 2012	LG International Corp acquired Ganda Alam Makmur PT	75.14	0.86
28 Feb 2013	Altura Mining Limited acquired PT Delta Utima Coal	69.17	1.43
3 Jul 2014	China Investment Corp acquired Bumi Resources Tbk PT	57.73	0.47
26 Dec 2015	Geo Energy Resources Ltd acquired Borneo International Pte Ltd.	44.10	1.61
18 Jul 2016	Geo Energy Resources Ltd acquired PT Tanah Bumbu Resources	43.74	1.88

* *Using Indonesian Government's Benchmark Thermal Coal Index Price as reference.*

To utilize the comparable transactions above in valuing the Mineral Asset, the in-ground coal endowment of the PT Bara Mine is established as follows:

Table 3 – Attributable Coal Resources of Mineral Asset

Resources Category	Coal Resources Tonnes *(Million Tonne)*	GCA Factor	GCA Factorised Tonnes *(Million Tonne)*
Measured	8.71	100%	8.71
Indicated	11.54	80%	9.23
Inferred	6.10	0	–
Total	26.35		17.94

MANAGEMENT DISCUSSION AND ANALYSIS

The following table summarized the effect of changes in assumptions/parameters and reconciled the fair value change in 2016:

Table 4 – Reconciliation of fair value change

Item	2015	2016	Effect on Fair Value	Fair Value *(HK$ million)*
As at 31 December 2015				153.2
Change in prevailing coal price (US$/tonne)	31.41	50.09	Increase	31.8
Market transaction update	1.16	1.25	Increase	4.1
Change in exchange rate (US$:HK$)	7.7507	7.7559	Increase	0.1
Valuation adjustment on the Indicated Resources	–	20%	Decrease	(17.2)
As at 31 December 2016				172.0

As shown in the above tables, the assumptions changes in 2016 valuation were: (1) prevailing coal price; (2) market transaction reference; (3) exchange rate and (4) valuation adjustment on the Indicated Resources. The primary change in valuation assumption would be the increase in prevailing coal price (which is the dominant factor for the increase in valuation) and this resulted the fair value increased in 2016. The increase in prevailing coal price and the change in exchange rate were mainly affected by the global economy and market environment. For the market transaction applied, there were more recent comparable transaction with available information in the market and applied in the valuation. In accordance with the VALMIN Code (2015), GCA is required to precisely study the procedure on how resource estimation was done. Based on the Technical Report and Resource Statement of the Project prepared by SRK dated September 2010, there is no mention of whether outcrops of each seams have been adjusted in the process of resource estimation and the depth of each seam used for resource estimation remains unknown. Given the uncertainties, an estimated 20% discount on the Indicated Resources has been applied.

Based on the Valuation 2016, the recoverable amount of the exploration and evaluation assets exceeded the carrying amount as at 31 December 2016. Accordingly, a reversal of impairment losses of HK$18.8 million was recognized for the year ended 31 December 2016 (2015: impairment losses of HK$53.2 million).

Despite the recovery in coal prices in 2016, we are still caution about the development of the PT Bara Mine and as at the date of this report and have no plan to carry out any exploration, development and mining activity in 2017. Nevertheless, the Company will inform the shareholders of the Company of any further development of the PT Bara Mine as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Production and sale of organic agricultural and fertilizers products

This was the first full financial year after the completion of the acquisition of the organic agricultural and fertilizers business in September 2015. Revenue of this reportable segment for the year under review was approximately HK$49.9 million and represented an increase of 176.0% in revenue as compared to HK$18.1 million for the three-month period under review in 2015. Gross profit margin increased from 62.0% in 2015 to 68.0% in 2016 mainly due to improve operational efficiency. Segment profit for 2016 was approximately HK$2.5 million (2015: HK$4.0 million). Such decrease was mainly due to the charging of a full year of amortization costs of HK$15 million (2015: HK$3.75 million) and impairment provision for certain long outstanding trade receivable.

As mentioned in our Interim Report 2016, we are optimistic about the demand of organic fertilizer, green food and organic crops in the PRC market as the population is becoming more health-conscious due to the growth in living standards. As such we expect growth in this segment will be steady in 2017.

Money lending business

The segmental revenue being interest income from the Group's money lending business in 2016 was HK$7.9 million (2015: HK$0.9 million). Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 7.5% per annum to 15% per annum during the year under review. Total loans and interests receivables as at 31 December 2016 was HK$97.4 million (31 December 2015: HK$18.4 million).

As the money lending business has provided a steady stream of income, we will continue to expand its business with the Group's available resources in 2017.

Others

Net loss of HK$37.4 million (2015: Net gain of HK$39.0 million) on fair value changes on financial assets at fair value through profit or loss was mainly due to a fair value loss of HK$35.3 million (2015: fair value gain of 42.5 million) on the convertible bonds held by the Company. Please refer to Note 10 of the financial statements regarding other details of the convertible bonds and the fair value loss.

Finance costs decreased by HK$5.8 million to HK$2.4 million (2015: HK$8.2 million) mainly due to no interest was charged on promissory note after the settlement of it in January 2016.

Conclusion

Loss from operations for the Group has been decreased from HK$20.0 million in 2015 to HK$0.9 million in 2016 due to contribution from new business segments as well as higher revenue and higher profit margin in our subsisting business segment. As such we will continue our strategy to seek other business opportunities in the Asia Pacific region and to explore the feasibility of expanding into other business sectors to improve the Group's potential for expansion and growth. In the event that business opportunities arise and additional funds are contemplated for such opportunities, the Company will consider possibility of fund raising by way of debt and/or equity.

MANAGEMENT DISCUSSION AND ANALYSIS

THE GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

Cash position

As at 31 December 2016, the Group had cash and bank deposits of HK$19.9 million (2015: HK$309.1 million) including a foreign currency deposits denominated in Renminbi ("RMB") amounted to HK$3.2 million (2015: HK$6.8 million).

Current ratio

As at 31 December 2016, the Group had net current assets of HK$131.2 million (2015: HK$29.5 million) and current ratio (being current assets over current liabilities) of 2.02 (2015: 1.07).

Debts and borrowings

As at 31 December 2016, the Group had total debts and borrowings of HK$31.9 million (2015: HK$262.7 million) which included unsecured loan from a financial institute, secured bank loan and secured factoring loans in total of HK$31.7 million (2015: HK$10.1 million) (2015: included a promissory note of HK$252.3 million).

Gearing ratio

The Group's gearing ratio being total debt over total equity is 0.05 (2015: 0.9).

Exposure to Fluctuation in Exchange Rates, Interest Rates and Related Hedges

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

The interest rates profiles of the Group's borrowings are mainly at fixed rates. The Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates. The Group does not hedge against interest rates risk as the management does not foresee the impact of any fluctuation in interest rates to be material to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Fund Raising Activities

The following table summarises the fund raising activity which were completed by the Company in 2016:

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of net proceeds	Actual use of net proceeds
16 September 2015 (Completed on 12 January 2016)	Open offer on the basis of four 4 offer shares at a subscription price of HK$0.35 for one 1 consolidated share held on the record date	HK$323.8 million (approximately)	(i) HK$270.0 million for the repayment of the promissory note; and (ii) the remaining balance for general working capital and investment opportunities as may be identified from time to time.	(i) HK$275.0 million (approximately) was used as intended for the repayment of principal and accrued interest of the 6% per annum 24-month promissory note of the Company; and (ii) HK$48.8 million (approximately) was used for general working capital of the Group.
August 2016 (Completed on 23 August 2016)	Placing of 240,464,000 new shares under the general mandate granted on 27 May 2016 at a placing price of HK$0.083 per placing share	HK$19.3 million (approximately)	For general working capital of the Group	HK$19.3 million (approximately) was used for working capital of the Group.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group had neither any material acquisition nor disposal in 2016.

MATERIAL CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 31 employees (2015: 30) in Hong Kong, 806 employees (2015: 729) in PRC and 2 employees (2015: 2) in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit.

The Company has an option scheme which was approved in a shareholders' special general meeting on 31 August 2015 ("Share Option Scheme 2015"). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during 2016 under Share Option Scheme 2015.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The board of directors of the Company (the "Board") commits to maintain and ensure high standards of corporate governance and has adopted the provisions contained in the Code on Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2016 except for the deviations as disclosed in this report. This report also outlines the main corporate governance processes and practices adopted by the Company with specific reference to the provisions of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Company is led and controlled through the Board. Apart from its statutory responsibilities, the Board sets the Group's overall business and financial strategies as well as setting policies on various matters including major investments, key operational targets and financial control.

Following is the list of Directors during the year under review:

Executive Directors
Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Liu Liyang *(CEO and Deputy Chairman)*
Mr. Au Yeung Yiu Chung
Mr. Chan Tat Ming, Thomas
Mr. Luo Xiaohong

Independent Non-executive Directors ("INEDs")
Mr. Hau Chi Kit
Mr. Lam Bing Kwan
Mr. Leung Chi Hung
Mr. Li Hon Kuen

CORPORATE GOVERNANCE REPORT

The profiles of the Directors' qualifications and experience are set out on pages 3 to 5 of this annual report and at least one of the INEDs possesses recognized professional qualification in accounting. The Board is of the view that its current composition provides the necessary skill and experience for the requirements of the Group's business.

All INEDs have confirmed in writing to the Company that they meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

During the year ended 31 December 2016, the Company has complied with all provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the following:

(i) Provision A.4.1 stipulates that INEDs should be appointed for a specific term and subject to re-election. During the year under reviewed, all INEDs of the Company were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. As all Directors' appointment will be reviewed when they are due for reelection thus the Company is of the view that this meets the same objectives of the said code provision.

DIRECTORS' TRAINING

Newly appointed Directors will be provided with necessary induction and information to ensure they have a proper understanding of the Group's operations and businesses as well as their responsibilities under the Listing Rules and the other applicable regulatory requirements. The Company did not appoint any Director in 2016.

CORPORATE GOVERNANCE REPORT

The Company had arranged and funded suitable training for the Directors to attend during the year under review. In 2016, all Directors had participated in continuous professional development to refresh their knowledge and skills and had provided the records of the training they received to the Company. The following table summarises the continuous professional development of each director had in 2016:

	Type of continuous professional development	
	Attending seminars/trainings on relevant industrial development, regulatory updates or directors' duties	**Reading regulatory updates or information relevant to directors' duties**
Executive Directors		
Mr. Tam Lup Wai, Franky	✓	✓
Mr. Liu Liyang	✓	✓
Mr. Au Yeung Yiu Chung	✓	✓
Mr. Chan Tat Ming, Thomas	✓	✓
Mr. Luo Xiaohong	✓	✓
Independent Non-executive Directors		
Mr. Hau Chi Kit	✓	✓
Mr. Lam Bing Kwan	✓	✓
Mr. Leung Chi Hung	✓	✓
Mr. Li Hon Kuen	✓	✓

AUDIT COMMITTEE

The Company's Audit Committee was established in December 1999. Following were the members during 2016:

Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
Mr. Lam Bing Kwan
Mr. Leung Chi Hung

The Audit Committee has adopted terms of reference which are in line with the Code. The primary function of the Audit Committee is to review and monitor the Group's financial reporting process and internal controls. It is also responsible for making recommendation to the Board for the appointment, re-appointment or removal of the external auditor.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2016, the Audit Committee had reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the audited financial statements and unaudited interim financial statements. The Audit Committee had also reviewed the resources, qualifications and experience of staffs of the Group's accounting and financial reporting function, and their training and budget, and was satisfied with their adequacy.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established in August 2005. Following were the members during 2016:

Mr. Lam Bing Kwan *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Liu Liyang
Mr. Tam Lup Wai, Franky

The Remuneration Committee has adopted terms of reference which are in line with the Code to make recommendations to the Board to determine the remuneration of Directors and senior management. During 2016, the Committee had assessed the performance of the executive directors and senior management and considered their remuneration by reference to their experiences and remuneration paid by comparable companies. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 14 to the financial statements.

NOMINATION COMMITTEE

The Company's Nomination Committee was established on 29 March 2012. Following were the members during 2016:

Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Hau Chi Kit
Mr. Lam Bing Kwan
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Liu Liyang

The Nomination Committee has adopted terms of reference which are in line with the Code. The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

No formal meeting was held by the Nomination Committee during the year but members meet and communicate as and when required.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To develop and review the Company's policies and practices on corporate governance;

(ii) To review and monitor the training and continuous professional development of directors and senior management;

(iii) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(v) To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

BOARD, COMMITTEES AND OTHER MEETINGS

The following table summarises the total number of the meetings and the individual attendance of each Director in 2016:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee[1]	2016 Annual General Meeting	Special General Meeting
Executive Directors						
Mr. Tam Lup Wai, Franky *(Chairman of the Board)*	5/5	N/A	1/1	–	1/1	3/3
Mr. Liu Liyang *(CEO and Deputy Chairman of the Board)*	5/5	N/A	1/1	–	1/1	3/3
Mr. Au Yeung Yiu Chung	5/5	N/A	N/A	N/A	1/1	3/3
Mr. Chan Tat Ming, Thomas	5/5	N/A	N/A	N/A	1/1	3/3
Mr. Luo Xiaohong	5/5	N/A	N/A	N/A	1/1	3/3
Independent Non-executive Directors						
Mr. Hau Chi Kit	5/5	3/3	1/1	–	1/1	3/3
Mr. Lam Bing Kwan	5/5	3/3	1/1	–	1/1	3/3
Mr. Leung Chi Hung	5/5	3/3	1/1	–	1/1	3/3
Mr. Li Hon Kuen	5/5	3/3	1/1	–	1/1	3/3

Note:

1 No formal meeting was held by the nomination committee during the year.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparing of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results, and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates on a going concern basis.

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of ZHONGHUI ANDA regarding their report responsibilities is set out in the Independent Auditor's Report on pages 32 to 37 of this annual report.

The service fees incurred/paid by the Group in 2016 and 2015 to ZHONGHUI ANDA were as follows:

	2016	2015
Audit service	**HK$770,000**	HK$700,000
Non-audit service	**HK$196,500**	HK$500,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness at least annually. These systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve our corporate objectives. On the other hand, the management is responsible for the design, implementation and maintenance of the risk management and internal control systems.

The Company has adopted a top-down strategic risk management approach and a complementary bottom-up operational risk management process. Risk management starts from the top level with the Board to determine the nature and extent of risk it is willing to take according to our corporate objectives and put them in context of the external environment in which our operations are.

The Executive Directors, as part of the management, are responsible for identifying principal risks and the key risk indicators to monitor in accordance with the strategy set by the Board. The Executive Directors are also responsible for delivering the strategic actions to the operational level. At the operational level, the Head of business units are responsible to execute the strategic actions and report on key risk indicators. Typically these are achieved by implementing sound internal control systems. Internal control system is defined as a system of control procedures for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Different internal control systems have be set up for the Group's different business units. And to monitor the effectiveness of these systems, the management has also set up an internal audit function.

CORPORATE GOVERNANCE REPORT

Whilst responsibility for oversight of risk management rests with the Board, the effective day-to-day management of risk is embedded in all areas of our business and forms an integral part of our risk management system. As such, head of business units maintain regular communication with the Executive Directors to report current and emerging risks. Such bottom-up process ensures potential risks are identified and mitigated and significant risks escalated to the Board for consideration as appropriate.

In 2016, the Board through the Audit Committee and the internal audit function, had conducted a review of the effectiveness of material controls, including financial, operational and compliance controls, of the Group's major risk management and internal control systems and the Company considers these systems effective and adequate. The review process included formulating audit plan, approving audit program and reviewing internal audit function's working.

DISCLOSOSURE OF INSIDE INFORMATION

The Group has internal policy and procedures which strictly prohibit unauthorized use of inside information. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers are authorized to respond to external enquiries about the Group's affairs.

COMPANY SECRETARY

Mr. Chan Tsz Leung had undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year under review.

COMMUNICATION WITH SHAREHOLDERS

The annual general meeting provides a useful channel for Shareholders to communicate with the Board. All Shareholders have at least 20 clear business days' notice of annual general meeting at which Directors are available to answer questions on the Company's affair. Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual Director. Pursuant to Rule 13.39 of the Listing Rule, any votes of the Shareholders at a general meeting must be taken by poll.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding at the date of deposit of the written requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office and principal place of business of the Company in Hong Kong, specifying the shareholding information of the shareholder, their contact details and the proposal regarding any specified transaction/business and its supporting documents. The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. If within twenty one days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Forward Proposals at General Meetings

Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures as set out in the above "Convening of extraordinary general meeting by Shareholders".

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office and principal place of business in Hong Kong at Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong.

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 42 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2016 are set out in note 9 to the financial statements.

BUSINESS REVIEW

The business review of the Group for year ended 31 December 2016 including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the group's business, can be found in the Chairman's Statement and Management Discussion and Analysis which set out on pages 7 to 8 and pages 9 to 17 respectively of this Annual Report. Details about the Group's financial risk management are set out in note 5 to the Consolidated Financial Statements.

The Group is committed to adopt environmentally responsible practices throughout its operations. The key points of our environmental policy to achieve this are:

– Comply with all the environmental laws and regulations that relate to the Group's operations;

– Prevent the environmental impact of our products throughout their design and manufacturing process;

– Ensure every employee understands and is responsible for incorporating environmental considerations in their daily business activities; and

– Pursue continuous improvement in environmental performance.

In this regard, the Company's principal subsidiary Dongguan Weihang Electrical Product Company Limited has been accredited with ISO 14001:2004, an environmental management system certification, since 2007.

During the year ended 31 December 2016, the Group had complied with the relevant laws and regulations that have a significant impact on the Group.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during 2016 is as follows:

	Percentage of the Group's total	
	Sales Purchases	**Sales Purchases**
The largest customer	27%	–
Five largest customers in aggregate	66%	–
The largest supplier	–	9%
Five largest suppliers in aggregate	–	29%

At no time during the year have the Directors, their associates or any Shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interesting in these major customers and suppliers.

FINANCIAL RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2016 and the state of the Group's affairs as at that date are set out in the financial statements on pages 38 to 111.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2016 are set out in note 36 to the financial statements and the consolidated statement of changes in equity on page 42 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 19 to the financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Particulars of the Company's subsidiaries are set out in note 42 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2016 are set out in note 35 to the financial statements.

CONVERTIBLE BONDS

The Company has no convertible bonds in issue during the year ended 31 December 2016.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year were:

Executive Directors
Mr. Tam Lup Wai, Franky *(Chairman)*
Mr. Liu Liyang *(CEO and Deputy Chairman)*
Mr. Au Yeung Yiu Chung
Mr. Chan Tat Ming, Thomas
Mr. Luo Xiaohong

Independent non-executive Directors
Mr. Hau Chi Kit
Mr. Lam Bing Kwan
Mr. Leung Chi Hung
Mr. Li Hon Kuen

Pursuant to Bye-law 86(2), the Directors shall have the power from time to time and at any time to appoint any person as a Director, either to fill a casual vacancy on the Board or as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting (but shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation at such meeting). The Company did not appoint any Director in 2016.

Pursuant to Bye-law 87, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation. Accordingly, Mr. Au Yeung Yiu Chung, Mr. Liu Liyang and Luo Xiaohong will retire from office by rotation and being eligible, put themselves up for re-election in the Company's forthcoming annual general meeting in 2017.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 and the Company still considers the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACT

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract, which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, none of the Directors nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

The Company has an option scheme which was approved in a Shareholders' special general meeting on 31 August 2015 ("Share Option Scheme 2015"). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of Share Option Scheme 2016 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during 2016 under Share Option Scheme 2015.

Save as disclosed above, none of the Directors or chief executive of the Company or their spouses or children aged below 18 had any right to subscribe for equity or debt securities of the Company or had exercised any such right during the year under review.

DIRECTORS' EMOLUMENTS

Particulars of the Directors' emoluments disclosed pursuant to section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 14 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the Company according to the records required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short positions in the shares or underlying shares of the Company.

DIRECTORS' INTERESTS IN CONTRACT

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016.

DISTRIBUTABLE RESERVES

The Company's share premium account, with a balance of HK$19,277,000 as at 31 December 2016, may be applied in paying up unissued shares of the Company to be issued to the Shareholders of the Company as fully paid bonus shares.

The Company's contributed surplus account, with a balance of HK$626,537,000 as at 31 December 2016, is distributable subject to satisfaction of certain solvency requirements and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the Bye-law of the Company.

REPORT OF THE DIRECTORS

Save as disclosed above, the Company had no reserves available for distribution to Shareholders of the Company, as computed in accordance with the Companies Act 1981 of Bermuda.

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions for the year are set out in note 41 to the consolidated financial statements.

Details of related party transactions and/or significant transactions which constitute connected transactions under Chapter 14A of the Listing Rules are set out below:

(i) As disclosed in the announcement of the Company dated 8 September 2015, the Lender, a wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower on 8 September 2015, pursuant to which the Lender has agreed to grant a loan of HK$15 million (the "Loan") to the Borrower for a term of 24 months. The Borrower is the spouse of a director of the Company's subsidiary and hence is a connected person of the Company at the subsidiary level. Interest on the Loan is at the rate of 7.5% per annum and payable every six months. The Loan is secured by a first legal charge over a real property located at London, UK and/or such other security as the Lender may determine. The Loan constitutes a connected transaction of the Company and is subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to note 23 to the consolidated financial statements for other details of the Loan.

Save as disclosed above, there were no transactions that need to be disclosed as connected transactions under Chapter 14A of the Listing Rules during the year under review and the Company has complied with the requirements in Chapter 14A of the Listing Rules.

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

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

LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Particulars of loans from banks and other financial institutions of the Group as at 31 December 2016 are set out in note 30 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 112 of this annual report.

REPORT OF THE DIRECTORS

PENSION SCHEME

The Group operates a mandatory provident fund scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5%-10% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans (the "Plans") organized by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other material obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

Details of the pension scheme contributions of the employees, net of forfeited contributions, which have been dealt with in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016, are set out in note 34 to the financial statements.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the Code except for the deviations disclosed in the "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee was established on 28 December 1999 with written terms of reference. As at the date of this annual report, the Audit Committee comprising four independent non-executive Directors, namely Mr. Li Hon Kuen (Chairman of the Audit Committee), Mr. Hau Chi Kit, Mr. Lam Bing Kwan and Mr. Leung Chi Hung. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

AUDITOR

The financial statements of the Company for the year under review have been audited by ZHONGHUI ANDA, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting in 2017.

By Order of the Board

Tam Lup Wai, Franky
Chairman and Executive Director

Hong Kong, 28 March 2017

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
eFORCE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of eForce Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 111, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

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.

(i) Exploration and evaluation assets

Refer to Note 18 to the consolidated financial statements

The Group tested the amount of exploration and evaluation assets for impairment. This impairment test is significant to our audit because the balance of exploration and evaluation assets of HK$171,970,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence; and

– Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for exploration and evaluation assets is supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

(ii) Goodwill and intangible asset

Refer to Note 20 and 21 to the consolidated financial statements

The Group tested the amount of goodwill and intangible asset for impairment. This impairment test is significant to our audit because the balance of goodwill and intangible asset of approximately HK$45,977,000 and HK$131,250,000, respectively, as at 31 December 2016 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

– Assessing the arithmetical accuracy of the value-in-use calculations;

– Comparing the actual cash flows with the cash flow projections;

– Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and underlying key assumptions applied in the valuation model; and

– Checking input data to supporting evidence.

We consider that the Group's impairment test for goodwill and intangible asset are supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

(iii) Loans and interests receivables

Refer to Note 23 to the consolidated financial statements

The Group tested the amount of loans and interests receivables for impairment. This impairment test is significant to our audit because the balance of loans and interests receivables of approximately HK$97,405,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on granting loans limits and loans periods to borrowers;

– Assessing the Group's relationship and transaction history with the borrowers;

– Evaluating the Group's impairment assessment;

– Assessing ageing of the debts;

– Assessing creditworthiness of the borrowers;

– Checking subsequent settlements from the borrowers;

– Assessing the value of the collateral for the debts; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for loans and interests receivables is supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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.

INDEPENDENT AUDITOR'S REPORT

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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
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
Revenue	7	**265,020**	179,455
Cost of sales		**(164,306)**	(128,317)
Gross profit		**100,714**	51,138
Other income	8	**4,166**	4,047
Selling and distribution expenses		**(13,391)**	(5,868)
Administrative expenses		**(92,367)**	(69,281)
Loss from operations		**(878)**	(19,964)
Reversal of impairment loss/(impairment loss) on exploration and evaluation assets	18	**18,770**	(53,180)
Loss on settlement of promissory note	33	**(21,540)**	–
Net (loss)/gain on fair value changes on financial assets at fair value through profit or loss	10	**(37,391)**	39,039
Loss on fair value changes on derivative financial instrument	27	**(1,697)**	–
Share of results of a joint venture		**(201)**	78
Finance costs	11	**(2,404)**	(8,200)
Loss before tax		**(45,341)**	(42,227)
Income tax credit/(expense)	12	**6,242**	(7,057)
Loss for the year	13	**(39,099)**	(49,284)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(8,814)**	(4,245)
Items that will not be reclassified to profit or loss:			
Loss on property revaluation		**(3,056)**	(2,649)
Other comprehensive loss for the year, net of tax	17	**(11,870)**	(6,894)
Total comprehensive loss for the year		**(50,969)**	(56,178)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**(39,237)**	(49,090)
Non-controlling interests		**138**	(194)
		(39,099)	(49,284)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(50,743)**	(55,984)
Non-controlling interests		**(226)**	(194)
		(50,969)	(56,178)
Loss per share	*16*		(Restated)
Basic (cents per share)		**(3.11)**	(17.26)
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Exploration and evaluation assets	18	**171,970**	153,200
Property, plant and equipment	19	**93,831**	84,589
Goodwill	20	**45,977**	45,977
Intangible asset	21	**131,250**	146,250
Investment in a joint venture		**–**	446
Financial assets at fair value through profit or loss	22	**27,684**	62,956
Loans and interests receivables	23	**–**	15,000
Other assets	24	**1,505**	25,076
		472,217	533,494
Current assets			
Inventories	25	**38,778**	33,204
Trade and other receivables	26	**103,572**	74,411
Financial assets at fair value through profit or loss	22	**86**	2,205
Derivative financial instrument	27	**–**	1,697
Loans and interests receivables	23	**97,405**	3,365
Bank and cash balances	28	**19,894**	309,105
		259,735	423,987
Current liabilities			
Trade and other payables	29	**(99,902)**	(378,969)
Borrowings	30	**(23,350)**	(10,050)
Finance lease payables	31	**(154)**	(148)
Current tax liabilities		**(5,159)**	(5,314)
		(128,565)	(394,481)
Net current assets		**131,170**	29,506
Total assets less current liabilities		**603,387**	563,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Finance lease payables	31	**(13)**	(167)
Deferred tax liabilities	32	**(10,240)**	(18,322)
Borrowings	30	**(8,364)**	–
Promissory note	33	**–**	(252,323)
		(18,617)	(270,812)
NET ASSETS		**584,770**	292,188
Capital and reserves			
Share capital	35	**58**	9,618
Reserves	36	**581,720**	279,861
Equity attributable to owners of the Company		**581,778**	289,479
Non-controlling interests		**2,992**	2,709
TOTAL EQUITY		**584,770**	292,188

The consolidated financial statements on pages 38 to 111 were approved and authorised for issue by the board of directors on 28 March 2017 and are signed on its behalf by:

Approved by:

Tam Lup Wai, Franky
Director

Liu Liyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Foreign currency translation reserve	Warrant reserve	Property revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	6,682	1,983,606	228,413	(1,905)	24,226	27,331	(2,008,391)	259,962	–	259,962
Issue of shares on placements	2,936	82,565	–	–	–	–	–	85,501	–	85,501
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	2,356	2,356
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	547	547
Total comprehensive loss for the year	–	–	–	(4,245)	–	(2,649)	(49,090)	(55,984)	(194)	(56,178)
At 31 December 2015	9,618	2,066,171	228,413	(6,150)	24,226	24,682	(2,057,481)	289,479	2,709	292,188
At 1 January 2016	9,618	2,066,171	228,413	(6,150)	24,226	24,682	(2,057,481)	289,479	2,709	292,188
Total comprehensive loss for the year	–	–	–	(8,624)	–	(2,882)	(39,237)	(50,743)	(226)	(50,969)
Open offer *(note 35(a))*	38,475	285,280	–	–	–	–	–	323,755	–	323,755
Capital injection from non-controlling interest	–	–	–	–	–	–	–	–	509	509
Capital reorganisation *(note 35(b)(i)&(ii))*	(48,045)	(2,351,451)	2,399,496	–	–	–	–	–	–	–
Capital reorganisation *(note 35(b)(iv))*	–	–	(2,001,372)	–	–	–	2,001,372	–	–	–
Issue of shares on placements *(note 35(c))*	10	19,277	–	–	–	–	–	19,287	–	19,287
At 31 December 2016	58	19,277	626,537	(14,774)	24,226	21,800	(95,346)	581,778	2,992	584,770

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Loss before tax	**(45,341)**	(42,227)
Adjustments for:		
Finance costs	**2,404**	8,200
Interest income	**(2,054)**	(286)
Amortisation	**15,000**	3,750
Depreciation	**6,172**	5,213
(Reversal of impairment loss)/impairment loss on exploration and evaluation assets	**(18,770)**	53,180
Impairment of trade and other receivables	**4,405**	–
Reversal of provision of inventories	**–**	(2,550)
Loss on settlement of promissory note	**21,540**	–
Loss on fair value changes on derivative financial instrument	**1,697**	–
Net loss on disposals of property, plant and equipment	**21**	73
Share of results of a joint venture	**201**	(78)
Operating (loss) gain before working capital changes	**(14,725)**	25,275
Change in inventories	**(5,574)**	3,399
Change in trade receivables and other receivables	**(24,290)**	17,186
Change in loans and interests receivables	**(79,040)**	(18,365)
Change in trade and other payables	**6,851**	(16,779)
Change in financial assets at fair value through profit or loss	**37,391**	(65,161)
Cash used in operations	**(79,387)**	(54,445)
Interest received	**2,054**	286
Tax paid	**(457)**	(407)
Net cash used in operating activities	**(77,790)**	(54,566)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(11,322)**	(3,611)
Proceeds from disposal of property, plant and equipment	**9**	–
Acquisition of a subsidiary	**–**	(25,435)
Net cash used in investing activities	**(11,313)**	(29,046)
Cash flows from financing activities		
New borrowings	**27,274**	5,372
Net increase in factoring loans	**7**	–
Repayment of borrowings	**(5,270)**	(13,743)
Repayment of finance lease payables	**(148)**	(141)
Net proceeds from the issue of shares on placements	**19,287**	85,501
Repayment of promissory note	**(274,970)**	–
Net proceeds from the open offer	**37,837**	285,918
Capital injection from non-controlling interests	**509**	547
Interests paid	**(1,297)**	(527)
Net cash (used in)/generated from financing activities	**(196,771)**	362,927
Net (decrease)/increase in cash and cash equivalents	**(285,874)**	279,315
Cash and cash equivalents at beginning of year	**309,105**	31,266
Effect of changes in foreign exchange rate	**(3,337)**	(1,476)
Cash and cash equivalents at end of year	**19,894**	309,105
Analysis of cash and cash equivalents		
Bank and cash balances	**19,894**	309,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

eForce Holding Limited was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 42 to the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and convertible bonds held by the Company which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (Impairment of assets) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint arrangements *(Continued)*

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– 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;

– Income and expenses 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 exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of land and buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs/revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land and buildings	30 years
Leasehold improvements	Over the unexpired term of the lease
Plant and machinery	5 years
Furniture, fixtures, office equipment and motor vehicles	3 to 5 years
Moulds and tools	5 years

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

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less accumulated impairment losses. Exploration and evaluation assets include the cost of exploration and exploitation rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as intangible assets and property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over its estimated useful lives of 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Unpatented technology

Unpatented technology is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its estimated useful life.

Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

Research and development expenditure

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments *(Continued)*

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Trade, loans and other receivables

Trade, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade, loans and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings 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.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) Revenues from the sales of manufactured goods, trading of raw materials and moulds and trading of agricultural and fertilizer products are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers; and

(b) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the at the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and its joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

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

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities

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

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) *Split of land and building elements*

The Group determines that the lease payments cannot be allocated reliably between the land and building elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under property, plant and equipment.

(b) *Legal titles of certain lands and buildings*

As stated in note 19 to the consolidated financial statements, the legal titles of certain lands and buildings held by the subsidiaries of the Company have not been legally transferred as at 31 December 2016. Despite the fact that the Group has not obtained the relevant certificates of legal titles, the Directors determine to recognise those lands and buildings under property, plant and equipment and prepaid land lease payments, on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those lands and buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty

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

(a) Impairment of exploration and evaluation assets

The Group tests annually whether exploration and evaluation assets have suffered any impairment in accordance with the accounting policy stated in note 3 to the consolidated financial statements. An impairment loss is recognised when the carrying amount of exploration and evaluation assets exceeds their recoverable amount. In determining the recoverable amount, certain estimates have been involved based on the events or changes in circumstances as stated in the accounting policy.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. During the Relevant Periods, no impairment of goodwill was recognised.

(c) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for the intangible asset at the end of each reporting period. Such asset is tested for impairment when there are indicators that the carrying amount may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is higher of its fair value less costs to sell and its value in use. To calculate the fair value less costs to sell, the management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to derive the present value of those cash flows.

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loans, and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(e) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment except land and buildings. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(f) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Fair value of land and buildings

The Group appointed an independent professional valuer to assess the fair value of the land and buildings. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(h) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(i) Deferred tax liabilities

Recognition of deferred tax liability in relation to the intangible asset of the unpatented technology of microorganism fertilizers are calculated at the effective tax rate with reference to the current tax benefits applying to the subsidiaries of the Company which engage in agricultural business and is eligible for certain tax benefits under the Enterprise Income Tax Law and its Interpretation Rules (the "PRC Tax Law") and the future profitability and cash flow projections of the business of microorganism fertilizers as approved by the directors of the Company. The effective tax rate will be reviewed by the directors annually to ensure its appropriateness and fairness.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances, trade, loans and other receivables, investments and derivative financial instruments included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over approximately 27% (2015: 26%) of the revenue for the year and shared over approximately 28% (2015: 48%) of the trade receivables at the end of the reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverable of the receivables and there is no recent history of default for the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*
At 31 December 2016		
Borrowings	**25,239**	**9,005**
Trade and other payables	**99,902**	**–**
Finance lease payables	**158**	**13**
At 31 December 2015		
Borrowings	10,593	–
Trade and other payables	378,969	–
Finance lease payables	158	171
Promissory note	16,200	281,850

(d) Interest rate risk

At 31 December 2016, as the Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Categories of financial instruments at 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss		
– Listed equity securities (held for trading)	**86**	2,205
– Convertible bonds (designated)	**27,684**	62,956
– Derivative financial instrument (designated)	**–**	1,697
Loans and receivables (including cash and cash equivalents)	**206,560**	401,881
Financial liabilities		
Financial liabilities at amortised cost	**131,616**	641,342

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 December 2016:

Description	**Fair value measurements using: Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total 2016** *HK$'000*
Recurring fair value measurements:				
Land and buildings	**–**	**–**	**49,616**	**49,616**
Financial assets at fair value through profit or loss				
– Listed equity securities	**86**	**–**	**–**	**86**
– Convertible bonds	**–**	**–**	**27,684**	**27,684**
Total recurring fair value measurements	**86**	**–**	**77,300**	**77,386**

Description	Fair value measurements using: Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total 2015 *HK$'000*
Recurring fair value measurements:				
Land and buildings	–	–	59,473	59,473
Financial assets at fair value through profit or loss				
– Listed equity securities	2,205	–	–	2,205
– Convertible bonds	–	–	62,956	62,956
Derivative financial instrument				
– Profits guaranteed arrangement	–	–	1,697	1,697
Total recurring fair value measurements	2,205	–	124,126	126,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

	Land and buildings	
	2016	2015
Description	***HK$'000***	*HK$'000*
At 1 January	**59,473**	54,588
Addition	**–**	13,095
Total gains or losses recognised in other comprehensive income	**(4,075)**	(3,532)
Depreciation	**(2,027)**	(1,754)
Exchange difference	**(3,755)**	(2,924)
At 31 December	**49,616**	59,473

The total gains or losses recognised in other comprehensive income are presented in loss on property revaluation in the consolidated statement of profit or loss and other comprehensive income.

	Convertible bonds	
	2016	2015
Description	***HK$'000***	*HK$'000*
At 1 January	**62,956**	–
At initial recognition	**–**	20,475
Change in fair value recognised in consolidated profit or loss#	**(35,272)**	42,481
At 31 December	**27,684**	62,956
Include gains or losses for assets held at end of reporting period:		
Convertible bonds#	**(35,272)**	42,481

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in net gain on fair value changes on financial assets at fair value through profit or loss in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3: *(Continued)*

	Profits guaranteed arrangement	
	2016	2015
Description	***HK$'000***	*HK$'000*
At 1 January	**1,697**	–
At initial recognition	**–**	1,697
Change in fair value recognised in consolidated profit or loss	**(1,697)**	–
At 31 December	**–**	1,697

The total gains or losses recognised in profit or loss is presented in loss on fair value changes on derivative financial instrument in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2016:

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2016 *HK$'000*
Land and buildings	Replacement cost	Market value for the existing use of the land	RMB71 – 570/m^2	Increase	
		Current cost of replacing the improvements	RMB1,170 – 1,800/m^2	Increase	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	5 – 60%	Decrease	49,616
Convertible bonds	Binomial model	The risk free interest rate, share price volatility, dividend yield, and credit discount rate	Share price volatility of 149%, taking into account the historical share price of the issuing company for the period of time close to the expected time to exercise	Increase	
			Risk free are of 1.39%, referencing Hong Kong Soverign bond for the same period	Increase	
			Dividend yield of 0%, referencing historical dividend payout	Decrease	
			Discount rate make reference to comparable bond yields	Decrease	27,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2016: *(Continued)*

Level 3 fair value measurements (Continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2015 *HK$'000*
Land and buildings	Replacement cost	Market value for the existing use of the land	RMB500 – 600/m^2	Increase	
		Current cost of replacing the improvements	RMB1,500/m^2	Decrease	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	50 – 60%	Decrease	59,473
Convertible bonds	Binomial model	The risk free interest rate, share price volatility, dividend yield, and credit discount rate	Share price volatility of 69%, taking into account the historical share price of the issuing company for the period of time close to the expected time to exercise	Increase	
			Risk free are of 0.959%, referencing Hong Kong Soverign bond for the same period	Increase	
			Dividend yield of 0%, referencing historical dividend payout	Decrease	
			Discount rate make reference to comparable bond yields	Decrease	62,956
Profits guaranteed arrangement	Discounted payoff with scenarios	Credit discount rate	Discount rate make reference to comparable bond yields	Decrease	1,697

There are no changes in the valuation techniques used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. REVENUE

The Group's revenue represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax. The amount of revenue recognised during the year represents manufacture and sale of healthcare and household products, production and trading of agricultural and fertilizers products and interest income from money lending business. An analysis of the Group's revenue for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Manufacture and sale of healthcare and household products	**207,200**	160,506
Production and trading of agricultural and fertilizers products	**49,920**	18,089
Interest income from money lending business	**7,900**	860
	265,020	179,455

8. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Income from scrap sales	**211**	36
Interest income	**2,054**	286
Dividend income	**–**	152
Government grants	**901**	125
Rental income	**608**	–
Reversal of inventories provision	**–**	2,550
Others	**392**	898
	4,166	4,047

9. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has four reportable segments: manufacturing and sales of healthcare and household products, coal mining business, production and trading of agricultural and fertilizers products, and money lending business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. SEGMENT INFORMATION *(Continued)*

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include unallocated corporate income and expenses. Segment assets do not include investment in a joint venture, others assets, held-for-trading investments and other unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Information about reportable segment profit or loss, assets and liabilities:

	Trading of agricultural and fertilizers products	Money lending business	Coal mining business	Healthcare and household business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016:					
Revenue	**49,920**	**7,900**	**–**	**207,200**	**265,020**
Segment (loss)/profit	**2,495**	**7,886**	**(542)**	**10,799**	**20,638**
Finance costs	**603**	**–**	**–**	**544**	**1,147**
Depreciation	**2,171**	**–**	**2**	**3,556**	**5,729**
Income tax expense	**273**	**–**	**–**	**29**	**302**
Other material non-cash items:					
Reversal of impairment of assets	**–**	**–**	**(18,770)**	**–**	**(18,770)**
Additions to segment non-current assets	**5,561**	**–**	**–**	**5,073**	**10,634**
At 31 December 2016:					
Segment assets	**281,137**	**97,479**	**171,893**	**143,242**	**693,751**
Segment liabilities	**12,264**	**15**	**–**	**92,177**	**104,456**
Year ended 31 December 2015:					
Revenue	18,089	860	–	160,506	179,455
Segment (loss)/profit	4,079	845	(645)	1,506	5,785
Finance costs	–	–	–	457	457
Depreciation	333	–	32	4,734	5,099
Income tax expense	101	–	–	409	510
Other material non-cash items:					
Impairment of assets	–	–	53,180	–	53,180
Additions to segment non-current assets	–	–	–	3,611	3,611
At 31 December 2015:					
Segment assets	300,155	18,438	153,542	122,317	594,452
Segment liabilities	20,620	–	–	66,343	86,963
Investment in a joint venture	–	–	–	446	446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment revenue, profit and loss, assets and liabilities:

	2016 *HK$'000*	2015 *HK$'000*
Revenue:		
Total revenue of reportable segments and consolidated revenue	**265,020**	179,455
Profit or loss:		
Total profit of reportable segments	**20,638**	5,785
Corporate and unallocated profit or loss	**(59,737)**	(55,069)
Consolidated loss for the year	**(39,099)**	(49,284)
Assets:		
Total assets of reportable segments	**693,751**	594,452
Corporate and unallocated assets:		
– Bank and cash balances	**3,896**	295,273
– Financial assets at fair value through profit or loss	**27,770**	65,161
– Others	**6,535**	2,595
Consolidated total assets	**731,952**	957,481
Liabilities:		
Total liabilities of reportable segments	**104,456**	86,963
Corporate and unallocated liabilities		
– Promissory note	**–**	252,323
– Others	**42,726**	326,007
Consolidated total liabilities	**147,182**	665,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. SEGMENT INFORMATION *(Continued)*

Geographical information:

	2016	2015
	HK$'000	*HK$'000*
Revenue:		
United States of America	**62,355**	59,580
The People's Republic of China (the "PRC")	**117,298**	42,767
Germany	**37,012**	19,365
France	**11,517**	7,944
Italy	**1,157**	6,692
United Kingdom	**8,485**	13,197
Japan	**2,532**	3,052
Hong Kong and others	**24,664**	26,858
	265,020	179,455

In presenting the geographical information, revenue is based on the locations of the customers. No revenue has been recorded for coal mining business for both years.

Revenue from major customers:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**71,642**	47,357
Customer B	**N/A***	22,814
Customer C	**26,773**	18,082
Customer D	**37,740**	–

Revenue from above customers individually contributed more than 10% of the total consolidated revenue of the Group.

* Customer did not contribute more than 10% of the total consolidated revenue of the Group for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. SEGMENT INFORMATION *(Continued)*

Geographical information: *(Continued)*

	2016 HK$'000	2015 HK$'000
Non-current assets:		
Indonesia	**171,970**	153,203
The PRC	**271,929**	302,495
Hong Kong and others	**28,318**	77,796
	472,217	533,494

10. NET (LOSS)/GAIN ON FAIR VALUE CHANGES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Unrealised (loss)/gain on fair value changes on:		
Convertible bonds *(note 22)*	**(35,272)**	42,481
Equity securities listed in Hong Kong *(note 22)*	**(2,119)**	(2,801)
Net realised (loss)/gain on disposal of financial assets at fair value through profit or loss	**–**	(641)
	(37,391)	39,039

11. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interests on bank loans	**862**	202
Interests on other secured loans	**425**	308
Interests on promissory note	**1,107**	7,673
Finance leases charges	**10**	17
	2,404	8,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. INCOME TAX CREDIT/(EXPENSE)

	2016	2015
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**(302)**	(510)
Deferred tax *(note 32)*	**6,544**	(6,547)
	6,242	(7,057)

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong (2015: Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax credit/(expense) and the product of loss before tax multiplied by Hong Kong Profits Tax rate is as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss before tax	**45,341**	42,227
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	**7,481**	6,967
Tax effect of non-taxable income	**4,308**	3,242
Tax effect of non-deductible expenses	**(14,255)**	(20,860)
Tax effect of temporary differences not recognised	**943**	(973)
Tax effect of utilisation of tax losses not previously recognised	**2,327**	2,252
Effect of different tax rates of subsidiaries	**5,438**	2,315
Income tax credit/(expense) for the year	**6,242**	(7,057)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**770**	700
Cost of inventories sold#	**164,306**	128,317
Depreciation	**6,172**	5,213
Amortisation	**15,000**	3,750
Net loss/(gain) on fair value changes on financial assets at fair value through profit or loss	**37,391**	(39,039)
(Reversal of impairment)/impairment loss on exploration and evaluation assets	**(18,770)**	53,180
Reversal of provision of inventories	**–**	(2,550)
Impairment of trade and other receivables	**4,405**	–
Net exchange (gains)/losses	**(327)**	627
Operating lease charges in respect of land and buildings	**5,875**	4,798
Research and development costs*	**3,735**	2,967
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**74,057**	61,915
– Retirement benefits scheme contributions	**390**	390
	74,447	62,305

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$33,517,000 in total (2015: approximately HK$27,906,000), which are included in the amounts disclosed separately above.

* Research and development costs include staff costs of approximately HK$3,643,000 (2015: approximately HK$2,813,000) which are included in the amount disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

2016	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors				
Mr. Au Yeung Yiu Chung	–	325	15	340
Mr. Chan Tat Ming, Thomas	–	650	18	668
Mr. Liu Liyang	–	3,000	18	3,018
Mr. Luo Xiaohong	–	225	–	225
Mr. Tam Lup Wai, Franky	–	1,423	18	1,441
Independent Non-executive Directors				
Mr. Hau Chi Kit	120	–	–	120
Mr. Lam Bing Kwan	120	–	–	120
Mr. Leung Chi Hung	120	–	–	120
Mr. Li Hon Kuen	120	–	–	120
Total for the year ended 31 December 2016	**480**	**5,623**	**69**	**6,172**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

2015	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors				
Mr. Au Yeung Yiu Chung	–	325	15	340
Mr. Chan Tat Ming, Thomas	–	605	18	623
Mr. Liu Liyang	–	3,000	18	3,018
Mr. Luo Xiaohong	–	225	–	225
Mr. Tam Lup Wai, Franky	–	1,423	18	1,441
Independent Non-executive Directors				
Mr. Hau Chi Kit	120	–	–	120
Mr. Lam Bing Kwan	120	–	–	120
Mr. Leung Chi Hung	120	–	–	120
Mr. Li Hon Kuen	120	–	–	120
Total for the year ended 31 December 2015	480	5,578	69	6,127

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the year included two (2015: two) directors, whose emoluments are reflected in the analysis above. The emoluments of the remaining three (2015: three) individuals are set out below:

	2016 ***HK$'000***	2015 *HK$'000*
Basic salaries and allowances	**3,315**	2,949
Retirement benefits scheme contributions	**54**	54
	3,369	3,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments fell within the following bands:

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

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2016 and 2015.

16. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$39,237,000 (2015: approximately HK$49,090,000) and the weighted average number of ordinary shares of 1,261,706,510 (2015: 284,423,385 ordinary shares as adjusted to reflect the impact of open offers as set out in note 35) in issue during the year.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during the years ended 31 December 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. OTHER COMPREHENSIVE LOSS

Items of other comprehensive loss for the year with their respective related tax effects as follows:

	2016			2015		
	Amount before tax *HK$'000*	Tax *HK$'000*	Amount after tax *HK$'000*	Amount before tax *HK$'000*	Tax *HK$'000*	Amount after tax *HK$'000*
Exchange differences on translating foreign operations	(8,814)	–	(8,814)	(4,245)	–	(4,245)
Loss on property revaluation	(4,075)	1,019	(3,056)	(3,532)	883	(2,649)
Other comprehensive loss	(12,889)	1,019	(11,870)	(7,777)	883	(6,894)

18. EXPLORATION AND EVALUATION ASSETS

	Exploration and exploitation rights (*note a*) *HK$'000*	Others (*note b*) *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	444,127	17,904	462,031
Accumulated impairment			
At 1 January 2015	245,725	9,926	255,651
Impairment loss	51,124	2,056	53,180
At 31 December 2015, 1 January 2016 and 31 December 2016	296,849	11,982	308,831
Reversal of impairment losses	(18,044)	(726)	(18,770)
At 31 December 2016	**278,805**	**11,256**	**290,061**
Carrying amount			
At 31 December 2016	**165,322**	**6,648**	**171,970**
At 31 December 2015	147,278	5,922	153,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. EXPLORATION AND EVALUATION ASSETS *(Continued)*

(a) This represents exploration and exploitation rights in respect of a coal mine in Central Kalimantan, Indonesia. Exploration and exploitation rights are granted for the period from 28 December 2009 to 23 December 2019 and can be extended for 2 times, for 10 years each. In respect of the dramatic drop of coal price in the past years and increasing capital expenditures as expected, the directors of the Company consider it is not the appropriate time to expand its coal business for the year ended 31 December 2016. Therefore, the Group's coal business remains inactive during the year.

(b) Others represent the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

(c) In assessing whether impairment is required for the exploration and evaluation assets, the carrying value is compared with the respective recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. The Group engaged an independent valuer, Greater China Appraisal Limited, to determine the fair value of the exploration and evaluation assets. The fair value of exploration and evaluation assets was determined using the market approach as consistent with last year's. The recoverable amount used in assessing the impairment loss is the fair value less costs of disposal. The fair value was determined by reference to the average coal price of actual market transactions multiplied by coal resources of the Group under level 2 fair value measurement.

Based on this evaluation, the recoverable amount of the exploration and evaluation assets exceeded its carrying amount at 31 December 2016. Accordingly, a reversal of impairment loss of approximately HK$18,770,000 was recognised for the year ended 31 December 2016 (2015: impairment loss of approximately HK$53,180,000).

(d) No amortisation is provided as this exploration and exploitation rights are not available for use for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost or Valuation							
At 1 January 2015	54,588	1,863	21,057	27,509	32,350	–	137,367
Acquisition of a subsidiary	13,095	11,300	5,455	669	–	1,722	32,241
Additions	–	–	1,770	1,398	99	344	3,611
Revaluation	(5,290)	–	–	–	–	–	(5,290)
Disposals	–	–	(281)	(60)	(2)	–	(343)
Exchange differences	(2,920)	(461)	(1,659)	(768)	(1,105)	(84)	(6,997)
At 31 December 2015 and 1 January 2016	59,473	12,702	26,342	28,748	31,342	1,982	160,589
Additions	–	–	8,758	1,251	178	1,135	11,322
Transfer from other assets *(note 24(b))*	–	–	–	–	–	14,540	14,540
Transfers	–	–	2,353	–	–	(2,353)	–
Revaluation	(6,012)	–	–	–	–	–	(6,012)
Disposals	–	–	(207)	(297)	(61)	–	(565)
Exchange differences	(3,845)	(701)	(2,439)	(1,122)	(1,230)	(718)	(10,055)
At 31 December 2016	**49,616**	**12,001**	**34,807**	**28,580**	**30,229**	**14,586**	**169,819**
Accumulated depreciation and impairment							
At 1 January 2015	–	1,863	17,752	23,763	32,212	–	75,590
Charge for the year	1,754	47	1,337	1,887	188	–	5,213
Write back on revaluation	(1,758)	–	–	–	–	–	(1,758)
Disposals	–	–	(215)	(53)	(2)	–	(270)
Exchange differences	4	(3)	(1,245)	(475)	(1,056)	–	(2,775)
At 31 December 2015 and 1 January 2016	–	1,907	17,629	25,122	31,342	–	76,000
Charge for the year	2,027	175	2,093	1,869	8	–	6,172
Write back on revaluation	(1,937)	–	–	–	–	–	(1,937)
Disposals	–	–	(202)	(279)	(54)	–	(535)
Exchange differences	(90)	(11)	(1,485)	(923)	(1,203)	–	(3,712)
At 31 December 2016	**–**	**2,071**	**18,035**	**25,789**	**30,093**	**–**	**75,988**
Carrying amounts							
At 31 December 2016	**49,616**	**9,930**	**16,772**	**2,791**	**136**	**14,586**	**93,831**
At 31 December 2015	59,473	10,795	8,713	3,626	–	1,982	84,589

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of the cost or valuation at 31 December 2016 of the above assets is as follows:

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At cost 2016	**–**	**12,001**	**34,807**	**28,580**	**30,229**	**14,586**	**120,203**
At valuation 2016	**49,616**	**–**	**–**	**–**	**–**	**–**	**49,616**
	49,616	**12,001**	**34,807**	**28,580**	**30,229**	**14,586**	**169,819**

The analysis of the cost or valuation at 31 December 2015 of the above assets is as follows:

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At cost 2015	–	12,702	26,342	28,748	31,342	1,982	101,116
At valuation 2015	59,473	–	–	–	–	–	59,473
	59,473	12,702	26,342	28,748	31,342	1,982	160,589

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) As at 31 December 2016, the Group's land and buildings were revalued by Crowe Horwath (HK) Consulting & Valuation Limited (2015: Roma Appraisals Limited), an independent firm of professional valuer, on the open market value basis with reference to market evidence of recent transactions for similar properties.

The carrying amount of the Group's land and buildings would be approximately HK$36,675,000 (2015: approximately HK$28,249,000) had they been stated at cost less accumulated depreciation and impairment losses.

(b) As at 31 December 2016, certain land and buildings, amounted approximately HK$43,552,000 (2015: approximately HK$46,442,000) of the Group were pledged to secure banking facilities granted to the Group (note 38) and the carrying amount of motor vehicles held by the Group under finance leases amounted to approximately HK$251,000 (2015: approximately HK$428,000) (note 31).

(c) As at 31 December 2016, the Group was in the process of applying for the title certificates of buildings with an aggregate carrying amount of approximately HK$6,064,000 (2015: approximately HK$6,774,000). The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the abovementioned buildings in due course, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. GOODWILL

	HK$'000
Cost	
At 1 January 2015	–
Acquisition of a subsidiary	45,977
At 31 December 2015, 1 January 2016 and 31 December 2016	45,977
Carrying amount	
At 31 December 2016	45,977
At 31 December 2015	45,977

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the cash generating unit of trading of agricultural and fertilizers products.

Impairment testing of goodwill

Fertilizers and agricultural products cash-generating units

The amount of goodwill is allocated to the cash-generating unit of agricultural and fertilizers products. Goodwill is tested for impairment for this cash-generating units by the management by estimating the recoverable amount of the cash-generating unit based on value in use calculations.

As at 31 December 2016, the value in use calculation uses cash flow projections based on the financial budgets approved by the management covering a 5 year period with the residual period using the growth rate of 3% and with reference to an independent valuation performed by Crowe Horwath (HK) Consulting & Valuation Limited (2015: Roma Appraisals Limited) as at 31 December 2016. Key assumptions used by the management in the value in use calculation of the cash-generating unit include budgeted revenue and gross profit margin. The pre-tax discount rate used for estimating the value in use is 18% (2015: 18.19%).

The assumptions have been determined based on past performance and management's expectations in respect of the organic agricultural market in the PRC.

The management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

No impairment loss has been recognised for the year ended 31 December 2016 and 2015 as a result of the impairment test.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21. INTANGIBLE ASSET

	Unpatented Technology *HK$'000*
Cost	
At 1 January 2015	–
Acquisition of a subsidiary	150,000
At 31 December 2015, 1 January 2016 and 31 December 2016	**150,000**
Accumulated amortisation and impairment losses	
At 1 January 2015	–
Amortisation for the year	3,750
At 31 December 2015 and 1 January 2016	3,750
Amortisation for the year	15,000
At 31 December 2016	**18,750**
Carrying amount	
At 31 December 2016	**131,250**
At 31 December 2015	**146,250**

The unpatented technology represents technical know-how and technology specification of the microorganism fertilizers held by a subsidiary of the Company. It was stated at cost at initiation less accumulated amortisation and impairment losses. Amortisation is calculated on straight-line basis over its estimated useful life of 10 years. As at 31 December 2016, it is still under the registration of patent. In the opinions of the directors of the Company, the process of registration of patent and its progress is healthy and smoothly, which is within the expectation of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21. INTANGIBLE ASSET *(Continued)*

The Company has carried out an independent review over the intangible asset by engaging an independent valuer, Crowe Horwath (HK) Consulting & Valuation Limited (2015: Roma Appraisals Limited), to conduct an independent assessment of the recoverable amount of the intangible asset with reference made to the profit forecast and cash flow projection as approved by the management and the value in use calculation. As the recoverable amount of the intangible asset is higher than the carrying amount as at 31 December 2016, no impairment loss is recognised for the year ended 31 December 2016. The pre-tax discount rate used for estimating the value in use is 18% (2015: 18.19%) which the directors considered appropriate to reflect the Company's cost of equity.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Convertible bonds, at fair value	*(a)*	**27,684**	62,956
Equity securities listed in Hong Kong, at fair value	*(b)*	**86**	2,205
		27,770	65,161
Analysed as:			
Current assets		**86**	2,205
Non-current assets		**27,684**	62,956
		27,770	65,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

(a) On 19 November 2015, the Company acquired the convertible bonds in the principal amount of US$13,000,000 at the consideration of HK$20,475,000 in cash. The issuer of the convertible bonds is Union Asia Enterprise Holdings Ltd ("Union Asia") (formerly known as Pan Asia Mining Limited), a company listed on the Growth Enterprise Market of the Stock Exchange. The interest of the convertible bonds is 2% per annum and payable in arrear semi-annually starting from the issue date. The maturity date is 12 May 2020. The convertible bonds can be converted at any time from the date of issue of the convertible bonds up to the maturity date. The Company has engaged an independent professional valuer, Crowe Horwath (HK) Consulting & Valuation Limited (2015: Roma Appraisals Limited), to carry out an independent valuation of the convertible bonds subsequent to the year ended 31 December 2016, The Union Asia has been suspended for trading on 20 March 2017. As a result, a fair value loss of approximately HK$35,272,000 (2015: a fair value gain approximately HK$42,481,000) was recognised as at 31 December 2016.

(b) At 31 December 2016, the fair value of the listed equity securities, amounting to approximately HK$86,000 (2015: approximately HK$2,205,000), was determined based on the quoted market bid prices of the corresponding listed equity securities.

23. LOANS AND INTERESTS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Loans receivables	**95,700**	18,000
Interests receivables	**1,705**	365
	97,405	18,365
Analysed for reporting purposes as:		
– Non-current assets	**–**	15,000
– Current assets	**97,405**	3,365
	97,405	18,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. LOANS AND INTERESTS RECEIVABLES *(Continued)*

The aging analysis of loans receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 6 months	**40,700**	3,000
7 to 12 months	**40,000**	15,000
Over 12 months	**15,000**	–
	95,700	18,000

Loan receivables as at 31 December 2016 represented secured and unsecured loans granted to independent third parties/companies with principal amount of HK$15,000,000 (2015: HK$15,000,000 classified as non-current asset) and HK$80,700,000 (2015: HK$3,000,000) in total, respectively. The directors of the Company monitored the collectibility of the loans receivables closely with reference to their respective current creditworthiness and repayment records. As at 31 December 2016, a total of loans receivables amounting to HK$15,500,000 were past due and in the process of renewal. The management believes that no impairment allowance is necessary in respect of the loans receivables as they are considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

24. OTHER ASSETS

	Notes	2016 *HK$'000*	2015 *HK$'000*
Prepayments			
– Agricultural cooperation project in Beijing	*(a)*	–	4,776
– Agricultural cooperation project in Inner Mongolia	*(a)*	–	3,145
– Development in online sales system project	*(b)*	**1,505**	17,155
		1,505	25,076

Notes:

(a) As at 31 December 2016, agricultural cooperation project in Beijing was terminated with amount refunded by the cooperator. Agricultural cooperation project in Inner Mongolia was terminated and the prepaid amount was transferred to other receivables.

(b) Being payments in advance in relation to applications development of sales system, production management system and online platform with local PRC applications and IT developers including all related software programs and hardwares and maintenance for promoting sales of the Group's organic agricultural and fertilizer products. Certain applications of approximately HK$14,540,000 has been transferred to construction in progress during the year.

25. INVENTORIES

	2016 *HK$'000*	2015 *HK$'000*
Raw materials	**24,119**	19,829
Work in progress	**11,231**	8,462
Finished goods	**3,428**	4,913
	38,778	33,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

26. TRADE AND OTHER RECEIVABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade receivables and bills receivables	**56,106**	37,866
Prepayment, deposits and other receivables	**47,466**	36,438
Amount due from a joint venture	**–**	107
	103,572	74,411

Included in other receivables are loans to a director of the subsidiaries and his company with an amount of approximately HK$11,369,000 (2015: approximately HK$11,470,000) in total as at 31 December 2016. The loans are unsecured, interest-free and have no fixed terms of repayments.

Trade receivables and bills receivables

The Group allows an average credit period of 30 to 180 days to its trade customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	2016 *HK$'000*	2015 *HK$'000*
0 to 30 days	**16,479**	11,134
31 to 90 days	**21,588**	15,497
91 to 180 days	**15,351**	6,533
Over 180 days	**2,688**	4,702
	56,106	37,866

As at 31 December 2016, trade receivables and bills receivables of approximately HK$2,189,000 (2015: approximately HK$770,000) are assigned to a bank for a factoring loan facility as set out in notes 30 and 38 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables and bills receivables *(Continued)*

As of 31 December 2016, trade receivables of approximately HK$22,013,000 (2015: approximately HK$12,966,000) were past due but not impaired. These relate to a number of independent customers who have no recent history of default and have kept good track records with the Group. The Group does not hold any collateral over these balances. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there are no significant change in their respective credit quality and the balances are still considered fully recoverable.

The aging analysis of these trade receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
Up to 3 months	18,353	1,832
3 – 12 months	3,660	7,872
Over 12 months	–	3,262
	22,013	12,966

27. DERIVATIVE FINANCIAL INSTRUMENT

	2016	2015
	HK$'000	*HK$'000*
Profits guaranteed arrangement	–	1,697

The profits guaranteed arrangement was in relation to the acquisition of subsidiaries in the year of 2015 which were principally engaged in production and sales of organic agricultural and fertilizers products. The profits guaranteed arrangement has been expired as at 31 December 2016 and upon fulfillment of the guaranteed profits, its fair value was fully dimished as at 31 December 2016. For the details of the profits guaranteed arrangement and its valuation as at 31 December 2015, please refer to the Group's 2015 annual report.

28. BANK AND CASH BALANCES

As at 31 December 2016, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$3,210,000 (2015: approximately HK$6,756,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

29. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables and bills payables	**23,407**	18,520
Accruals and other payables	**75,650**	73,798
Received in advance from open offer *(note 35(a))*	**–**	285,918
Amounts due to directors	**845**	733
	99,902	378,969

Trade payables and bills payables

The aging analysis of the trade payables and bills payables, based on the date of receipt of goods, is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**5,949**	7,111
31 to 90 days	**12,806**	10,290
91 to 180 days	**3,755**	177
Over 180 days	**897**	942
	23,407	18,520

Amounts due to directors are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Unsecured loans from financial institutions	**17,380**	380
Secured bank loans	**14,327**	5,372
Secured other loans	**–**	4,298
Secured factoring loan	**7**	–
	31,714	10,050
Analysed for reporting purposes as:		
– Non-current assets	**8,364**	–
– Current assets	**23,350**	10,050
	31,714	10,050

The unsecured loans represent (i) a loan which is interest bearing at 3% (2015: at 3%) per annum over the prevailing prime lending rate offered by The Hong Kong and Shanghai Banking Corporation Limited; and (ii) new loans of HK$17,000,000 which are arranged at fixed interest rate ranging from 12% to 18% per annum.

The secured bank loans represent (i) a loan which is secured by a charge over the Group's certain land and building in the PRC as set out in note 19 to the consolidated financial statements and is arranged at floating interest rate with an average rate of 8.5% per annum (2015: fixed interest rate with an average rate of 6.0% per annum); and (ii) loans which are secured by the corporate guarantee provided by 遼寧澳深低溫裝備股份公司 (Liaoning Aoshen Shebei Gufen Corporation) and 伯弘億拓遼陽實業股份有限公司 (Baihong Yituo Liaoyang Industrial Limited) and personal guarantee of the related parties of the subsidiary of the Company. The loans are arranged at fixed interest rate ranging from 5.66% to 7.40% per annum.

The factoring loan is secured by charge over the Group's certain trade and bill receivables as set out in note 26 to the consolidated financial statements and is bearing the standard bills rate as quoted by the bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

31. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**158**	158	**154**	148
In the second to fifth years, inclusive	**13**	171	**13**	167
	171	329		
Less: Future finance charges	**(4)**	(14)		
Present value of lease obligations	**167**	315	**167**	315
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(154)**	(148)
Amount due for settlement after 12 months			**13**	167

It is the Group's policy to lease its motor vehicles under finance leases. The average lease term is 4 years. At 31 December 2016, the average effective borrowing rate was 3.62% (2015: 3.62%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All finance lease payables are denominated in Hong Kong dollars.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Group.

	Financial assets at fair value through profit or loss *HK$'000*	Intangible asset *HK$'000*	Revaluation of land and buildings *HK$'000*	Total *HK$'000*
At 1 January 2015	–	–	9,428	9,428
Credit to equity for the year	–	–	(883)	(883)
Charge to consolidated profit or loss *(note 12)*	6,547	–	–	6,547
Acquisition of a subsidiary	–	3,750	–	3,750
Exchange differences	–	–	(520)	(520)
At 31 December 2015 and 1 January 2016	6,547	3,750	8,025	18,322
Credit to equity for the year	–	–	(1,019)	(1,019)
Credit to consolidated profit or loss *(note 12)*	(6,169)	(375)	–	(6,544)
Exchange differences	–	–	(519)	(519)
At 31 December 2016	**378**	**3,375**	**6,487**	**10,240**

The deferred tax has been recorded with reference made to the effective tax rate currently applying to the subsidiaries. In the opinions of the directors of the Company, the effective tax rate used by the Company is appropriate to reflect the future profits forecasts of the respective subsidiaries and the tax privilege currently applying to them. The appropriateness and fairness of the effective tax rate would be reviewed by the directors of the Company annually and adjustment where necessary would be made in order to better reflect the actual performance of and the current tax practice applicable to the subject subsidiary.

At the end of the reporting period, the Group has unused tax losses of approximately HK$89,771,000 (2015: HK$81,500,000) available for offset against future profits and such losses may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

33. PROMISSORY NOTE

During the year, the principal amount of the promissory note together with the interest being accrued up to the settlement date was fully settled by the Company upon completion of the open offer (note 35(a)). A loss on settlement of the promissory note of approximately HK$21,540,000 was recognized for the year ended 31 December 2016.

The movement of the carrying amount of promissory note is set out below:

	2016	2015
	HK$'000	*HK$'000*
At beginning of the reporting period	**252,323**	–
Acquisition of a subsidiary	**–**	244,650
Interest charged calculated at an effective interest rate	**1,107**	7,673
Loss on settlement of promissory notes	**21,540**	–
Repayment of promissory notes	**(274,970)**	–
At the end of the reporting period	**–**	252,323

34. RETIREMENT BENEFIT OBLIGATIONS

Employee retirement benefits

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% – 10% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 and HK$30,000 from June 2014. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans ("Plans") organised by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. SHARE CAPITAL

	Notes	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each at 1 January 2015		100,000,000,000	1,000,000
Share consolidation		(75,000,000,000)	–
Ordinary shares of HK$0.04 each at 31 December 2015 and 1 January 2016		25,000,000,000	1,000,000
Capital reorganisation	*(b)*	24,975,000,000,000	–
Ordinary shares of HK$0.00004 each at 31 December 2016		25,000,000,000,000	1,000,000

	Notes	Number of shares	Amount HK$'000
Issued and fully paid:			
Ordinary shares of HK$0.01 each at 1 January 2015		668,223,603	6,682
Issue of shares on placement		133,644,720	1,336
Issue of shares on placement		160,000,000	1,600
Share consolidation		(721,401,243)	–
Ordinary shares of HK$0.04 each at 31 December 2015 and 1 January 2016		240,467,080	9,618
Open offer	*(a)*	961,868,320	38,475
Capital reorganisation	*(b)*	–	(48,045)
Issue of shares on placement	*(c)*	240,464,000	10
Ordinary shares of HK$0.00004 each at 31 December 2016		1,442,799,400	58

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. SHARE CAPITAL *(Continued)*

(a) On 16 September 2015, the Company entered into the underwriting agreement with the underwriter in respect of the open offer of four offer shares for every one consolidated share held on record date at HK$0.35 per offer share. The open offer was completed on 12 January 2016. The net proceeds of the open offer was amounted to approximately HK$323,755,000, (after deducting the underwriting commission and other related expenses of approximately HK$12,899,000), of which approximately HK$285,918,000 (note 29) was received in last year.

(b) With reference made to the announcement of the Company dated 24 February 2016 and the Circular of the Company dated 10 March 2016, the Company has proposed to implement the Capital Reorganisation which involves (i) the capital reduction by cancelling the paid-up capital to the extent of HK$0.03996 on each of the issued shares with par value from HK$0.04 to HK$0.00004, with the credit arising from the capital reduction being transferred to the contributed surplus account; (ii) cancellation of share premium with the credit arising thereon being transferred to the contributed surplus account; (iii) subdivision of the authorised but unissued shares into 1,000 new shares with a par value of HK$0.00004 each; and (iv) offset against the accumulated losses by contributed surplus account with an amount determined by the board of directors as permitted by the bye-laws of the Company. In the opinions of the directors of the Company, the Capital Reorganisation could provide greater flexibility in possible fund arising in the future. The Capital Reorganisation was completed on 22 April 2016.

(c) On 8 August 2016, the Company entered into a placing agreement with a placing agent in respect of the placement of 240,464,000 ordinary shares of HK$0.00004 each to independent investors at a price of HK$0.083 per share. The placement was completed on 23 August 2016. The net proceeds of the placement was amounted to approximately HK$19,287,000, after deducting the placing commission, professional fee and other related costs and expenses of approximately HK$672,000.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts in order to maintain sufficiency of working capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. SHARE CAPITAL *(Continued)*

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, accumulated losses and other reserves).

Significant decrease in the debt-to-adjusted capital ratio for the year was mainly attributed to the issue of new shares and the settlement of the promissory notes during the year as set out in note 33 to the consolidated financial statements.

36. RESERVES

(a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium	Contributed surplus	Warrant reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	1,983,606	237,767	24,226	(2,024,290)	221,309
Issue of shares on placements	82,565	–	–	–	82,565
Loss for the year	–	–	–	(34,035)	(34,035)
At 31 December 2015	2,066,171	237,767	24,226	(2,058,325)	269,839
At 1 January 2016	2,066,171	237,767	24,226	(2,058,325)	269,839
Open offer *(note 35(a))*	285,280	–	–	–	285,280
Capital reorganisation *(note 35(b)(i)(ii))*	(2,351,451)	2,399,496	–	–	48,045
Capital reorganisation *(note 35(b)(iv))*	–	(2,001,372)	–	2,001,372	–
Issue of shares on placement *(note 35(c))*	19,277	–	–	–	19,277
Loss for the year	–	–	–	(45,010)	(45,010)
At 31 December 2016	**19,277**	**635,891**	**24,226**	**(101,963)**	**577,431**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Contributed surplus

The contributed surplus of the Company arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 1997 and represented the excess of the then consolidated net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

The contributed surplus arose in the years represented the net effect of the capital reduction of the Group.

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– it is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(iii) Warrant reserve

The warrant reserve represents the proceeds received from the issue of 370,000,000 warrants at a placing price of HK$0.07 per warrant on 27 November 2003, net of warrant issue expenses. The trading of the warrants on the Stock Exchange had ceased after 2 December 2004 and the listing of the warrants on the Stock Exchange was withdrawn from 4 December 2004. The subscription rights attaching to the 365,880,000 outstanding warrants had expired on 7 December 2004.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(v) Property revaluation reserve

Property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 3 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Investments in subsidiaries	**191,351**	191,351
Financial assets at fair value through profit or loss	**27,684**	62,956
	219,035	254,307
Current assets		
Amounts due from subsidiaries	**2,494,984**	2,374,989
Impairment loss on investments in subsidiaries and amounts due from subsidiaries	**(2,093,959)**	(2,071,959)
Amount due from a related company	–	110
Financial assets at fair value through profit or loss	**86**	2,205
Other current assets	**1,652**	688
Bank and cash balances	**3,839**	294,112
	406,602	600,145
Current liabilities		
Amounts due to subsidiaries	**(26,890)**	(26,890)
Received in advance from open offer	–	(285,918)
Borrowings	**(17,380)**	(380)
Other current liabilities	**(3,500)**	(2,937)
	(47,770)	(316,125)
Net current assets	**358,832**	284,020
Total assets less current liabilities	**577,867**	538,327
Non-current liabilities		
Deferred tax liabilities	**(378)**	(6,547)
Promissory note	–	(252,323)
	(378)	(258,870)
NET ASSETS	**577,489**	279,457
Capital and reserves		
Share capital	**58**	9,618
Reserves	**577,431**	269,839
TOTAL EQUITY	**577,489**	279,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

38. BANKING FACILITIES

At 31 December 2016, the Group had banking facilities amounted to approximately HK$40,501,000 (2015: approximately HK$44,908,000), which were secured by the followings:

(a) land and buildings of the Group (note 19);

(b) trade and bills receivables of the Group amounted to approximately HK$2,189,000 (2015: approximately HK$770,000) under factoring arrangement (notes 26 and 30); and

(c) guarantee for an unlimited amount duly executed by the Company.

At 31 December 2016, the Group had available approximately HK$30,857,000 (2015: approximately HK$39,535,000) undrawn borrowing facilities.

39. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of certain office premises are analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**6,196**	4,909
In the second to fifth year inclusive	**7,948**	4,069
After five years	**2,612**	3,757
	16,756	12,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

40. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for		
Quality guarantee deposit	**17,500**	17,500
Interest-free loan to a joint venture	–	4,000
	17,500	21,500

41. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had no other transactions and balances with its related parties during the year.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration	Issued/ paid-up registered capital	Percentage of the ownership interest/voting power		Principal activities
			Direct	Indirect	
Dongguan Weihang Electrical Product Company Limited	The PRC	Registered capital US$9,000,000	–	100%	Manufacturing and trading of healthcare and household products
eForce Management Limited	Hong Kong	Ordinary shares of HK$2	100%	–	Provision of management services
Fairform Group Limited	BVI	15,700,200 shares of US$1 each	100%	–	Investment holding
Fairform Manufacturing Company Limited	Hong Kong	Ordinary shares of HK$138,750,000 and non-voting deferred shares of HK$250,000	–	100%	Manufacturing and trading of healthcare and household products
Fastport Investments Holdings Limited	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding
Gainford Internationals Inc.	BVI	50 shares of US$1 each	–	100%	Investment holding
Oasis Global Limited	BVI	10 shares of US$1 each	–	100%	Trademark holding
PT Bara Utama Persada Raya	Republic of Indonesia	4,999 shares of IDR100,000 each	–	99.98%	Own a coal mining concession
PT Karya Dasar Bumi	Republic of Indonesia	1,000 shares of IDR1,000,000 each	–	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration	Issued/ paid-up registered capital	Percentage of the ownership interest/voting power Direct	Indirect	Principal activities
Smart Guard Limited	BVI	1 share of US$1	–	100%	Investment holding
遼寧翠京元生態環境發展有限公司 (Liaoning CHYKING YOUNG Ecological Environment Developing Limited Company)#	The PRC	Registered capital US$1,080,000	–	100%	Production and sales of microorganism fertilizers and agricultural products
東周豐源(北京)有機農業有限公司 (Dongle Vine (Beijing) Organic Agriculture Limited Company)#	The PRC	Registered capital RMB10,070,000	–	95.33%	Cultivation and processing of organic vegetable and fruits
Yixin Holdings Limited	Hong Kong	Ordinary share of HK$1	100%	–	Money lending

The English name is for identification purpose only

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below:

	For the twelve months ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	149,534	166,013	184,750	179,455	**265,020**
Operating loss after finance costs	(202,017)	(107,068)	(19,940)	(42,305)	**(45,140)**
Share of results of a joint venture	–	–	407	78	**(201)**
Loss before tax	(202,017)	(107,068)	(19,533)	(42,227)	**(45,341)**
Income tax credit/(expense)	(364)	(1,084)	(343)	(7,057)	**6,242**
Loss for the year	(202,381)	(108,152)	(19,876)	(49,284)	**(39,099)**
Attributable to:					
Owners of the Company	(202,381)	(108,152)	(19,876)	(49,090)	**(39,237)**
Non-controlling interests	–	–	–	(194)	**138**
	(202,381)	(108,152)	(19,876)	(49,284)	**(39,099)**

	As at 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	493,562	432,071	372,312	957,481	**731,952**
Total liabilities	(529,372)	(568,114)	(112,350)	(665,293)	**(147,182)**
Net (liabilities)/assets	(35,810)	(136,043)	259,962	292,188	**584,770**
Equity attributable to:					
Owners of the Company	(35,810)	(136,043)	259,962	289,479	**581,778**
Non-controlling interests	–	–	–	2,709	**2,992**
	(35,810)	(136,043)	259,962	292,188	**584,770**