



**Enviro Energy**

**International Holdings Limited**

環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1102)

Annual Report  
**2016**

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## Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

“Articles of Association”	articles of association of the Company
“Board”	Board of Directors of the Company
“Company”	Enviro Energy International Holdings Limited
“Companies Ordinance”	Chapter 622 of the Laws of Hong Kong
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “HK cent”	Hong Kong dollar(s) and cent, the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

# Corporate Information

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Mr. Suen Cho Hung, Paul (*Chairman*)  
Mr. Zhang Yuanqing (*Co-chief Executive Officer*)  
Mr. Pu Wei (*Co-chief Executive Officer*)  
Mr. Lai Ming Wai  
Mr. Zhu Lijia

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David Tsoi  
Mr. Chiang Bun  
Ms. Leung Pik Har, Christine

### AUDIT COMMITTEE

Mr. David Tsoi (*Chairman*)  
Mr. Chiang Bun  
Ms. Leung Pik Har, Christine

### REMUNERATION COMMITTEE

Mr. Chiang Bun (*Chairman*)  
Mr. David Tsoi  
Ms. Leung Pik Har, Christine

### NOMINATION COMMITTEE

Ms. Leung Pik Har, Christine (*Chairlady*)  
Mr. David Tsoi  
Mr. Chiang Bun  
Mr. Zhang Yuanqing

### COMPANY SECRETARY

Ms. Chan Yuk Yee

### TRADING OF SHARES

Hong Kong Stock Exchange  
(Stock Code: 1102)

### REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1502, 15th Floor  
Great Eagle Centre  
23 Harbour Road  
Wanchai, Hong Kong

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited  
Bank of Communications Co., Ltd.,  
Hong Kong Branch  
Yingkou Coastal Bank Co., Ltd.

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road  
George Town  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### COMPANY WEBSITE

<http://www.enviro-energy.com.hk>

# Chairman's Statement

On behalf of the Board, I hereby present to the shareholders the results of the Group for the year ended 31 December 2016.

## RESULTS

During the year ended 31 December 2016, the Group recorded a loss attributable to owners of the Company of HK\$34,849,000 (2015: HK\$44,720,000) and basic loss per share of HK0.49 cent (2015: HK0.74 cent). The decrease in the Group's loss for the year was mainly due to the increase in revenue and the decrease in administrative and operating expenses for the year, whilst these financial improvements were partly offset by the increase in impairment loss on exploration and evaluation asset. For the year under review, the Group reported revenue of HK\$184,595,000, increased by over 13 times from the previous year (2015: HK\$13,171,000) and gross profit of HK\$12,825,000, showing an increase of over 27 times compared to the prior year (2015: HK\$449,000). The surge of the Group's revenue was mainly due to the expansion of its scope of natural resources business to energy related products by engaging in sales of solar panels, which contributed revenue of HK\$161,894,000 (2015: HK\$8,684,000) to the Group during the year. The Group recorded a total comprehensive loss attributable to owners of the Company of HK\$42,890,000 (2015: HK\$88,952,000) for the year under review.

## PROSPECTS

It is the intention of the management to step up its effort to improve the financial performance of the existing businesses of the Group and to explore investment opportunities in the natural resources and energy, information technology, properties investment and investment holding segments or other new segments with good prospects with the view to bring substantial value to the shareholders of the Company.

## APPRECIATION

I would like to take this opportunity to thank all shareholders, investors, bankers, business associates and customers for their continuing support to the Group, my fellow directors for their valuable services and all staff members for their hard work during the past year.

**Suen Cho Hung, Paul**  
*Chairman*

Hong Kong, 31 March 2017

# Management Discussion and Analysis

## BUSINESS REVIEW

During the year ended 31 December 2016, the Group continued to engage in investment holding, properties investment, natural resources and energy and information technology related businesses. For the year ended 31 December 2016, the Group reported revenue of HK\$184,595,000, increased by over 13 times from the previous year (2015: HK\$13,171,000), and gross profit of HK\$12,825,000, showing an increase of over 27 times compared to the prior year (2015: HK\$449,000). The increases in the Group's revenue and gross profit were mainly attributable to the increase in sales of energy related products and electronic components during the year.

## Natural Resources and Energy Related Business

### Operations

Since December 2015, the Group has expanded its scope of natural resources business to energy related products by engaging in the trading of solar panels. During the year ended 31 December 2016, the Group recorded revenue of HK\$161,894,000 from the sale of solar panels (2015: HK\$8,684,000) and booked a gross profit from these trades. The solar panels traded by the Group are for the use by solar power plants in the PRC for building their power generation facilities, and these solar panels are in good demand primarily as a result of the promotion of "Clean Energy" concept in the PRC. The Group also continued to trade marble products during the year and recorded revenue of HK\$76,000, decreased by 78% when compared to the previous year (2015: HK\$341,000) as demand remained low.

### Resources and reserves

As at 31 December 2016, the Company indirectly held approximately 90% interest in PT. Bara Hugo Energy ("BHE", a subsidiary of the Company) which in turn held 37.5% interest in PT. Grasada Multinational ("GM"). GM held a mining permit (the "Mining Permit") for a marble site covering approximately 33 hectares at Selenrang, Bontoa, Maros Regency (the "Maros Marble Project") in southwestern Sulawesi, Indonesia ("GM Quarry"). BHE also held warrants in GM which upon exercise would bring its shareholding in GM to 60%. As announced on 17 February 2014, the Company completed a competent person's report (the "CPR") on the GM Quarry. According to the CPR, as of 30 November 2013, the total proved and probable gross (100%) mineable reserve of marble estimated was approximately 2,613,000 m<sup>3</sup>. Details of the resources from the CPR have been set out in the annual report of the Company for the year ended 31 December 2014 and are summarised as below.

Mineral resources and ore reserves defined for the GM Quarry have been reviewed for conformity with the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1999 and revised in 2004 and 2012. The JORC resource and reserve estimated as of 30 November 2013 were as follows:

JORC Resource	Marble resource (m <sup>3</sup> )
Measured	5,820,100
Indicated	3,880,035
Total	9,700,135

# Management Discussion and Analysis

JORC Reserve	Marble reserve (m <sup>3</sup> )	Mineable reserve (m <sup>3</sup> )
Proved	4,481,000	1,568,000
Probable	2,987,000	1,045,000
<b>Total</b>	<b>7,468,000</b>	<b>2,613,000</b>

Chapter 18 of the Listing Rules require disclosure of the key basis and assumptions adopted for the CPR. The above figures are based on, among others, deposit geology, drilling results, downslope survey and sampling information performed at the GM Quarry. The total marble resource is estimated by parallel section and block model methods based on five diamond drill cores completed in December 2012, and five downslope profile geological surveys carried out by PT. Namsuma Luban Abadi in July 2013. Surface and drill core samples were collected for lithological analysis, joint analysis, and petrographic analysis. Geochemical tests, mechanical tests and radioactivity tests were performed by China National Stone Quality Supervision and Testing Centre (Guangdong). Testing items include mineralogical composition (SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, Fe<sub>2</sub>O<sub>3</sub>, MgO, CaO, Na<sub>2</sub>O, K<sub>2</sub>O, P<sub>2</sub>O<sub>5</sub>, and SO<sub>3</sub>), bulk density, water absorption, compressive strength (dry and wet), flexural strength (dry and wet), abrasion resistance, internal exposure index and external exposure index. The marble reserve is then estimated based on four discounting factors, i.e. the karst, quality, joint opening, and weathering factors. The marble reserve as reported represents the volume of marble that is at economic value. The minable marble reserve is further estimated by considering the block recovery rate, which is the percentage of marble that can be extracted in the form of raw blocks.

As at 31 December 2016, there were no material changes to the above resource figures. There was no capital expenditure incurred in relation to the marble business during the year ended 31 December 2016 (2015: nil) and there was no operating cash flows (2015: nil).

The Mining Permit for the marble site was expired on 22 January 2017 and the required extension is subject to the approval by the Provincial Government of South Sulawesi. In May 2016, after the management of BHE was made aware by the Provincial Government of South Sulawesi that certain of the mining areas within the GM Quarry might be designated as archaeological and tourism sites, and that GM had delegated BHE to submit an application (the "Application") for extending the mining permit (the "New Mining Permit"), BHE had accordingly made the Application with a reduced mining area within the GM Quarry that focused on the key development area as referred to in the CPR.

Despite the attempts by BHE to apply for the recommendation from the local government of Maros Regency which is essential for obtaining the New Mining Permit from the Provincial Government of South Sulawesi, the local government of Maros Regency verbally informed BHE that it refused to give such recommendation because the location of the relevant mine subject to the New Mining Permit falls into the planning tourist development area of Maros Regency which is no longer intended for mining activity. Upon receiving the verbal notification, BHE immediately sought for legal advice in Indonesia. Based on the legal advice obtained by BHE, the Provincial Government of South Sulawesi is unlikely to approve the application of the New Mining Permit in the absence of a positive recommendation from the local government of Maros Regency. Up to 31 March 2017, despite various attempts by BHE, the positive recommendation from the local government of Maros Regency in relation to the New Mining Permit still cannot be obtained. Accordingly, full impairment on the Group's mining properties in relation to the Maros Marble Project with carrying value of approximately HK\$78,747,000 was provided during the current year.

# Management Discussion and Analysis

As a whole, despite the solar panel trading operation had contributed a profitable result, the business recorded an overall loss of HK\$68,934,000 (2015: HK\$52,505,000) mainly due to the impairment loss on Maros Marble Project as mentioned.

## Information Technology and Related Business

During the year ended 31 December 2016, the revenue from the information technology and related business increased significantly and reached HK\$14,168,000 (2015: HK\$11,000), representing trading income from sale of information technology related products. The operation's profit for the current year was approximately HK\$1,011,000 compared to the operation's loss of approximately HK\$582,000 in the previous year. The improvement of the operation's results was mainly due to the expansion of the operation's scope of business by engaging in sales of components of various electronic devices.

## Properties Investment

The Group's investment properties situated in Yingkou city, Liaoning province, the PRC, comprising 40 commercial units totalling approximately 14,182 square meters, are still in the stage of refurbishment. The Group intends to lease out the properties for rental income as well as for potential capital gain.

On 23 December 2015, the Company announced the acquisition of the fourth floor and the fifth floor of a building situated at Dalian city, Liaoning province, the PRC. The total floor area approximates 2,843 square meters. The consideration of the acquisition comprised of 487,161,789 new shares of the Company. The transaction was approved by shareholders of the Company in an extraordinary general meeting convened on 3 March 2016 and was completed on 18 October 2016. The Group intends to lease out the properties for rental income.

On 12 July 2016, the Company announced the acquisition of Liaoning Taoqibao Mall Management Co. Ltd. (literal translation of the Chinese name) ("Liaoning Taoqibao") which owned a piece of land of gross area of approximately 4,320 square meters together with a twelve-floor property erected thereon with gross construction area of approximately 17,800 square meters at a consideration of RMB100,000,000 (equivalent to approximately HK\$116,863,000). The property is situated in Yingkou city, Liaoning province, the PRC. The acquisition was completed on 20 July 2016. The property is currently being leased out for rental income.

On 23 December 2016, the Company announced the acquisition of Yingkou Hailanggu Travel Co., Limited (literal translation of the Chinese name) which owned two parcels of land located at Bai Sha Wan, Bayuquan district of Yingkou city, Liaoning province, the PRC with the gross usage area of approximately 59,245 square meters at a consideration of RMB62,000,000 (equivalent to approximately HK\$69,227,000). The acquisition was completed on 30 December 2016. Amongst the two parcels of land, the land use right permit for a parcel of land with a gross usage area of approximately 22,410 square meters has not been obtained as of 31 December 2016. Accordingly, the payment made was accounted for as a prepayment.

During the year ended 31 December 2016, the Group's rental income amounted to approximately HK\$1,022,000 (2015: nil). In addition, the operation recorded valuation gains of approximately HK\$2,182,000 (2015: nil) on its investment properties, as a whole, the operation booked a profitable result of HK\$1,675,000 for the year (2015: a loss of HK\$359,000).

# Management Discussion and Analysis

## Investment Holding

In January 2016, the Group had subscribed for Class A Shares of China Huacai Finance Equity Investment Fund SP (the “Fund”) for a consideration of HK\$100,000,000. The Fund is a sub-fund, which is a segregated portfolio, of Global High Growth Industries Fund Series SPC and managed by Sheng Yuan Asset Management Limited as investment manager (the “Investment Manager”) of the Fund. The principal investment objective of the Fund is to seek to achieve capital appreciation through investing in a portfolio consisting primarily of listed securities of companies established or operating in Hong Kong, Mainland China and Taiwan, as well as investing in various types of private funds, private equities and private debt products. The Investment Manager utilises a top-down and bottom-up investment process driven by intensive fundamental research to determine the optimal asset allocation for the Fund. The Board considers that the subscription is in line with the Group’s objective to grow its investment return by adopting a proactive but prudent approach in its investments.

The Group held approximately 1,282 shares in the Fund, representing approximately 21.25% of its entire issued shares as at 31 December 2016. The carrying amount of the investment in the Fund represented approximately 15.6% of the Group’s total assets as at 31 December 2016. The management is of the view that the investment in the Fund would generate stable investment income for the Group.

During the year ended 31 December 2016, the investment income from the Fund amounted to approximately US\$958,000 (equivalent to approximately HK\$7,435,000) (2015: nil) and it was received in full in January 2017. The business recorded a profit of HK\$7,345,000 for the year (2015: nil).

## BUSINESS PROSPECTS

It is the intention of the management to step up its effort to improve the financial performance of the existing businesses of the Group and to explore investment opportunities in the natural resources and energy, information technology, properties investment and investment holding segments or other new segments with good prospects with the view to bring substantial value to the shareholders of the Company.

## FINANCIAL REVIEW

### Overall Results

For the year ended 31 December 2016, the Group recorded a loss attributable to owners of the Company of HK\$34,849,000 (2015: HK\$44,720,000) and basic loss per share of HK0.49 cent (2015: HK0.74 cent). The decrease in the Group’s loss attributable to owners of the Company was mainly due to the increase in revenue and the decrease in administrative and operating expenses for the year, whilst these financial improvements were partly offset by the increase in impairment loss on exploration and evaluation asset.

### Other Comprehensive Loss

During the year ended 31 December 2016, exchange losses mainly arose from the exchange translation of the properties investment operation in the PRC totalling HK\$7,234,000 (2015: HK\$62,288,000) as Renminbi depreciated by approximately 6% against Hong Kong dollar during the year.

# Management Discussion and Analysis

## Liquidity, Financial Resources and Capital Structure

At 31 December 2016, the Group had current assets of HK\$157,275,000 (2015: HK\$360,809,000) comprising bank balances and cash of HK\$20,609,000 (2015: HK\$310,736,000). The Group's current ratio, calculated based on current assets of HK\$157,275,000 (2015: HK\$360,809,000) over current liabilities of HK\$209,798,000 (2015: HK\$110,730,000), was about 0.75 at the year end (2015: 3.26). At the year end, the Group's current liabilities increased by 89% to HK\$209,798,000 over last year (2015: HK\$110,730,000) and the increase was primarily due to new bank borrowings of HK\$180,884,000 raised during the year, whilst partly offset by the settlement of the consideration payables for acquisition of investment properties of HK\$96,882,000 accrued at last year end. At 31 December 2016, the bank borrowings were secured, denominated in Renminbi, bore interest of fixed rate and were due within one year. Subsequent to 31 December 2016, bank borrowings of RMB92,000,000 (equivalent to approximately HK\$102,724,000) and RMB70,000,000 (equivalent to approximately HK\$78,160,000) are renewed for one year in January 2017 and March 2017 respectively.

On 16 March 2017, the Group obtained a loan facility of HK\$100,000,000 from a licensed money lender in Hong Kong. The facility is available for drawdown during the period from 16 March 2017 to 30 September 2018. Up to the date of this report, no drawdown was made.

At the year end, the equity attributable to owners of the Company amounted to HK\$434,142,000 (2015: HK\$377,452,000). The increase in the equity attributable to owners of the Company was mainly a result of the issuance of shares of the Company as consideration for acquisition of investment properties during the year.

As at 31 December 2016, the debt to equity ratio and net debt to equity ratio of the Group, which calculated by dividing total interest-bearing debt by total equity and dividing total interest-bearing debt less bank balances and cash by total equity, were 42% (2015: nil) and 37% (2015: nil) respectively. The Group had no bank borrowings as at 31 December 2015.

With the amount of liquid assets on hand, bank credit facilities available and unutilised loan facility, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

## Charge on Group Assets

As at 31 December 2016, the investment properties of the Group with carrying amount of HK\$217,620,000 (2015: nil) were pledged to secure certain bank borrowings.

## Foreign Exchange Exposure

During the year ended 31 December 2016, the Group mainly earned revenue and incurred costs in Hong Kong dollar, Indonesian Rupiah, Renminbi and United States dollar and no hedging measures had been undertaken. The management will continue to monitor closely the Group's foreign exchange risks by entering into forward contracts and utilising applicable derivatives to hedge out foreign exchange risks when considers appropriate.

## Capital Commitments

As at 31 December 2016, the Group did not have material capital commitments (2015: HK\$102,304,000).

# Management Discussion and Analysis

## Contingent Liabilities

As at 31 December 2016, the Group had no contingent liabilities (2015: nil).

## EMPLOYEES INFORMATION

As at 31 December 2016, the Group had 21 full-time employees (2015: 15) working in Hong Kong, Mainland China and Indonesia. The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other benefits, such as medical and retirement benefits and training programs, are also provided.

## RISK FACTORS

The Group has identified and is facing a number of significant risks during 2016. Some of these risks are ongoing factors which the industry has to cope with in medium to long term. Other risk factors are specific to the Group.

### 1. Economic Risk

In 2016, there were two significant events in the global economy, the United Kingdom's withdrawal from the European Union and the change of president of the United States of America. Many economists expected that these events would cause uncertainties in the global economy for a certain period of time. These matters are outside of the Group's control and may have adverse effect on the Group's overall financial performance, in particular its fund investment, in the short term.

### 2. Market Risk

The Group's trading business of solar panels is operating in a competitive environment that put pressure on the revenue and profitability of this business.

### 3. Environmental Risk

The Group is constantly exposed to inherent risks such as pollution, mechanical breakdown of machinery, adverse weather conditions, fire or other calamity. During the period of refurbishment of investment properties and development of other properties, the Group would expose to potential risks such as pollution, adverse weather conditions or fire etc. Any of these factors may cause disruptions to the Group's operations. The Group may also be liable for compensation payable as a result of these unpredictable events which may adversely affect its financial performance.

### 4. Customer Risk

The Group has been relied on a small number of customers in its trading business. This has been limiting the Group's bargaining power on credit terms and discount rate. The Group may not be able to significantly expand its customer base in the short term which may adversely affect its financial performance.

### 5. Financial Risk

The Group is exposed to financial risks relating to foreign currency, interest rate, equity price, liquidity and credit risk in its ordinary course of business. For further details of such risks and relevant management policies, please refer to note 6 to the consolidated financial statements for details.

# Management Discussion and Analysis

## **COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS**

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## **RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

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

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is committed to the long-term sustainability of the environment and communities in which it operates. In order to reduce the degree of environmental damage when developing the Group's business, the Group strictly complies with the local laws, rules and guidance in relation to environmental protection.

# Corporate Governance Report

The Company is committed to attaining and maintaining a high standard of corporate governance, the principles of which are to uphold integrity, transparency and accountability in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations. It believes that good corporate governance is fundamental to the success of the Company and to the enhancement of shareholders' value.

## CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions (the "Code Provisions") of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules for the year ended 31 December 2016 except for the following deviation with reason as explained:

### Code Provision E.1.2

Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting of the Company.

### Deviation

The Chairman of the Board was unable to attend the annual general meeting for year 2016 as he had other important business engagement.

## MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealing in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers. Specific enquiries have been made with the directors and they have confirmed their compliance with the Own Code during the year ended 31 December 2016.

## BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises eight directors, including five Executive Directors, namely Mr. Suen Cho Hung, Paul (Chairman), Mr. Zhang Yuanqing (Co-chief Executive Officer of the Company (the "Co-CEO")), Mr. Pu Wei (Co-CEO), Mr. Lai Ming Wai and Mr. Zhu Lijia and three Independent Non-executive Directors (the "INED(s)"), namely Mr. David Tsoi, Mr. Chiang Bun and Ms. Leung Pik Har, Christine. Biographical details of the directors are set out in the Directors and Senior Management Profile section on pages 21 to 23 of this annual report.

Mr. Suen Cho Hung, Paul ("Mr. Suen"), the Executive Director and the Chairman of the Board and the ultimate beneficial owner of Able Victory Enterprises Limited, the substantial shareholder of the Company, is the ultimate beneficial owner of the controlling shareholder of Birmingham International Holdings Limited ("Birmingham International") (stock code: 2309); and an executive director, the chairman and the ultimate beneficial owner of the controlling shareholder of EPI (Holdings) Limited ("EPI") (stock code: 689). The shares of both Birmingham International and EPI are listed on the Main Board of the Stock Exchange. Mr. Suen is also the ultimate beneficial owner of the substantial shareholder of Courage Marine Group Limited ("Courage Marine"), the shares of which are primarily listed on the Main Board of the Stock Exchange (stock code: 1145) and secondarily listed on the Singapore Exchange Securities Trading Limited (Singapore stock code: ATL.SI). Each of Mr. Lai Ming Wai and Ms. Leung Pik Har, Christine is/was director of some of the said companies, Mr. Lai Ming Wai was an executive director and the chief executive officer of Courage Marine until 31 March 2017 and Ms. Leung Pik Har, Christine is an independent non-executive director of Birmingham International and EPI.

# Corporate Governance Report

To the best knowledge of the directors, save for the aforesaid, there is no other financial, business, family or other material/relevant relationships between the Chairman and the Co-CEOs and among members of the Board.

The Board meets regularly and at least four times a year. The Board held four regular Board meetings during the year ended 31 December 2016. The attendance of individual directors at the regular Board meetings and general meetings during 2016 is set out in the following table:

	Number of attendance	
	Board Meetings	General Meetings
<b>Executive Directors</b>		
Mr. Suen Cho Hung, Paul	4/4	0/2
Mr. Zhang Yuanqing	4/4	2/2
Mr. Pu Wei ( <i>appointed on 11 January 2017</i> )	N/A	N/A
Mr. Lai Ming Wai	4/4	0/2
Mr. Zhu Lijia	2/4	0/2
<b>Independent Non-executive Directors</b>		
Mr. David Tsoi	4/4	2/2
Mr. Chiang Bun	4/4	2/2
Ms. Leung Pik Har, Christine	4/4	2/2

During the year ended 31 December 2016, the directors also participated in the approval of routine and operational matters of the Company by way of written resolutions circulated to them together with supporting documents and briefings from the company secretary of the Company (the "Company Secretary"). The directors receive at least 14 days' prior written notice of a regular Board meeting and may propose matters for discussion to be included in the agenda. The agenda together with board papers are sent to the directors at least three days prior to a regular Board meeting.

The Board, led by the Chairman approves and monitors the Group's business strategies and policies, strategic decisions and directions, annual budget, and other major corporate matters. Besides, the Board delegated the management team, led by the Co-CEOs, with the authority and responsibility for the daily operations and administration of the Group.

# Corporate Governance Report

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed. The Board is briefed on all legislative, regulatory and corporate governance developments and the Board has regard to them when making decisions. The Company Secretary, together with the Board, are also directly responsible for the Group's compliance with the continuing obligations of listed issuers under the Listing Rules, the Codes on Takeovers and Mergers and Share Repurchase, the Companies Ordinance, the SFO and other applicable laws, rules and regulations.

Throughout the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise. In addition, more than one-third of the composition of the Board consisted of INEDs, so there is strong element of independence in the Board to exercise independent judgment. The Company has received from each INED an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with terms of the guidelines.

The Company has put in place appropriate insurance cover in respect of directors' liability.

## **CHAIRMAN AND CHIEF EXECUTIVE**

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2016, the role of the chairman has been performed by Mr. Suen and the role of the chief executive officer has been performed by Mr. Zhang Yuanqing ("Mr. Zhang"). The Code Provision A.2.1 of the CG Code has been complied with.

On 11 January 2017, Mr. Pu Wei ("Mr. Pu") was appointed as an Executive Director and the Chief Operating Officer of the Company and was subsequently re-designated as the Co-CEO from as Chief Operating Officer of the Company on 25 January 2017. Following the re-designation, Mr. Pu, together with Mr. Zhang, acted as the Co-CEOs and are jointly responsible for the overall business development, operation and management of the Group.

As at the date of this annual report, the position of the Chairman of the Board is held by Mr. Suen and the positions of Co-CEOs are held by Mr. Zhang and Mr. Pu.

## **TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The independent non-executive directors are appointed for a term of twelve months period and subject to retirement by rotation and re-election in accordance with the Articles of Association.

## **DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT**

All directors must keep abreast of their collective responsibilities. Any newly appointed director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news released published by the Stock Exchange to the directors. Continuing briefings and professional development for directors are arranged where necessary.

# Corporate Governance Report

## COMPANY SECRETARY

Ms. Chan Yuk Yee joined the Company as the Company Secretary in December 2015.

In compliance with Rule 3.29 of the Listing Rules, Ms. Chan Yuk Yee had undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2016.

The biographical details of Ms. Chan Yuk Yee are set out under the section headed “Directors and Senior Management Profile” on pages 21 to 23 of this annual report.

## INDEPENDENT AUDITOR'S REMUNERATION

During the year ended 31 December 2016, the independent auditor provided the following audit and non-audit services to the Company with remunerations as follows:

	2016 HK\$'000	2015 HK\$'000
Audit for current year	1,709	1,147
Non-audit service	130	118

## BOARD COMMITTEES

The Board has established several committees. The authority and duties of the audit committee of the Company (the “Audit Committee”), remuneration committee of the Company (the “Remuneration Committee”) and the Nomination Committee of the Company (the “Nomination Committee”) are set out in written terms of reference which are of no less exacting terms than those set out in the CG Code and are posted on the websites of the Stock Exchange and the Company, respectively. All committees are provided with sufficient resources to discharge their duties.

## AUDIT COMMITTEE

As at the date of this annual report, the Audit Committee comprises three INEDs, namely, Mr. David Tsoi, Mr. Chiang Bun and Ms. Leung Pik Har, Christine, with Mr. David Tsoi as the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and the effectiveness of the Group's internal controls and risk management. The Audit Committee meets at least twice a year in reviewing the interim and annual reports of the Company before submission to the Board for approval.

The Audit Committee meets regularly with management and external auditors and reviews their reports. During the year ended 31 December 2016, the Audit Committee met twice in reviewing the consolidated financial statements for the year ended 31 December 2015 and the unaudited condensed consolidated financial information for the six months ended 30 June 2016, and the internal control, risk management and corporate governance issues related to financial reporting of the Company. The record of attendance of each member at the committee meetings is set out below.

Members	Number of attendance
Mr. David Tsoi	2/2
Mr. Chiang Bun	2/2
Ms. Leung Pik Har, Christine	2/2

# Corporate Governance Report

## REMUNERATION COMMITTEE

As at the date of this annual report, the Remuneration Committee comprises three INEDs, namely, Mr. Chiang Bun, Mr. David Tsoi and Ms. Leung Pik Har, Christine, with Mr. Chiang Bun as the Chairman of the Remuneration Committee.

The Remuneration Committee should consult with the Chairman on its remuneration proposals for other Executive Directors, and have access to independent professional advice if necessary. The principal responsibilities of the Remuneration Committee include, among others, the recommendation to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, the review and approval of management's remuneration proposals with reference to the Board's corporate goals and objectives, and the determination, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management.

The Remuneration Committee met once during the year ended 31 December 2016 to review and approve the remuneration packages of directors and senior management. During the process, no individual director was involved in decisions relating to his/her own remuneration. The record of attendance of each member at the committee meetings is set out below.

Members	Number of attendance
Mr. Chiang Bun	1/1
Mr. David Tsoi	1/1
Ms. Leung Pik Har, Christine	1/1

## NOMINATION COMMITTEE

As at the date of this annual report, the Nomination Committee comprises three INEDs, namely Ms. Leung Pik Har, Christine, Mr. David Tsoi and Mr. Chiang Bun, and an Executive Director, namely Mr. Zhang Yuanqing, with Ms. Leung Pik Har, Christine as the Chairlady of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive directors; and to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer.

The Nomination Committee had reviewed the diversity of the Board during the year ended 31 December 2016 and will review the Board Diversity Policy from time to time to ensure that the policy will be implemented effectively.

# Corporate Governance Report

The Nomination Committee met once during the year ended 31 December 2016 to review the structure, size and composition of the Board, assess the independence of INEDs and review the Board Diversity Policy. The record of attendance of each member at the committee meetings is set out below.

<b>Members</b>	<b>Number of attendance</b>
Ms. Leung Pik Har, Christine	1/1
Mr. David Tsoi	1/1
Mr. Chiang Bun	1/1
Mr. Zhang Yuanqing	1/1

## **CORPORATE GOVERNANCE FUNCTIONS**

The Company's corporate governance duties are carried out by the Board pursuant to the following terms of reference adopted by the Board:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of the directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Company's employees and directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

## **ACCOUNTABILITY AND AUDIT**

The Board acknowledges its responsibility for preparing the consolidated financial statements of the Group and ensures that the consolidated financial statements have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of the Hong Kong Financial Reporting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance and the Listing Rules.

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

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility to ensure that appropriate and effective risk management and internal control systems are in place for the Group.

The Group's risk management and internal control systems have been developed with reference to Internal Control and Risk Management — A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to meet the business objectives.

The Group believes that the people and the actions it takes are the core elements of the risk management and internal control systems. To support this notion, the Group facilitates training to its staff to strengthen their awareness of risk and capability to manage risks. During the year, the Board together with the Audit Committee, reviewed the adequacy of aspects such as resources, staff qualifications and experience, and were satisfied with the results of the review.

The followings have been established and executed to ensure there are appropriate and effective risk management and internal control systems within the Group:

- control environment including organisational structure, limit of authority, reporting lines and responsibilities;
- risk management self-assessment and internal control review conducted from time to time by external consultants and the Group;
- appropriate risk management measures such as written policies and procedures; and
- effective information platforms to facilitate internal and external information flow.

Through the Audit Committee and the management, accompanied with the assistance of external consultants, the Board and the management have conducted annual reviews of the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

An ongoing risk assessment approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievement of its objectives. The assessment of the risk was based on the dimension of the likelihood of occurrence and consequence of the occurrence of the risk. Both aspects are assessed on a scale of 1 to 5 (5 being the highest level). The risks are then prioritised based on a vector (by multiplying likelihood and impact), whereby the priorities reflect the level of management's attention and risk management effort required.

After discussing and taking into consideration the risk response, actions required were assigned to staff, and the identified risk together with the risk responses were recorded in a risk register and subject to the Audit Committee and Board's oversight. The management investigated and assessed what internal control procedures were to be executed to ensure the identified significant risks were managed within acceptable level. These internal control procedures covered material controls designed to provide reasonable assurance as to the achievement of the Group's objectives including financial, operational and compliance controls.

# Corporate Governance Report

With the assistance of an external consultant, internal audit plan had been developed to evaluate the effectiveness of the Group's risk management and internal control systems. The internal audit reviews cover all material controls including financial, operational and compliance controls including the compliance of code provisions set out in Appendix 14 to the Listing Rules. Results of the internal audit reviews in the form of audit reports are submitted to the members of the Audit Committee for discussion at the Audit Committee meetings. For the year ended 31 December 2016, both the Audit Committee and the Board were not aware of any material internal control defects and were satisfied that the risk management and internal control systems of the Group have been effective and adequate.

The Board has established the Inside Information Policy for the handling and dissemination of inside information. The Inside Information Policy stipulated the obligations of the Group, restriction on sharing non-public information, handling of rumors, unintentional selective disclosure, exemptions and waiver to the disclosure of inside information, external communication guidelines and compliance and reporting procedures. In the event that there is evidence of any material violation of the Inside Information Policy, the Board (or designated persons) will decide the course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

## **SHAREHOLDERS' RIGHTS**

The Board recognises the importance of good communication with shareholders. Information in relation to the Group which includes interim and annual reports, announcements and circulars, is disseminated to shareholders in a timely manner through the websites of the Stock Exchange and the Company, respectively.

The Company also acknowledges that general meetings are valuable forums for the Board to communicate directly with the shareholders and members of the Board and committees are encouraged to attend and answer questions at the general meetings.

## **Procedures for Shareholders to Convene an Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings**

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the directors or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the directors shall be reimbursed to the requisitionist(s) by the Company.

Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

# Corporate Governance Report

## **Procedures for Shareholders to Propose a Person for Election as a Director**

If a shareholder of the Company wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office in Hong Kong or the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, during a period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting provided that such period shall be at least seven days.

Shareholders may put forward their enquiries about the Company to the Board through the Company Secretary at Suite 1502, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The Shareholders' Communication Policy adopted by the Company is publicly available on the websites of the Stock Exchange and the Company.

## **CONSTITUTIONAL DOCUMENTS**

There had been no change in the Company's constitutional documents during the year ended 31 December 2016. A copy of the Company's latest constitutional documents is publicly available on the websites of the Stock Exchange and the Company respectively.

# Directors and Senior Management Profile

The biographical details of Directors and senior management as at 31 March 2017, the date of this annual report, are set out below:

## EXECUTIVE DIRECTORS

### **Mr. Suen Cho Hung, Paul (“Mr. Suen”),** *Chairman*

Aged 56, joined the Company as an Executive Director and the Chairman of the Board in June 2015 and is also a director of various subsidiaries of the Company. Mr. Suen holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen is deemed to be a substantial shareholder of the Company as disclosed in the section headed “Interests and Short Positions of Shareholders Discloseable under the SFO” in the Report of the Directors.

Mr. Suen has been appointed as an executive director and the chairman of EPI (Holdings) Limited (“EPI”) (stock code: 689) since 18 October 2016 and 19 October 2016 respectively, an executive director of ITC Corporation Limited (“ITC”) (stock code: 372) since 8 March 2017 and the managing director and the chairman of ITC since 28 March 2017. Both companies are listed on the Main Board of the Stock Exchange.

### **Mr. Zhang Yuanqing (“Mr. Zhang”),** *Co-chief Executive Officer*

Aged 52, joined the Company as an Executive Director in August 2015 and was appointed as the Chief Executive Officer in October 2015 and was re-designated as the Co-chief Executive Officer of the Company on 25 January 2017. Mr. Zhang is also a director of various subsidiaries of the Company and also a member of the Nomination Committee. Mr. Zhang holds a bachelor’s degree in mechanical engineering from Shenyang University of Technology in the PRC. Mr. Zhang has held senior position in several financial companies in the PRC and has over 25 years of experience in the fields of engineering and industrial valuation.

### **Mr. Pu Wei (“Mr. Pu”),** *Co-chief Executive Officer*

Aged 43, joined the Company as an Executive Director and the Chief Operating Officer of the Company on 11 January 2017 and was re-designated as the Co-chief Executive Officer of the Company on 25 January 2017. Mr. Pu is also a director of various subsidiaries of the Company. Mr. Pu graduated from Jilin University in the PRC majoring in administrative management. Mr. Pu has extensive experience in the management of real estate and energy related companies in the PRC.

### **Mr. Lai Ming Wai (“Mr. Lai”)**

Aged 57, joined the Company as an Executive Director in June 2015 and is also a director of various subsidiaries of the Company. Mr. Lai holds a bachelor’s degree in social sciences from The University of Hong Kong. Mr. Lai was a senior executive of Bank of America and was primarily responsible for developing and managing the bank’s business in southern region of the PRC. Mr. Lai has extensive experience in the banking and finance industry.

Mr. Lai is a non-executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Lai was an executive director and the chief executive officer of Courage Marine Group Limited (“Courage Marine”), the shares of which are primarily listed on the Main Board of the Stock Exchange (stock code: 1145) and secondarily listed on the Singapore Exchange Securities Trading Limited (Singapore stock code: ATL.SI), until 31 March 2017.

## Directors and Senior Management Profile

### Mr. Zhu Lijia (“Mr. Zhu”)

Aged 56, joined the Company as an Executive Director in August 2015. Mr. Zhu has over 30 years of experience in managing real estate, industrial and commercial projects as well as in providing business and financial consultancy services in the PRC. Mr. Zhu is the chairman of an investment company in the PRC.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### Mr. David Tsoi (“Mr. Tsoi”)

Aged 69, joined the Company as an Independent Non-executive Director in July 2008 and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Tsoi obtained a master’s degree in business administration from the University of East Asia, Macau (currently known as University of Macau) in 1986. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is also a member of the Institute of Chartered Accountants of England and Wales, CPA Australia, the Society of Chinese Accountants and Auditors and the Certified General Accountants Association of Canada, respectively. In addition, he is the managing director of Alliot, Tsoi CPA Limited.

Mr. Tsoi is an independent non-executive director of Guru Online (Holdings) Limited (stock code: 8121), MelcoLot Limited (stock code: 8198) and Universal Technologies Holdings Limited (stock code: 1026) and has been appointed as an independent non-executive director of Anxin-China Holdings Limited (stock code: 1149) and VPower Group International Holdings Limited (stock code: 1608) since 22 February 2017 and 24 October 2016 respectively. All the above companies are listed on the Main Board/Growth Enterprise Market of the Stock Exchange.

#### Mr. Chiang Bun (“Mr. Chiang”)

Aged 47, joined the Company as an Independent Non-executive Director in June 2015 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Chiang holds a bachelor’s degree in social sciences from The University of Hong Kong and a LL.B. from Peking University. Mr. Chiang is also a Chartered Financial Analyst charter holder. Mr. Chiang has held senior roles in various international banks and financial institutions, primarily responsible for structured debt and/or equity financing. Mr. Chiang has extensive experience in the banking and finance industry.

#### Ms. Leung Pik Har, Christine (“Ms. Leung”)

Aged 47, joined the Company as an Independent Non-executive Director in June 2015 and is the Chairlady of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Ms. Leung graduated from The Chinese University of Hong Kong with a bachelor’s degree in business administration. She has over 20 years of experience in banking and financial services industries and held executive positions at several international financial institutions including Citibank, Bank of America, Industrial and Commercial Bank of China (Asia) Limited and Fubon Bank (Hong Kong) Limited.

Ms. Leung has been appointed as an independent non-executive director of Birmingham International Holdings Limited (“Birmingham International”) (stock code: 2309) and EPI since 15 October 2016 and 18 October 2016 respectively. Both companies are listed on the Main Board of the Stock Exchange.

# Directors and Senior Management Profile

## SENIOR MANAGEMENT

**Ms. Chan Yuk Yee (“Ms. Chan”),** *Company Secretary*

Aged 48, joined the Company as the Company Secretary in December 2015. She holds a Master of Business Law degree from Monash University in Australia and is an associate member of both The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Chan has extensive experience in corporate administration and company secretarial practice.

Ms. Chan is the company secretary of Hailiang International Holdings Limited (stock code: 2336), a company listed on the Main Board of the Stock Exchange and ITC; an executive director of Courage Marine and an executive director and the company secretary of Birmingham International and EPI.

# Report of the Directors

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 December 2016.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 21 to the consolidated financial statements.

Further discussion and analysis of Group's activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the business, 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" sections of this annual report. These sections form part of this report of the Directors.

## FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2016.

## RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 42 to 44.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2016 are set out in note 29 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

Save for the share option schemes as set out in "Share Option Schemes" section in this report and note 32 to the consolidated financial statements and the warrants issued by the Company as set out in note 29(a)(ii) to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

## RESERVES

Details of the movement in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 46 to 47 and note 39(b) to the consolidated financial statements.

As at 31 December 2016, the Company had no reserves available for distribution.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, sales to the Group's five largest customers accounted for approximately 100% of the Group's total sales and sales to the largest customer included therein accounted for approximately 88%.

During the year ended 31 December 2016, purchases from the Group's five largest suppliers accounted for approximately 100% of the Group's total purchases and purchases from the largest supplier included therein accounted for approximately 68%.

None of the directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's total number of issued shares) had any beneficial interest in the Group's five largest customers or suppliers during the year.

# Report of the Directors

## DIRECTORS

The directors of the Company during the year ended 31 December 2016 and up to the date of this report were:

### Executive Directors:

Mr. Suen Cho Hung, Paul  
Mr. Zhang Yuanqing  
Mr. Pu Wei (*appointed on 11 January 2017*)  
Mr. Lai Ming Wai  
Mr. Zhu Lijia

### Independent Non-executive Directors:

Mr. David Tsoi  
Mr. Chiang Bun  
Ms. Leung Pik Har, Christine

In accordance with Article 108(A) of the Articles of Association, Mr. Lai Ming Wai, Mr. David Tsoi and Mr. Chiang Bun shall retire from their office at the forthcoming annual general meeting ("2017 AGM"). Mr. David Tsoi will not offer himself for re-election and will therefore retire at the 2017 AGM whereas Mr. Lai Ming Wai and Mr. Chiang Bun, being eligible, will offer themselves for re-election at the 2017 AGM.

In accordance with Article 112 of the Articles of Association, Mr. Pu Wei shall hold the office only until the 2017 AGM, and being eligible, offer himself for re-election at the meeting.

The Company received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all of the independent non-executive directors as independent.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of directors and senior management of the Group are set out on pages 21 to 23 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2017 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Zhang Yuanqing ("Mr. Zhang")'s remuneration has been adjusted from HK\$1,430,000 per annum to HK\$1,300,000 per annum. The remuneration of Mr. Zhang has been approved by the Remuneration Committee.

## DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 40 to the consolidated financial statements.

# Report of the Directors

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

There were no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its parent companies was a party and in which a director of the Company and the director's core connected persons had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT CONTRACTS

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

## SHARE OPTION SCHEMES

The purpose of each of the 2003 Share Option Scheme (hereinafter defined) and the 2011 Share Option Scheme (hereinafter defined) is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company.

### (1) Share option scheme adopted by the Company on 25 January 2003 ("2003 Share Option Scheme")

On 25 January 2003, the 2003 Share Option Scheme was approved pursuant to written resolutions of the Company. Details of movement of the options granted under the 2003 Share Option Scheme for the year ended 31 December 2016 were as follows:

#### Movement in the 2003 Share Option Scheme

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK\$)	As at 1 January 2016	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	As at 31 December 2016
<b>Director</b>									
Mr. David Tsoi	15/06/2009	15/06/2011 to 15/06/2019	0.5145	1,064,189 <sup>(1)</sup>	-	-	-	-	1,064,189
	09/07/2010	09/07/2012 to 08/07/2020	0.3947	354,730 <sup>(2)</sup>	-	-	-	-	354,730
				1,418,919	-	-	-	-	1,418,919
<b>Other employees</b>									
In aggregate	04/02/2010	04/02/2012 to 04/02/2020	0.3622	2,837,838 <sup>(1)</sup>	-	-	-	-	2,837,838
	09/07/2010	09/07/2012 to 08/07/2020	0.3947	2,837,838 <sup>(2)</sup>	-	-	-	-	2,837,838
				5,675,676	-	-	-	-	5,675,676
<b>Others</b>									
In aggregate	15/06/2009	15/06/2011 to 15/06/2019	0.5145	28,378,379 <sup>(1)</sup>	-	-	-	-	28,378,379
	06/10/2009	06/10/2011 to 06/10/2019	0.5286	496,622 <sup>(1)</sup>	-	-	-	-	496,622
	04/02/2010	04/02/2012 to 04/02/2020	0.3622	71,300,676 <sup>(1)</sup>	-	-	-	-	71,300,676
	09/07/2010	09/07/2012 to 08/07/2020	0.3947	87,760,135 <sup>(2)</sup>	-	-	-	-	87,760,135
				187,935,812	-	-	-	-	187,935,812
				Total: 195,030,407 <sup>(3)</sup>	-	-	-	-	195,030,407 <sup>(3)</sup>

# Report of the Directors

Notes:

- (1) 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing three (3) years from the date of grant and expiring on the tenth anniversary from the date of grant.
- (2) 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing three (3) years from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant.
- (3) As at 31 December 2016, the Company had 195,030,407 (2015: 195,030,407) share options outstanding under the 2003 Share Option Scheme, which represented approximately 2.59% (2015: approximately 2.77%) of the Company's shares in issue on that date.
- (4) No share options were granted, exercised or cancelled during the year ended 31 December 2016.

- (2) **Share option scheme adopted by the Company on 12 May 2011 ("2011 Share Option Scheme")**  
 The Company adopted the 2011 Share Option Scheme which was approved by shareholders in the Company's annual general meeting held on 12 May 2011. Details of movement of the options granted under the 2011 Share Option Scheme for the year ended 31 December 2016 were as follows:

*Movement in the 2011 Share Option Scheme*

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK\$)	As at 1 January 2016	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	As at 31 December 2016
<b>Director</b>									
Mr. David Tsoi	23/06/2011	23/06/2012 to 22/06/2021	0.3066	212,838 <sup>(1)</sup>	-	-	-	-	212,838
				212,838	-	-	-	-	212,838
<b>Other employees</b>									
In aggregate	23/06/2011	23/06/2012 to 22/06/2021	0.3066	4,966,216 <sup>(1)</sup>	-	-	-	-	4,966,216
				4,966,216	-	-	-	-	4,966,216
<b>Others</b>									
In aggregate	23/06/2011	23/06/2012 to 22/06/2021	0.3066	64,347,974 <sup>(1)</sup>	-	-	-	-	64,347,974
	31/12/2012	31/12/2013 to 30/12/2022	0.1149	1,064,189 <sup>(1)</sup>	-	-	-	-	1,064,189
				65,412,163	-	-	-	-	65,412,163
				<b>Total:</b>	<b>70,591,217<sup>(2)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,591,217<sup>(2)</sup></b>

# Report of the Directors

## Notes:

- (1) 50% of the share options are exercisable in a period commencing one (1) year from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant.
- (2) As at 31 December 2016, the Company had 70,591,217 (2015: 70,591,217) share options outstanding under the 2011 Share Option Scheme, which represented approximately 0.94% (2015: 1%) of the Company's shares in issue on that date.
- (3) No share options were granted, exercised or cancelled during the year ended 31 December 2016.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the directors and chief executive of the Company, if any, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under 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 Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

### Long positions of directors in the shares and underlying shares of the Company

Name of director	Capacity and nature of interest	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	2,207,485,423 (note 1)	–	2,207,485,423	29.28%
David Tsoi ("Mr. Tsoi")	Beneficial owner	496,622	1,631,757 (note 2)	2,128,379	0.03%

## Notes:

1. These interests were held by Able Victory Enterprises Limited ("Able Victory"), which was a wholly owned subsidiary of Epic Wise International Limited ("Epic Wise") which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Able Victory and Epic Wise. Accordingly, Mr. Suen and Epic Wise were deemed to be interested in 2,207,485,423 shares of the Company under the SFO.
2. These represented the interests of Mr. Tsoi in 1,631,757 units of share options which carry the rights to subscribe for 1,631,757 shares of the Company upon exercise in full of share options granted to him under the 2003 Share Option Scheme and the 2011 Share Option Scheme.

Save as disclosed above, as at 31 December 2016, none of the directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Report of the Directors

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Schemes" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their respective spouses or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2016, the following interests of more than 5% of the total number of issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

### Long positions in the shares or underlying shares of the Company

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate % of shareholding
Mr. Suen	Interest of controlled corporation	2,207,485,423 (note 1)	29.28%
Epic Wise	Interest of controlled corporation	2,207,485,423 (note 1)	29.28%
Able Victory	Beneficial owner	2,207,485,423 (note 1)	29.28%
Li, Stephen Hing Yue ("Mr. Stephen Li")	Interest of controlled corporation	452,400,000 (note 2)	6.00%
Cool Legend Limited ("Cool Legend")	Beneficial owner	452,400,000 (note 2)	6.00%

#### Notes:

1. These interests were held by Able Victory, which was a wholly owned subsidiary of Epic Wise which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Able Victory and Epic Wise. Accordingly, Mr. Suen and Epic Wise were deemed to be interested in 2,207,485,423 shares of the Company under the SFO.
2. These interests were held by Cool Legend, which was wholly owned by Mr. Stephen Li. Accordingly, Mr. Stephen Li was deemed to be interested in 452,400,000 shares of the Company under the SFO.

The interests of Mr. Suen, Epic Wise and Able Victory in 2,207,485,423 shares of the Company referred to above related to the same parcel of shares.

The interests of Mr. Stephen Li and Cool Legend in 452,400,000 shares of the Company referred to above related to the same parcel of shares.

# Report of the Directors

Save as disclosed above, as at 31 December 2016, the Company had not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as required to be recorded pursuant to Section 336 of the SFO.

## GROUP'S EMOLUMENT POLICY

The Group adopted the following philosophies in determining its emolument policy:

- the Group adopts a performance driven policy so that each individual is motivated to perform to the best he/she can;
- individual competence, contribution and responsibility are taken into account when considering the remuneration level for each employee;
- the Company offers provident fund, medical insurance and leave benefits to provide basic coverage to staff for retirement, sickness, rest and relaxation reasons, respectively;
- share option grants are made from time to time to better link the corporate performance as reflected in the share price performance and the contributions made by the staff in the intermediate to longer time frame; and
- the economic factors and the affordability of the Group are taken into account in coming up with the overall remuneration budget for the Group.

The Group has also adopted a discretionary bonus scheme. Factors, such as overall financial performance, the affordability of the Company and individual performance, have been taken into account before determining the entitlement of each qualified employee.

The determination of directors' remuneration has taken into consideration of their respective responsibilities and contributions to the Company and with reference to market terms.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every director or other officer of the Company for the time being acting in relation to any affairs of the Company shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty of the above persons. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and other officers of the Company during the year.

## CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 34 to the consolidated financial statements fall under the scope of connected transactions under the Listing Rules but are exempted from reporting, annual review, announcements or independent shareholders' approval requirements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

# Report of the Directors

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Save as otherwise disclosed, none of the directors of the Company had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 December 2016.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2016.

## **SUFFICIENCY OF PUBLIC FLOAT**

As at the date of this report, based on the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued share capital of the Company was held by the public.

## **CORPORATE GOVERNANCE**

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 12 to 20 of this annual report.

## **FIVE-YEAR FINANCIAL SUMMARY**

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 118.

## **EVENTS AFTER BALANCE SHEET DATE**

Events after balance sheet date of the Company are set out in note 38 to the consolidated financial statements.

## **AUDIT COMMITTEE**

The audited consolidated financial statements of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

## **AUDITORS**

The consolidated financial statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers will retire and a resolution for its re-appointment as an auditor of the Company will be proposed at the 2017 AGM.

On behalf of the Board

**Suen Cho Hung, Paul**  
*Chairman*

Hong Kong, 31 March 2017

# Environmental, Social and Governance Report

## GENERAL

The Directors are pleased to present the Environmental, Social and Governance Report for the year ended 31 December 2016 in compliance with the applicable code provision set out in the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) as set out in Appendix 27 to the Listing Rules. Information on the environmental and social aspects of the report is set out below whilst information on the governance aspect is set out in the Corporate Governance Report on pages 12 to 20. During the year ended 31 December 2016, the Company has complied with the “comply and explain” provisions set out in the ESG Guide.

## OVERVIEW

The Group has always placed significant emphasis in minimising potential impact on the environment in conducting businesses, and in faces of the challenges of climate changes the Group has integrated Environmental, Social and Governance considerations into daily operations, with a particular focus on maintaining closer connections with stakeholders and taking on more responsibilities in the society. Comprehensive assessments had been performed by the Group and the Group believes that its existing businesses are not expected to pose a material impact on the environment.

### Environmental

#### *Emissions*

Existing businesses of the Group do not produce significant amount of waste and thus the Group does not have significant air and greenhouse gas emissions, and none of the operations of the Group have significant discharges into water and land, nor generate significant hazardous and non-hazardous wastes. The Group however considers management of impacts on the environment as one of the assessment criteria in assessing and selecting suppliers and business partners.

#### *Use of resources*

Among the existing businesses that the Group currently involves in, all of which do not require consumption of a significant amount of resources, including energy, water and other raw materials. The Group does acknowledge that effort in promoting efficient usage of resources and therefore make efforts in preparing and introducing policies on efficient usage of resources in operations. Besides, the Group also considers this as one of the assessment criteria for assessing and selecting suppliers and business partners.

#### *The environment and natural resources*

Due to the nature of the Group’s existing businesses, the Group does not engage in any operations that have a significant impact on the environment. The Group made efforts to promote, and where possible, integration of environmentally friendly business practices into daily operations. Practical steps implemented by the management include issuing notices that promote “green office management” concept to employees, reminding staff the use of double-sided printing, energy saving by switching off idle lighting and air conditioners and using equipment carrying Energy Label issued by the Electrical and Mechanical Services Department. Further, the Group also consider this as one of the Group’s most important assessment criteria when assessing and selecting suppliers and business partners.

# Environmental, Social and Governance Report

## Social

### *Employment and Labor Practices*

A respectful and fair working environment for maintaining a sound system of human resources management is considered to be vital to the operation of the Group. The Group ensures strict compliance with all relevant regulatory standards, particularly the Employment Ordinance in Hong Kong in respect of recruitment, remuneration, and separation. Employment process of the Group stresses the consideration of experience, qualifications, and knowledge, with an objective to ensure that there is no discrimination on the grounds of age, gender, marital status, family status, gender orientation, disability, race, nationality or religion. Upon satisfactory consideration, the Group ensures that employment contract is fully understood by potential employees before contracts are signed. Employment contract of the Group includes employment terms such as job duties, working hours, holidays, remuneration, termination process, and benefits.

The Group had adopted a five-day workweek arrangement to facilitate work-life balance. In addition to all general holidays (including Sundays) as specified in the General Holidays Ordinance, employees are entitled to annual leaves, maternity leaves, paternity leaves, marriage leaves and compassionate leaves with pay. Employees enjoy medical benefits, provident fund scheme and other benefits subject to the Group's policies.

The Group continuously evaluates the remuneration and promotion mechanism so as to share the fruitful achievement with employees of the Group. The Group motivates employees by promotion and salary increment based on results of annual performance appraisal, and to award double-pay payment and discretionary bonus in addition to basic salary.

Dismissal is conducted with strict compliance with the Employment Ordinance and the requirement as stipulated in the employment contract.

### *Health and safety*

Operations of the Group do not involve heavy machinery or labor intensive routines and are conducted in a safe office environment. The Group does acknowledge the potential health issues that exist in office settings, and therefore the Group promotes measures to talents of the Group from exposure to occupational diseases or injuries, no matter severe or minor.

The Group leverages on the promotional materials from Occupational Safety and Health Council regarding information on providing a safe working environment and protecting employees from occupational hazards in an office working environment. Further, the Group ensures full compliance towards Occupational Safety and Health Ordinance and applicable regulations that protected employees from occupation hazards. The Group did not experience any lost days due to injury or work-related fatalities during the reporting period.

The Group encourages contractors and business partners in placing great emphasis on health and safety issues, and the Group shares views with them, in particular, business partners that operate in factories.

# Environmental, Social and Governance Report

## ***Development and Training***

The Group has a team of professionals to manage businesses of the Group, and it is, therefore, vital for the Group to support their continuous professional developments. For example, the Group provides financial support to trainings relevant to their profession, where necessary subsidies were given to employees for participation in training sessions which aim at enhancing their job skills. These trainings covered the areas such as management skill and leadership improvement, company's organization strategy and corporate culture, and employee's business knowledge. From time to time the Group also provides updates of regulatory requirements and standards to employees. In addition, the Group provides induction training materials for Directors.

In the face of the ever-evolving business landscape, the Group also places emphasis on the employees' learning experience gained through work assignments so as to build up their on-going job skills which benefit their career development.

## ***Labour Standards***

The businesses of the Group involve specialised skill and higher level education standards and are not labour intensive in nature. As such, the Group does not employ under-age employees, and the Group does not engage in forced labour. The Group conveys its stance on child labour and forced labour to key business partners and if there is any confirmed report of such case in relation to business partners, the Group will conduct an investigation in detail and critically reconsider the relationships with such party. As part of the recruitment process, the Group performs a background check and a reference check where deemed necessary. Candidates who do not meet the legal requirements would not be hired. The Group fully complies with relevant regulations that prohibit child or forced labour.

## **Operating Practices**

### ***Supply chain management***

The Group is in the trading business and the Group recognises the role in promoting sustainability issues within the industry. The Group, therefore, advocates the standards and expectations in respect of environment issues and labour practices to suppliers and business partners, with the expectation that they will uphold standards that are similar to that of the Group. The Group relentlessly assesses and monitors key business partners based on a wide range of aspects and standards, including attitude towards environmental and social issues, to evaluate the quality as well as their moral standards.

### ***Product responsibility***

Among all business lines, the Group does not have any packaged products being sold to general public. In the trading business, products are specialised industrial components with detailed specifications stipulated in trade contracts. The Group specified the product specifications in details and documented in sale and purchase contracts for each trading project. The commodities shall meet the guaranteed specifications for the completion of the trade. In the course of conducting such business, the Group made efforts to comply with the relevant laws and regulations that have a significant impact on the Group. The Group had not received any litigation regarding the health and safety, advertising, labeling and privacy matters during the year ended 31 December 2016.

# Environmental, Social and Governance Report

## ***Anti-corruption***

The Group's commitment to preventing bribery, extortion, fraud and money laundering is one of the core values and the Group is committed to preventing bribery, extortion, fraud and money laundering in all businesses dealings or transactions of the Group. The Group has made available a whistle-blowing reporting channel to report any suspected fraud, malpractice, corruption, or any other unethical actions. It is the policy of the Group to maintain high moral standards in conducting businesses.

The Group has strictly adhered to relevant laws and regulations, including the Prevention of Bribery Ordinance. During the year ended 31 December 2016, there was no legal case or dispute in respect of bribery, extortion, fraud or money laundering against employees of the Group and the Group itself.

## **Community**

### ***Community investment***

The Group is in the stage of expanding its business reach, and thus by far the customer bases are mainly formed by commercial business or strategic partners. The Group will continue to access which particular community the Group can direct community investment in. Nonetheless, the Group recognises the need to participate in the community and therefore the Group both encourages and motivates its employees to partake in communities. The Group from time to time motivates employees to volunteer, contribute to support and participate in community activities.

# Independent Auditor's Report



羅兵咸永道

To the Shareholders of Enviro Energy International Holdings Limited  
(Incorporated in the Cayman Islands with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of Enviro Energy International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 42 to 117, which comprise:

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

### Our opinion

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

## BASIS FOR OPINION

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

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

### Independence

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

# 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.

Key audit matter identified in our audit is summarised as follows:

- Valuation of investment properties
- Assessment of working capital sufficiency

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Valuation of investment properties</b> <p>Refer to notes 2, 4 and 19 to the consolidated financial statements of the Group.</p> <p>Management has estimated the fair value of the Group's investment properties to be HK\$358,279,000 as at 31 December 2016 and a revaluation gain of HK\$2,182,000 was recognised in the consolidated income statement for the year then ended.</p> <p>Independent external valuations were obtained for all the investment properties (except for the parcel of land acquired on 30 December 2016) in order to support management's estimates.</p> <p>For the parcel of land acquired on 30 December 2016, management has assessed the fair value based on their estimation as the transaction was completed near year end.</p> <p>The valuation method is based on comparing the properties to be valued directly with other comparable properties, which have recently transacted or those which are currently listed on the market. However, given the heterogeneous nature of real estate properties, assumptions under observable inputs, including adopted units rates and adopted units rents, are required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.</p> <p>We focused on this area due to the significance of investment properties to the consolidated balance sheet and the nature of the judgements that is required to make on the assumptions to observable input when determining the fair value of investment properties.</p>	<p>Our procedures in relation to management's valuation of investment properties (except for the parcel of land acquired on 30 December 2016) included:</p> <ul style="list-style-type: none"><li>– evaluating the independence external valuer's competence, capabilities and objectivity;</li><li>– assessing the methodologies used and the key assumptions, including adopted units rates and adopted units rents, based on our knowledge of the property industry by performing market researches and using our in house valuation expert to assess if the valuation is within an acceptable range; and</li><li>– validating, on a sample basis, the accuracy and relevance of the input data used, such as the gross floor area and relevance of the market comparables.</li></ul> <p>Based on the procedures performed above, we considered the valuation of investment properties is supported by evidence we obtained.</p>

# Independent Auditor's Report

## Key Audit Matter

### Assessment of working capital sufficiency

Refer to note 2 to the consolidated financial statements of the Group.

For the year ended 31 December 2016, the Group recorded a net loss of HK\$87,164,000 and had operating cash outflows of HK\$84,554,000. The loss for the year included an impairment loss recognised for the mining properties in Indonesia of HK\$78,747,000 due to the expiry of the mining permit associated with the mining properties. As at 31 December 2016, the Group's current liabilities exceeded its current assets by HK\$52,523,000 and included in current liabilities were bank borrowings of HK\$180,884,000. The Group had bank balances and cash of HK\$20,609,000 at the same date.

For the preparation of the Group's consolidated financial statements, management performed an assessment on working capital sufficiency, as supported by cash flow projections, to evaluate the Group's ability to continue as a going concern. The cash flow projections have taken into account the anticipated cash flows to be generated from the Group's operations as well as the availability of new and existing borrowing facilities.

## How our audit addressed the Key Audit Matter

Our procedures in relation to management's assessment of working capital sufficiency included:

- we assessed the reasonableness of the anticipated cash flows to be generated from the Group's operations by challenging management on the key basis and assumptions adopted, including forecasted sales to be generated from secured and estimated potential orders, the projected margins and the estimated period to collect receivables from new orders;
- for the bank borrowings for which the Group has successfully extended the maturity dates subsequent to 31 December 2016, we inspected the new credit facility agreements, and obtained bank confirmations to confirm the extended maturity dates;
- for the loan facility obtained from a licensed money lender subsequent to year end, we inspected the loan agreement and reviewed the terms of the facility to ensure that relevant financial impact are appropriately incorporated into cash flow projections;
- we compared the current year actual cash flows with the prior year cash flow projections to consider if the projections included assumptions that were overly optimistic;

# Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Based on the cash flow projections, management concluded that the Group will have sufficient financial resources to satisfy its future working capital requirements and to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2016. As such, directors consider that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.</p> <p>We focused on the evaluation of management's assessment of working capital sufficiency as it involves significant judgements and assumptions about inherently uncertain outcomes of future events and conditions.</p>	<ul style="list-style-type: none"><li>- we validated, on a sample basis, the input data to management's cash flow projections underlying the assessment of working capital sufficiency to supporting documents, such as sales contracts and recent rental income and investment income collections;</li><li>- evaluated management's sensitivity analysis by considering possible adverse changes to the Group's operating performance, such as the possibility of increase in operating expenses and the decline in trading activities; and</li><li>- evaluated the disclosures relating to going concern included in the consolidated financial statements are sufficient and appropriate.</li></ul> <p>Based upon the above, we found that judgements and assumptions used in management's assessment of working capital sufficiency is supported by evidence we obtained.</p>

## OTHER INFORMATION

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditor's Report

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Hin Gay, Gabriel.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 31 March 2017

# Consolidated Income Statement

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations:</b>			
Revenue	8	184,595	13,171
Cost of sales		(171,770)	(12,722)
Gross profit		12,825	449
Other gains, net	9	10,752	45
Impairment loss on exploration and evaluation asset	18	(78,747)	(49,802)
Selling and distribution expenses		(80)	(156)
Administrative and operating expenses		(21,746)	(29,033)
Operating loss		(76,996)	(78,497)
Finance income	10	19	188
Finance cost	11	(10,187)	-
<b>Loss before taxation</b>	12	<b>(87,164)</b>	(78,309)
Income tax	13	-	-
<b>Loss for the year from continuing operations</b>		<b>(87,164)</b>	(78,309)
<b>Discontinued operation:</b>			
Profit for the year from discontinued operation	28(a)	-	4
<b>Loss for the year</b>		<b>(87,164)</b>	(78,305)
<b>Attributable to:</b>			
Owners of the Company			
Continuing operations		(34,849)	(44,931)
Discontinued operation		-	211
		(34,849)	(44,720)
<b>Non-controlling interests</b>			
Continuing operations		(52,315)	(33,378)
Discontinued operation		-	(207)
		(52,315)	(33,585)
		(87,164)	(78,305)

# Consolidated Income Statement

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>(Loss)/earnings per share attributable to owners of the Company</b> (expressed in HK cent per share)	16		
Basic and diluted — from continuing operations		(0.49)	(0.75)
Basic and diluted — from discontinued operation		-	0.01
Basic and diluted		(0.49)	(0.74)
Dividends	14	-	-

The notes on pages 50 to 117 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
<b>Loss for the year</b>	<b>(87,164)</b>	(78,305)
<b>Other comprehensive loss</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	(7,234)	(62,288)
Other comprehensive loss for the year, net of tax	(7,234)	(62,288)
<b>Total comprehensive loss for the year</b>	<b>(94,398)</b>	(140,593)
<b>Attributable to:</b>		
Owners of the Company	(42,890)	(88,952)
Non-controlling interests	(51,508)	(51,641)
<b>Total comprehensive loss for the year</b>	<b>(94,398)</b>	(140,593)
<b>Total comprehensive loss attributable to owners of the Company arises from:</b>		
Continuing operations	(42,890)	(46,928)
Discontinued operation	-	(42,024)
	<b>(42,890)</b>	(88,952)

The notes on pages 50 to 117 are an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

As at 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	45	760
Exploration and evaluation asset	18	-	77,500
Investment properties	19	358,279	96,882
Prepayment for investment property	24	25,022	-
Available-for-sale investments	22	100,200	290
Club memberships		330	330
Deposits	24	-	330
		<b>483,876</b>	176,092
<b>Current assets</b>			
Inventories	20	-	407
Trade receivables	23	41,106	6,932
Deposits, prepayments and other receivables	24	95,560	42,734
Bank balances and cash	25	20,609	310,736
		<b>157,275</b>	360,809
<b>Total assets</b>		<b>641,151</b>	536,901
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	29(a)	18,850	17,630
Reserves	29(b)	415,292	359,822
		<b>434,142</b>	377,452
Non-controlling interests		(2,789)	48,719
<b>Total equity</b>		<b>431,353</b>	426,171
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	26	28,914	13,848
Consideration payables for acquisition of investment properties	26	-	96,882
Bank borrowings	27	180,884	-
<b>Total liabilities</b>		<b>209,798</b>	110,730
<b>Total equity and liabilities</b>		<b>641,151</b>	536,901

The notes on pages 50 to 117 are an integral part of these consolidated financial statements.

The financial statements on pages 42 to 117 have been approved by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Suen Cho Hung, Paul  
Director

Zhang Yuanqing  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000			
As at 1 January 2015	13,101	968,297	19,980	77,999	(29,711)	40,303	(463,327)	626,642	288,620	915,262
<b>Comprehensive loss</b>										
Loss for the year	-	-	-	-	-	-	(44,720)	(44,720)	(33,585)	(78,305)
<b>Other comprehensive loss</b>										
Exchange differences arising from translation of foreign operations	-	-	-	-	(44,232)	-	-	(44,232)	(18,056)	(62,288)
<b>Total comprehensive loss for the year</b>	-	-	-	-	(44,232)	-	(44,720)	(88,952)	(51,641)	(140,593)
<b>Transactions with owners in their capacity as owners</b>										
Lapse/cancellation of share options	-	-	-	(6,926)	-	-	6,926	-	-	-
Exercise of share options (note 29(a)(i))	63	5,224	-	(2,149)	-	-	-	3,138	-	3,138
Exercise of warrants (note 29(a)(ii))	1,846	173,848	-	-	-	(20,652)	-	155,042	-	155,042
Placing of shares (note 29(a)(iii))	2,620	201,620	-	-	-	-	-	204,240	-	204,240
Purchase of non-controlling interests (note 15)	-	-	-	-	-	32,901	-	32,901	(32,901)	-
Distribution in specie (note 15)	-	(555,559)	-	-	-	-	-	(555,559)	(155,359)	(710,918)
Derecognition upon distribution in specie	-	-	-	-	55,707	(91,669)	35,962	-	-	-
<b>Total transactions with owners in their capacity as owners</b>	4,529	(174,867)	-	(9,075)	55,707	(79,420)	42,888	(160,238)	(188,260)	(348,498)
As at 31 December 2015	17,630	793,430	19,980	68,924	(18,236)	(39,117)	(465,159)	377,452	48,719	426,171

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000			
As at 1 January 2016	17,630	793,430	19,980	68,924	(18,236)	(39,117)	(465,159)	377,452	48,719	426,171
<b>Comprehensive loss</b>										
Loss for the year	-	-	-	-	-	-	(34,849)	(34,849)	(52,315)	(87,164)
<b>Other comprehensive (loss)/income</b>										
Exchange differences arising from translation of foreign operations	-	-	-	-	(8,041)	-	-	(8,041)	807	(7,234)
<b>Total comprehensive loss for the year</b>	-	-	-	-	(8,041)	-	(34,849)	(42,890)	(51,508)	(94,398)
<b>Transactions with owners in their capacity as owners</b>										
Exercise of warrants (note 29(a)(ii))	2	183	-	-	-	(22)	-	163	-	163
Lapse of warrants (note 29(a)(iii))	-	8,643	-	-	-	(8,643)	-	-	-	-
Issuance of consideration shares (note 29(a)(iv))	1,218	98,199	-	-	-	-	-	99,417	-	99,417
<b>Total transactions with owners in their capacity as owners</b>	1,220	107,025	-	-	-	(8,665)	-	99,580	-	99,580
As at 31 December 2016	18,850	900,455	19,980	68,924	(26,277)	(47,782)	(500,008)	434,142	(2,789)	431,353

The notes on pages 50 to 117 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Operating activities</b>			
Loss before taxation, including discontinued operation		(87,164)	(78,305)
<b>Adjustments for:</b>			
Finance income	10	(19)	(188)
Finance cost	11	10,187	–
Depreciation of property, plant and equipment	17	52	175
Gain on disposals of property, plant and equipment	17	(26)	(51)
Change in fair value of investment properties	19	(2,182)	–
Impairment loss on exploration and evaluation asset		78,747	49,802
Property, plant and equipment written off		680	–
Trade receivable written off		38	–
Other receivable written off		437	–
Write down of inventories	20	421	216
Write-back of accrual of withholding tax		–	(3,157)
Impairment loss on an available-for-sale investment	22	90	57
Operating cash flow before movements in working capital		1,261	(31,451)
Decrease in inventories		–	605
Increase in trade receivables		(34,211)	(6,907)
Increase in deposits, prepayments and other receivables		(52,915)	(39,789)
Increase/(decrease) in trade and other payables		1,311	(6,739)
Net cash used in operating activities		(84,554)	(84,281)
<b>Investing activities</b>			
Purchase of property, plant and equipment	17	(23)	(1,037)
Proceeds from disposals of property, plant and equipment	17	47	304
Settlement of consideration payables for acquisition of investment properties	19	(96,882)	–
Consideration paid for acquisitions of subsidiaries (net of cash and cash equivalents acquired)	30	(104,256)	–
Payment for acquisition of an available-for-sale investment	22	(100,000)	–
Proceeds from disposal of subsidiaries	31	–	4,095
Bank interest received	10	19	188
Net cash (used in)/generated from investing activities		(301,095)	3,550
<b>Financing activities</b>			
Proceeds from exercise of share options	29(a)(i)	–	3,138
Proceeds from exercise of warrants	29(a)(ii)	163	155,042
Proceeds from placing of shares	29(a)(iii)	–	204,240
Interest paid		(10,187)	–
Proceeds from bank borrowings		105,550	–
Cash outflow from distribution in specie	15	–	(112)
Net cash generated from financing activities		95,526	362,308

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net (decrease)/increase in bank balances and cash	(290,123)	281,577
Bank balances and cash at beginning of year	310,736	29,166
Exchange difference on bank balances and cash	(4)	(7)
Bank balances and cash at end of year	20,609	310,736

The principal non-cash transaction is the settlement of consideration in relation to an addition of investment properties by allotment and issuance of new shares of the Company as set out in note 19 to the consolidated financial statements.

The notes on pages 50 to 117 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (Revised) of the Cayman Islands on 3 July 2002. The shares of the Company are listed on the Stock Exchange.

The Group is principally engaged in investment holding, properties investment, natural resources and energy and information technology related businesses.

As at 31 December 2016, the Board considers that Able Victory Enterprises Limited and Epic Wise International Limited, each a company incorporated in the British Virgin Islands, as the immediate and ultimate holding company of the Company respectively, and Mr. Suen Cho Hung, Paul, an Executive Director and the Chairman of the Board, as the ultimate controlling party of the Company.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 31 March 2017.

## 2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The consolidated financial statements have been prepared under the historical cost convention except for investment properties and available-for-sale investments which are measured at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

For the year ended 31 December 2016, the Group recorded a net loss of HK\$87,164,000 and had operating cash outflows of HK\$84,554,000. The loss for the year included an impairment loss recognised for the mining properties in Indonesia of HK\$78,747,000 due to the expiry of the mining permit associated with the mining properties. As at 31 December 2016, the Group's current liabilities exceeded its current assets by HK\$52,523,000 and included in current liabilities were bank borrowings of HK\$180,884,000. The Group had bank balances and cash of HK\$20,609,000 at the same date.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and its available sources of financing to assess whether the Group will have sufficient funds to fulfill its financial obligations to continue as a going concern. The Group has taken a number of measures to improve the Group's financial position and alleviate its liquidity pressure, which include, but not limited to, the following:

1. Subsequent to 31 December 2016, the Group has successfully renewed short-term bank borrowings of RMB92,000,000 (approximately HK\$102,724,000) and RMB70,000,000 (approximately HK\$78,160,000) by extending the maturity date to 16 January 2018 and 22 March 2018 respectively. In addition, the Group has confirmed with the bank that it will unconditionally extend the maturity dates for another twelve months upon the expiry of the bank borrowings.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION (Continued)

2. On 16 March 2017, the Group obtained a loan facility of HK\$100,000,000 from a licensed money lender in Hong Kong. The facility is available for drawdown during the period from 16 March 2017 to 30 September 2018. Such loan is unsecured, bears interest at 12% per annum and once drawn down, the principal is repayable on the date falling at the end of the eighteenth month from the first drawdown date and the interest is repayable on a monthly basis.
3. In respect of the Group's business in trading solar panels, the directors of the Company are enhancing its credit management, including but not limited to, shortening the credit period offered to its customers and demanding its customers to pay deposits in advance so as to improve the Group's working capital. With respect to the properties investment segment, the Group is actively marketing its investment properties for rental in order to increase the cash inflows and at the same time also considering opportunities to dispose of its investment properties for capital gains as they arise.
4. The Group shall implement other cost-saving measures with the objective of keeping the administrative and daily operational expenditures to a minimum.

The directors of the Company have reviewed the Group's cash flow projections prepared by the management of the Company which cover a period of not less than twelve months from 31 December 2016. Based on the cashflow projections and taking into account the anticipated cash flows generated from the Group's operations, possible changes in its operating performance, the new loan facility of HK\$100,000,000 secured, and the continuous availability of the Group's existing banking facilities, the directors of the Company are of the opinion that the Group will have sufficient financial resources to satisfy its future working capital requirements and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2016. Accordingly, the directors of the Company consider that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

- (a) The following new standards/amendments to standards are mandatory for accounting periods beginning on or after 1 January 2016.

Annual Improvements Project	Annual Improvements 2012 – 2014 Cycle
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of these new standards/amendments to standards does not have any significant impact to the results and financial position of the Group.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION (Continued)

- (b) The following new standards/amendments to standards have been issued, but are not effective for the Group's accounting period beginning on 1 January 2016 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 7 (Amendment)	Statement of Cash Flows – Disclosure Initiative	1 January 2017
HKAS 12 (Amendment)	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9 (2014)	Financial Instruments	1 January 2018
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

### HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets held by the Group include equity instruments currently classified as available-for-sale financial assets for which a fair value through other comprehensive income election is available.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: recognition and measurement' and have not been changed.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION *(Continued)*

(b) *(Continued)*

### **HKFRS 9, 'Financial instruments'** *(Continued)*

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

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

### **HKFRS 15, 'Revenue from contracts with customers'**

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION *(Continued)*

(b) *(Continued)*

### **HKFRS 16, 'Leases'**

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$2,213,000 (note 35). The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the consolidated income statement, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) **Consolidation**

#### (i) **Subsidiaries**

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

#### **Business combinations**

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

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Consolidation (Continued)

#### (i) Subsidiaries (Continued)

##### **Business combinations (Continued)**

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

Acquisition-related costs are expensed as incurred.

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

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

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (ii) **Changes in ownership interests in subsidiaries without change of control**

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

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Consolidation (Continued)

#### (iii) Disposals of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### (b) Separate financial statements

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

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

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Chief Executive Officer (the "CEO") who makes strategic decisions.

### (d) Foreign currency translation

#### (i) 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 the Group's presentation currency.

#### (ii) Transactions and balances

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

All foreign exchange gains and losses, including foreign exchange gains and losses that related to borrowings and cash and cash equivalents are presented in the income statement within "administrative and operating expenses".

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Foreign currency translation *(Continued)*

#### (ii) **Transactions and balances** *(Continued)*

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

#### (iii) **Group companies**

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

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. Currency translation difference arising are recognised in other comprehensive income.

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

— Land	Indefinite useful life
— Leasehold improvements	3 years or over the lease term, whichever is shorter
— Plant and machinery	5 years
— Computer equipment and software	2–3 years
— Furniture and fixtures	5 years
— Office equipment	5 years
— Motor vehicles	4 years

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

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

Gain and loss on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains, net" in the consolidated income statement.

### (f) **Exploration and evaluation asset**

The Group's exploration and evaluation asset comprised of mining properties. All costs of acquisition of exploration for and evaluation of mining reserves are capitalised and accumulated on a field-by-field basis. Such costs include licence and land acquisitions, geological and geophysical activity and exploratory drilling. The Group does not have any costs of unproved properties capitalised in exploration and evaluation asset.

No amortisation is charged on the exploration and evaluation asset during the exploration and evaluation phase.

Exploration and evaluation asset is reviewed for impairment when there are indicators that impairment exists. Impairment of mining properties is assessed at each field within the marble mining operating segment level. An impairment loss is recognised for the amount by which the exploration and evaluation asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation asset's fair value less costs to sell and its value in use.

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) **Investment properties**

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

### (h) **Club memberships**

Club memberships with indefinite useful life are stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club memberships have suffered an impairment loss.

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

### (i) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method, which comprises invoiced cost and other incidental expenses. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### (j) **Impairment of non-financial assets other than exploration and evaluation asset**

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

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Discontinued operation

A discontinued operation is a component of the Group's business, the operation and cash flow of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the disposal group constituting the discontinued operation.

### (l) Financial assets

#### **Classification**

The Group's financial assets are mainly loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- (a) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amount that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (note 3(n)) and "bank balances and cash" (note 3(o)) in the consolidated balance sheet.
- (b) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### **Recognition and measurement**

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "Other gains, net".

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (l) **Financial assets** *(Continued)*

#### **Offsetting financial instruments**

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

### (m) **Impairment of financial assets**

#### (i) **Assets carried at amortised cost**

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) **Impairment of financial assets** *(Continued)*

#### (ii) **Assets carried as available-for-sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### (n) **Trade and other receivables**

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

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

### (o) **Bank balances and cash**

Bank balances and cash include cash in hand and deposits held at call with banks.

### (p) **Share capital and equity instruments**

Ordinary shares are classified as equity.

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

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs. Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as equity instruments ("other reserve"). The reserve will be transferred to the share capital and share premium accounts upon the exercise of the warrants.

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (p) **Share capital and equity instruments** *(Continued)*

On the commitment day for the issuance of equity instruments by the Company, a derivative for the commitment arises, which will be measured as financial liability at fair value through profit or loss, is recognised at fair value. Upon the issuance of these equity instruments, such financial liability is remeasured at fair value and the fair value change is recognised in the profit or loss. The financial liability is then derecognised and recorded as equity instruments.

### (q) **Trade payables**

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

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

### (r) **Other payables**

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).

### (s) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings 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.

Borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) **Current and deferred income tax**

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

#### (i) **Current income tax**

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

#### (ii) **Deferred income tax**

##### **Inside basis differences**

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

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

##### **Outside basis differences**

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### (iii) **Offsetting**

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

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

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

#### (ii) *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on the wages for the year of those employees in the PRC. The Group has no further payment obligations once the contributions have been paid. Contributions to these retirement benefits schemes are charged to the consolidated income statement as incurred.

#### (iii) *Share-based payments — share options granted to employees*

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received in exchange for the grant of the options is recognised as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity (share options reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognised in the consolidated income statement with a corresponding adjustment to equity.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to the consolidated income statement.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Employee benefits (Continued)

#### (iv) Share-based payments — share options granted to non-employees

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve) when the counterparties render services or over the period when the non-employees render services, unless the services qualify for recognition as assets.

#### (v) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that created a constructive obligation.

### (v) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

### (w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods sold and services provided in the normal course of business, net of sales related taxes, if any.

Revenue from the sales of marble products, solar panels, electronic components and base oil are recognised when the customer has accepted the goods together with significant risks and rewards of ownership.

Revenue from the rendering of network infrastructure maintenance services is recognised on a time proportion basis over the period of the contract, or when the related services are rendered.

Investment income from the available-for-sale investments are recognised in the consolidated income statement when the Group's right to receive payments is established.

Rental income is recognised on a straight line basis over the lease term.

# Notes to the Consolidated Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (x) **Interest income**

Interest income is recognised using the effective interest method.

### (y) **Contingent liabilities**

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic resources can be estimated reliably, the obligation is disclosed as a contingent liability.

### (z) **Leases**

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) **Estimation of mining reserves**

Mining reserves is a key factor in the Group's investment decision-making process. Estimates of mining reserves are an important element in determining their economic value. Proved plus probable reserves and unrisked prospective resources estimates are subject to revision, either upward or downward, based on new information, such as from production activities or from changes in economic factors, including product mining rock prices, contract terms and development plans. In general, changes in the technical maturity of mining reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of revisions.

### (b) **Impairment assessment of mining properties**

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the Group's mining properties may be impaired.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount. The sources utilised to identify facts and circumstances that indicate impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment has to be performed as at any given balance sheet date.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### (c) **Estimation of fair value of investment properties**

The fair value of investment properties are determined by an independent valuer in an open market for existing use basis. Details of the key judgement and assumptions have been disclosed in note 19.

The carrying amount of investment properties as at 31 December 2016 was HK\$358,279,000 (2015: HK\$96,882,000).

### (d) **Impairment of trade receivables**

The policy of impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of trade receivables and management's judgment. Judgment is required in assessing the current creditworthiness and the past collection history of each counterparty. If the financial conditions of counterparty were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment might be required.

### (e) **Fair value of available-for-sale financial assets**

The fair value of available-for-sale financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The fair value also reflects the discounted cash flows that could be expected from the ultimate sale after deducting the estimated expenses directly associated with the sale.

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial well being and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### (f) **Valuation of share options granted**

The fair value of share options granted was priced using a binomial option pricing model which requires the management's estimates and assumptions on significant calculation inputs, including the estimated life of share options granted, the volatility of share price and expected dividend yield. Changes in the subjective input assumptions could materially affect the fair value estimate, which would in turn affect the share-based payment expense recognised for the period and its corresponding impact on the share option reserve. Estimates relating to the evaluation of share options are discussed in note 32(c).

# Notes to the Consolidated Financial Statements

## 5 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists solely of equity attributable to owners of the Company, comprising issued share capital and reserves. Capital as at 31 December 2016 amounted to HK\$434,142,000 (2015: HK\$377,452,000).

The Directors review the cost of capital and the associated risks on a regular basis, and take appropriate actions to adjust the Group's capital structure in a timely manner.

In order to fund the Group's natural resources and energy related business and current development, significant amounts of capital in the form of borrowing or equity, or a combination of both, are considered to be necessary in the future. The Directors consider such funding for the future development of natural resources end energy related business will be available as and when required.

As at 31 December 2015, the Group did not have any borrowings. The gearing ratio as at 31 December 2016 was as follows:

	2016 HK\$'000
Bank borrowings (note 27)	180,884
Less: Bank balances and cash (note 25)	(20,609)
Net debt	160,275
Total equity	431,353
Gearing ratio	37%

## 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### (a) Financial risk factors

The Group's major financial instruments include available-for-sale investments, trade receivables, other receivables, deposits, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk, other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group's management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

# Notes to the Consolidated Financial Statements

## 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

### (a) **Financial risk factors** *(Continued)*

#### (i) **Currency risk**

The Directors monitor the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The assets are primarily denominated in Renminbi (“RMB”), Canadian dollars (“CAD”) and the United States dollars (“US\$”) (2015: CAD and US\$).

As HK\$ is pegged to US\$, foreign exchange exposure is considered as minimal.

At 31 December 2016, if the HK\$ had weakened/strengthened by 10% against the RMB with all other variables held constant, post-tax loss for the year would have been HK\$393,000 lower/higher.

At 31 December 2016 and 2015, the foreign exchange exposure between HK\$ and CAD is considered insignificant.

#### (ii) **Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly the interest bearing bank balances at prevailing market interest rates and bank borrowings. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and bank borrowings at the balance sheet date. The analysis is prepared assuming the relevant assets and liabilities outstanding at the balance sheet date were outstanding for the whole year. If interest rates had been 1% higher/lower and all other variables were held constant, the loss for the year ended 31 December 2016 would increase/decrease (2015: decrease/increase) by approximately HK\$1,765,000 (2015: HK\$1,518,000).

#### (iii) **Other price risk**

The Group is exposed to equity price risk through their investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group’s equity price risk is mainly concentrated on its investment in the equity securities of Petromin Resources Ltd (“Petromin”), a company operating in resources sector and whose shares are quoted in the Toronto Stock Exchange Venture Exchange. The Group considers its exposure to equity price risk is not significant.

# Notes to the Consolidated Financial Statements

## 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

### (a) **Financial risk factors** *(Continued)*

#### (iv) **Credit risk**

At the balance sheet date, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

There is concentration of credit risk on liquid funds which are deposited with several banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit standing.

As at 31 December 2016, in respect of trade receivables, the Group is exposed to concentration of credit risk to the extent that HK\$40,128,000 (2015: HK\$6,838,000) of trade receivables is attributable by the top customer (2015: top two customers). In order to minimise the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

#### (v) **Liquidity risk**

The Directors have built a liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The maturity dates of all financial liabilities are within one year as at the respective balance sheet dates, and the undiscounted cash flows equal their carrying values, as the impact of discounting is not significant. Subsequent to 31 December 2016, the Group has successfully renewed short-term bank borrowings of RMB92,000,000 (approximately HK\$102,724,000) and RMB70,000,000 (approximately HK\$78,160,000) by extending the maturity date to 16 January 2018 and 22 March 2018 respectively. In addition, the Group has confirmed with the bank that it will unconditionally extend the maturity dates for another twelve months upon the expiry of the bank borrowings.

In order to fund the development of the Group's various businesses and other normal operating disbursements, management will consider if additional capital in the form of borrowing or equity, or a combination of both, will be necessary in the future. The Directors consider such capital will be available as and when required. Management is also implementing more stringent measures to reduce normal operating disbursement in order to reduce liquidity risk.

As at 31 December 2016, there are conditions indicating the existence of liquidity concerns and a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. The directors of the Company have undertaken certain measures to improve the Group's financial position and alleviate its liquidity pressure. For details of these conditions and measures, please refer to note 2.

# Notes to the Consolidated Financial Statements

## 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

### (b) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 December 2016</b>				
<b>Asset</b>				
Available-for-sale investments	200	–	100,000	100,200
<b>As at 31 December 2015</b>				
<b>Asset</b>				
Available-for-sale investment	290	–	–	290

There were no transfers of financial assets between Level 1, Level 2 and Level 3 fair value hierarchy classification for the year ended 31 December 2016 and 2015.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instrument included in level 1 comprise a listed equity securities classified as available-for-sale investment denominated in CAD.

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Instrument included in level 3 comprise an unlisted equity securities classified as available-for-sale investment denominated in US\$.

# Notes to the Consolidated Financial Statements

## 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

### (b) Fair value estimation (Continued)

The following table presents the changes in Level 3 instruments for the year ended 31 December 2016 and 2015.

	2016 HK\$'000	2015 HK\$'000
At 1 January	-	630
Disposal of subsidiaries	-	(630)
Addition	100,000	-
<b>At 31 December</b>	<b>100,000</b>	<b>-</b>

### (c) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets</b>		
Loans and receivables		
Trade receivables	41,106	6,932
Deposits and other receivables	7,931	804
Bank balances and cash	20,609	310,736
Available-for-sale investments	100,200	290
	<b>169,846</b>	<b>318,762</b>
<b>Financial liabilities</b>		
Amortised cost		
Trade and other payables	28,914	13,436
Consideration payables for acquisition of investment properties	-	96,882
Bank borrowings	180,884	-
	<b>209,798</b>	<b>110,318</b>

Except for available-for-sale investments which are carried at fair value, all financial assets and liabilities are carried at amortised cost.

# Notes to the Consolidated Financial Statements

## 7 SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the CEO, the Group has presented the following reportable segments:

- (i) Natural resources and energy related business
- (ii) Information technology and related business
- (iii) Properties investment
- (iv) Investment holding
- (v) Exploration, development and production of coalbed methane and natural gas in China (discontinued operation)

For the purposes of assessing segment performance and allocating resources between segments, the CEO monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

- (a) Segment assets include all tangible and intangible assets and current assets with the exception of club memberships and other unallocated corporate assets.
- (b) Segment liabilities include all liabilities with the exception of bank borrowings and other unallocated corporate liabilities.
- (c) Segment results are allocated to reportable segments with reference to sales generated and expenses incurred by those segments, together with other gains, net, impairment loss on exploration and evaluation asset, selling and distribution expenses and administrative and operating expenses.

The amounts provided to the CEO with respect to the information mentioned above are measured in a manner consistent with that of the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 7 SEGMENT INFORMATION (Continued)

An analysis of the Group's revenue, results, certain assets, liabilities and capital expenditures for the Group's reportable segments is as follows:

	Continuing operations				Consolidated HK\$'000
	Natural resources and energy related business HK\$'000	Information technology and related business HK\$'000	Properties investment HK\$'000	Investment holding HK\$'000	
<b>For the year ended 31 December 2016</b>					
<b>Segment revenue</b>	161,970	14,168	1,022	7,435	184,595
Gross profit	4,205	209	976	7,435	12,825
Other gains, net	7,750	802	2,316	(90)	10,778
Impairment loss on exploration and evaluation asset	(78,747)	-	-	-	(78,747)
Selling and distribution expenses	(80)	-	-	-	(80)
Administrative and operating expenses	(2,062)	-	(1,617)	-	(3,679)
<b>Segment results</b>	<b>(68,934)</b>	<b>1,011</b>	<b>1,675</b>	<b>7,345</b>	<b>(58,903)</b>
Unallocated: Other losses, net					(26)
Administrative and operating expenses					(18,067)
Operating loss					(76,996)
Finance income					19
Finance cost					(10,187)
Loss before taxation					(87,164)
Income tax					-
Loss for the year					(87,164)
<b>As at 31 December 2016</b>					
<b>Segment assets</b>	143,275	-	384,656	107,635	635,566
Unallocated assets					5,585
<b>Total assets</b>					<b>641,151</b>
<b>Segment liabilities</b>	8,064	-	18,224	-	26,288
Unallocated liabilities					183,510
<b>Total liabilities</b>					<b>209,798</b>

	Continuing operations				Consolidated HK\$'000
	Natural resources and energy related business HK\$'000	Information technology and related business HK\$'000	Properties investment HK\$'000	Investment holding HK\$'000	
<b>For the year ended 31 December 2016</b>					
<b>Capital expenditures (including additions of investment properties and property, plant and equipment)</b>	-	-	274,348	-	274,348

# Notes to the Consolidated Financial Statements

## 7 SEGMENT INFORMATION (Continued)

	Continuing operations			Subtotal HK\$'000	Discontinued operation (note 28)	Consolidated HK\$'000
	Natural resources and energy related business HK\$'000	Information technology and related business HK\$'000	Properties investment HK\$'000		Gas exploration in China HK\$'000	
For the year ended 31 December 2015						
Segment revenue	13,160	11	–	13,171	–	13,171
Gross profit	440	9	–	449	–	449
Other gains, net	24	32	–	56	5	61
Impairment loss on exploration and evaluation asset	(49,802)	–	–	(49,802)	–	(49,802)
Selling and distribution expenses	(156)	–	–	(156)	–	(156)
Administrative and operating expenses	(3,011)	(623)	(359)	(3,993)	(1)	(3,994)
Segment results	(52,505)	(582)	(359)	(53,446)	4	(53,442)
Unallocated: Other losses, net Administrative and operating expenses						(11) (25,040)
Operating loss						(78,493)
Finance income						188
Loss before taxation						(78,305)
Income tax						–
Loss for the year						(78,305)
As at 31 December 2015						
Segment assets	283,700	–	96,882	380,582	–	380,582
Unallocated assets						156,319
Total assets						536,901
Segment liabilities	11,697	–	97,227	108,924	–	108,924
Unallocated liabilities						1,806
Total liabilities						110,730

# Notes to the Consolidated Financial Statements

## 7 SEGMENT INFORMATION (Continued)

	Continuing operations			Subtotal HK\$'000	Discontinued operation (note 28)		Consolidated HK\$'000
	Natural resources and energy related business HK\$'000	Information technology and related business HK\$'000	Properties investment HK\$'000		Gas exploration in China HK\$'000	Unallocated HK\$'000	
For the year ended 31 December 2015							
Capital expenditures (including additions of investment properties and property, plant and equipment)	-	-	96,882	96,882	-	1,037	97,919

The Group's non-current assets other than available-for-sale investments as at 31 December 2016 and 2015 are further analysed as follows:

	2016 HK\$'000	2015 HK\$'000
Hong Kong (place of domicile)	330	660
The PRC	383,324	96,882
Indonesia	22	78,260
	<b>383,676</b>	175,802

Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	2016 HK\$'000	2015 HK\$'000
Customer A	161,894	8,684
Customer B	-	4,135

Revenue from external customers/sources by geographical locations, based on the location of the external customers/sources:

	2016 HK\$'000	2015 HK\$'000
Hong Kong	21,603	11
The PRC	162,916	12,819
Indonesia	76	341
	<b>184,595</b>	13,171

# Notes to the Consolidated Financial Statements

## 8 REVENUE

Revenue represents amount receivable for goods sold and services provided to external customers in the normal course of business and income from investments.

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

	2016 HK\$'000	2015 HK\$'000
Continuing operations:		
Sale of solar panels	161,894	8,684
Sale of electronic components	14,168	–
Investment income	7,435	–
Rental income	1,022	–
Sale of marble products	76	341
Sale of base oil	–	4,135
Network infrastructure maintenance	–	11
	<b>184,595</b>	<b>13,171</b>

## 9 OTHER GAINS, NET

	2016 HK\$'000	2015 HK\$'000
Continuing operations:		
Change in fair value of investment properties ( <i>note 19</i> )	2,182	–
Impairment loss on an available-for-sale investment ( <i>note 22</i> )	(90)	(57)
Compensation received ( <i>note</i> )	7,896	–
Gain on disposals of property, plant and equipment	26	51
Others, net	738	51
	<b>10,752</b>	<b>45</b>

Note:

Compensation received mainly represented the one-off compensation from suppliers which were not able to deliver the goods according to the contract terms. The Group entered into termination agreements with these suppliers and agreed the amounts of compensation.

## 10 FINANCE INCOME

	2016 HK\$'000	2015 HK\$'000
Continuing operations:		
Bank interest income	19	188

# Notes to the Consolidated Financial Statements

## 11 FINANCE COST

	2016 HK\$'000	2015 HK\$'000
Continuing operations:		
Interest on bank borrowings wholly repayable within one year	10,187	–

## 12 LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting) the following:

	Continuing operations		Discontinued operation		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	171,303	12,504	–	–	171,303	12,504
Depreciation of property, plant and equipment	52	175	–	–	52	175
Auditor's remuneration						
— Audit services	1,709	1,147	–	–	1,709	1,147
— Non-audit services	130	118	–	–	130	118
Operating lease payments	2,380	2,514	–	–	2,380	2,514
Legal and professional fees	3,252	3,105	–	–	3,252	3,105
Investor relations expenses	–	273	–	–	–	273
Staff costs, including directors' emoluments						
— Salaries, allowances and other benefits	9,238	18,075	–	–	9,238	18,075
— Retirement benefit scheme contributions	292	249	–	–	292	249
— Social insurance	54	–	–	–	54	–
— Discretionary and performance related incentive payments	–	2,877	–	–	–	2,877
Exchange loss/(gain), net	529	(86)	–	(6)	529	(92)
Write down of inventories	421	216	–	–	421	216
Write-back of accrual of withholding tax (note)	–	(3,157)	–	–	–	(3,157)
Property, plant and equipment written off	680	–	–	–	680	–
Trade receivable written off	38	–	–	–	38	–
Other receivable written off	437	–	–	–	437	–

Note:

During the year ended 31 December 2015, the Group wrote-back an accrual of withholding tax amounted to HK\$3,157,000 in relation to consultancy fee payable from TerraWest Energy Corporation.

# Notes to the Consolidated Financial Statements

## 13 INCOME TAX

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and accordingly are exempted from the payment of the British Virgin Islands income taxes.

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits in Hong Kong for the year ended 31 December 2016 (2015: nil).

Enterprise Income Tax has not been provided for the subsidiaries in the PRC as they did not generate any assessable profits during the year ended 31 December 2016 (2015: nil).

Corporate Income Tax has not been provided for the subsidiaries in Indonesia as they did not generate any assessable profits during the year ended 31 December 2016 (2015: nil).

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using domestic income tax rate applicable to losses/profits of the consolidated entities as follows:

	Continuing operations		Discontinued operation		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
(Loss)/profit before taxation	(87,164)	(78,309)	-	4	(87,164)	(78,305)
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	(14,382)	(12,921)	-	1	(14,382)	(12,920)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(7,012)	(264)	-	(1)	(7,012)	(265)
Tax effect of:						
— income not subject to tax	(1,413)	(31)	-	-	(1,413)	(31)
— expenses not deductible	20,526	9,156	-	-	20,526	9,156
— effect of tax losses not recognised	2,281	4,060	-	-	2,281	4,060
Income tax	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

## 13 INCOME TAX (Continued)

The Group has unrecognised deferred tax assets from estimated tax losses of approximately HK\$11,601,000 (2015: HK\$13,182,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. The unrecognised deferred tax assets from estimated tax losses arising from the subsidiaries in the PRC are approximately HK\$475,000 (2015: HK\$90,000), which will expire in five years from the respective year of loss. Also the unrecognised deferred tax assets from estimated tax losses relating to subsidiaries in Hong Kong are approximately HK\$11,111,000 (2015: HK\$9,215,000) that have no expiry date. The unrecognised deferred tax assets from estimated tax losses related to Indonesia operations that will expire in five years are approximately HK\$2,000, HK\$5,000, HK\$5,000 and HK\$3,000 (2015: HK\$473,000, HK\$1,814,000, HK\$910,000 and HK\$680,000), which will expire in 2018, 2019, 2020 and 2021 respectively (2015: 2017, 2018, 2019 and 2020 respectively). During the year ended 31 December 2016, the previously unrecognised deferred tax assets of HK\$3,862,000 (2015: nil) have been written off as a result of the participation in the Indonesian Tax Amnesty Program.

There is no tax impact relating to components of other comprehensive loss for the year ended 31 December 2016 (2015: nil).

## 14 DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2016 (2015: nil).

## 15 DISTRIBUTION IN SPECIE

On 24 November 2014, the Board announced a proposed dividend by way of distribution in specie to distribute all of its equity interest of Chinook Holdings Limited, Aces Diamond International Limited (“Aces Diamond”) and Chavis International Limited (“Chavis”), former subsidiaries of the Company which collectively held 71.61% equity interest in TerraWest Energy Corporation (“TWE”), altogether known as “Chinook Group”, to its shareholders upon the approval by the shareholders and the completion of a restructuring plan (the “Distribution in Specie”).

On 29 January 2015, Aces Diamond subscribed for 95,923,930 ordinary shares of TWE through exercise of 90,000,000 C Warrants and 5,923,930 D Warrants of TWE at an aggregate consideration of approximately CAD6,892,000 (equivalent to approximately HK\$43,032,000). The considerations were fully set off by the debt owed by TWE to the Company. After the subscription, the Group’s controlling interests in TWE had increased from 71.61% to 77.97%. The difference between the considerations paid and the additional share of the carrying value of the net assets of TWE acquired of approximately HK\$32,901,000 was recorded in equity.

On 18 February 2015, all the Company’s equity interests of Chinook Group were distributed to the owners of the Company. The net assets value of Chinook Group attributable to the owners of the Company at the date of completion of distribution was approximately HK\$555,559,000, which was directly deducted from equity.

# Notes to the Consolidated Financial Statements

## 15 DISTRIBUTION IN SPECIE (Continued)

The net assets of the Chinook Group at the date of completion of distribution in specie:

	HK\$'000
Exploration and evaluation asset — oil and gas properties	914,421
Bank balances and cash	112
Other payables	(9,322)
Deferred tax liabilities	(194,293)
<b>Net assets</b>	<b>710,918</b>
Non-controlling interests	(155,359)
<b>Net assets attributable to the owners of the Company</b>	<b>555,559</b>
<b>Net cash outflow from distribution in specie:</b>	
Outflow of cash and cash equivalents from distribution in specie	(112)

## 16 (LOSS)/EARNINGS PER SHARE

- (a) Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2016 and 2015.

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	2016	2015
(Loss)/profit attributable to owners of the Company for the purpose of calculating basic (loss)/earnings per share (HK\$'000)		
— Continuing operations	(34,849)	(44,931)
— Discontinued operation	-	211
	<b>(34,849)</b>	<b>(44,720)</b>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share ('000)	<b>7,152,413</b>	5,963,358

- (b) The Group had share options outstanding as at 31 December 2016. The share options did not have a dilutive effect on loss per share for the year ended 31 December 2016 (2015: the share options and warrants did not have a dilutive effect on loss per share).

# Notes to the Consolidated Financial Statements

## 17 PROPERTY, PLANT AND EQUIPMENT

	Land (note (ii)) HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Computer equipment and software HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1 January 2015</b>								
Cost	723	1,107	82	1,087	530	510	3,873	7,912
Accumulated depreciation	-	(1,105)	(47)	(1,038)	(511)	(368)	(3,565)	(6,634)
<b>Net book amount</b>	<b>723</b>	<b>2</b>	<b>35</b>	<b>49</b>	<b>19</b>	<b>142</b>	<b>308</b>	<b>1,278</b>
<b>Year ended 31 December 2015</b>								
Opening net book amount	723	2	35	49	19	142	308	1,278
Exchange differences	(71)	-	(5)	(4)	-	(9)	(1)	(90)
Additions	-	-	-	16	-	2	1,019	1,037
Disposals	-	-	-	(34)	(17)	(15)	(187)	(253)
Disposals through disposal of subsidiaries (note 31)	-	-	-	(1)	(2)	(2)	(1,032)	(1,037)
Depreciation charge (note (i))	-	(2)	(15)	(15)	-	(58)	(85)	(175)
<b>Closing net book amount</b>	<b>652</b>	<b>-</b>	<b>15</b>	<b>11</b>	<b>-</b>	<b>60</b>	<b>22</b>	<b>760</b>
<b>At 31 December 2015</b>								
Cost	652	1,107	74	49	-	255	89	2,226
Accumulated depreciation	-	(1,107)	(59)	(38)	-	(195)	(67)	(1,466)
<b>Net book amount</b>	<b>652</b>	<b>-</b>	<b>15</b>	<b>11</b>	<b>-</b>	<b>60</b>	<b>22</b>	<b>760</b>

# Notes to the Consolidated Financial Statements

## 17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land (note (ii)) HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Computer equipment and software HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Year ended 31 December 2016</b>								
Opening net book amount	652	-	15	11	-	60	22	760
Exchange differences	22	-	1	1	-	(10)	1	15
Additions	-	-	-	23	-	-	-	23
Written off	(674)	-	(6)	-	-	-	-	(680)
Disposals	-	-	-	-	-	(16)	(5)	(21)
Depreciation charge (note (i))	-	-	(10)	(6)	-	(18)	(18)	(52)
<b>Closing net book amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>45</b>
<b>At 31 December 2016</b>								
Cost	-	1,107	-	71	-	95	-	1,273
Accumulated depreciation	-	(1,107)	-	(42)	-	(79)	-	(1,228)
<b>Net book amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>45</b>

Notes:

- (i) During the year ended 31 December 2016, the depreciation charge for continuing operations amounted to HK\$52,000 (2015: HK\$175,000) was charged to the administrative and operating expenses in the consolidated income statement.
- (ii) The Group's interests in land in Indonesia are freehold and it was fully written-off during the year ended 31 December 2016 (2015: nil) as a result of the full impairment of the mining properties (note 18).

### Proceeds from disposals of property, plant and equipment

	2016 HK\$'000	2015 HK\$'000
Net book amount	21	253
Gain on disposals of property, plant and equipment	26	51
<b>Proceeds from disposals of property, plant and equipment</b>	<b>47</b>	<b>304</b>

# Notes to the Consolidated Financial Statements

## 18 EXPLORATION AND EVALUATION ASSET

	2016 HK\$'000	2015 HK\$'000
Mining properties	-	77,500

Movement of the mining properties during the year is as follows:

	2016 HK\$'000	2015 HK\$'000
At cost		
At 1 January	77,500	141,070
Exchange differences	1,247	(13,768)
Impairment loss	(78,747)	(49,802)
<b>At 31 December</b>	<b>-</b>	<b>77,500</b>

The Company indirectly holds approximately 90% interest in PT. Bara Hugo Energy (“BHE”, a subsidiary of the Company) which in turn holds 37.5% interest in PT. Grasada Multinational (“GM”). GM holds a mining permit (the “Mining Permit”) for a marble site covering approximately 33 hectares at Selenrang, Bontoa, Maros Regency (the “Maros Marble Project”) in southwestern Sulawesi, Indonesia (the “GM Quarry”).

# Notes to the Consolidated Financial Statements

## 18 EXPLORATION AND EVALUATION ASSET *(Continued)*

### (a) **Impairment loss recognised for the year ended 31 December 2015**

The Company originally planned to commence production of the Maros Marble Project in the first half of 2015. However, as a result of the downturn of global commodity prices (which included marble, and its price decrease became notable in the last quarter of 2015), and the fact that the economy and the property development sector in the target markets, where the marbles to be produced by the Group export to (namely China, Middle East and Southeast Asia), have been sluggish, the management had decided to put the production commencement on hold.

Taking into account the delay of the project as well as the fluctuation in the prices of marbles, the management had determined that the performance of an impairment assessment was necessary and had engaged Roma Appraisal Limited (“Roma”) to assist them on the assessment. The management adopted US\$600 per cubic metre as the marble price for the purpose of valuation, which represented a decrease of 8% from US\$650 per cubic metre as stated in the competent person’s report of the Maros Marble Project issued in February 2014 and used in previous valuations of the mine.

The discount rate used was 13.47% compared to 12.50% used in the previous impairment assessments and the calculation of weighted average cost of capital was based on market participant’s data. Except for the delay of the project as well as the fluctuation in the prices of marbles, there has been no change in the valuation methodology and only minor changes in other miscellaneous factors in comparison to the previous valuations.

An independent valuation on the recoverable value of the mining properties was performed by the valuer, Roma, based on “value-in-use” calculations. As a result of the assessment, an impairment loss of HK\$49,802,000 was charged to the consolidated income statement for the year ended 31 December 2015.

# Notes to the Consolidated Financial Statements

## 18 EXPLORATION AND EVALUATION ASSET *(Continued)*

### (b) Impairment loss recognised for the year ended 31 December 2016

The Mining Permit associated with the mining properties expired on 22 January 2017, and the extension of which is subject to the approval by the Provincial Government of South Sulawesi.

In May 2016, after the management of BHE was made aware by the Provincial Government of South Sulawesi that certain of the mining areas within the GM Quarry might be designated as archaeological and tourism sites, and that GM had delegated BHE to submit an application (the “Application”) for extending the mining permit (the “New Mining Permit”), BHE had accordingly made the Application with a reduced mining area within the GM Quarry that focused on the key development area as referred to in the competent person’s report on the GM Quarry as stated in the Company’s announcement dated 17 February 2014.

As announced by the Company on 18 January 2017, despite the attempts by BHE to apply for the recommendation from the local government of Maros Regency which is essential for obtaining the New Mining Permit from the Provincial Government of South Sulawesi, the local government of Maros Regency verbally informed BHE that it refused to give such recommendation because the location of the relevant mine subject to the New Mining Permit falls into the planning tourist development area of Maros Regency which is no longer intended for mining activity. Upon receiving the verbal notification, BHE immediately sought for legal advice in Indonesia. Based on the legal advice obtained by BHE, the Provincial Government of South Sulawesi is unlikely to approve the application of the New Mining Permit in the absence of a positive recommendation from the local government of Maros Regency. Up to the date of this report, despite various attempts by BHE, the positive recommendation from the local government of Maros Regency in relation to the New Mining Permit still cannot be obtained. Accordingly, full impairment on the Group’s mining properties in relation to the Maros Marble Project with carrying value of approximately HK\$78,747,000 was provided during the year ended 31 December 2016.

All expenditures in relation to mining properties were capitalised in previous years and there was no operating cash flow for the year ended 31 December 2016 (2015: nil).

The Group will continue to negotiate with the local government of Maros Regency to explore the possibilities to obtain a mining permit for a mining area with size and quality comparable to the Maros Marble Project.

# Notes to the Consolidated Financial Statements

## 19 INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
At fair value		
At 1 January	96,882	–
Acquisitions	99,417	96,882
Acquired through subsidiaries (note 30(a) and note 30(b))	174,908	–
Exchange differences	(15,110)	–
Change in fair value	2,182	–
<b>At 31 December</b>	<b>358,279</b>	<b>96,882</b>

On 23 December 2015, the Company announced the acquisition of the fourth floor and the fifth floor of a building situated at Dalian city, Liaoning province, the PRC at a consideration of approximately HK\$102,304,000, which would be settled by the allotment and issuance of 487,161,789 new shares of the Company (note 29(a)(iv)). The total floor area approximates 2,842.54 square meters, of which the fourth floor has a total floor area of 1,406.27 square meters and the fifth floor has a total floor area of 1,436.27 square meters. The transaction was approved by shareholders of the Company on 3 March 2016 and was completed on 18 October 2016 on which day the fair value of the 487,161,789 new shares issued by the Company was HK\$99,417,000.

On 12 July 2016, the Company announced the acquisition of Liaoning Taoqibao Mall Management Co., Ltd. (literal translation of the Chinese name) (“Liaoning Taoqibao”) which owned a piece of land of gross area of approximately 4,320 square meters together with a twelve-floor property erected thereon with gross construction area of approximately 17,800 square meters at a consideration of RMB100,000,000 (equivalent to approximately HK\$116,863,000). The property is situated in Yingkou city, Liaoning province, the PRC. The acquisition was completed on 20 July 2016.

On 23 December 2016, the Company announced the acquisition of Yingkou Hailanggu Travel Co., Limited (literal translation of the Chinese Name) (“Yingkou Hailanggu”) which owned two parcels of land located at Bai Sha Wan, Bayuquan district of Yingkou city, Liaoning province, the PRC with the gross usage area of approximately 59,245 square meters at a consideration of RMB62,000,000 (equivalent to approximately HK\$69,227,000). The acquisition was completed on 30 December 2016. Amongst the two parcels of land, the land use right permit for a parcel of land with a gross usage area of approximately 22,410 square meters has not been obtained as of 31 December 2016. Accordingly, the payment made was accounted for as a prepayment (note 24). As at 31 December 2015 and 2016, the Group had no unprovided contractual obligations for future repairs and maintenance.

### (a) Amounts recognised in profit or loss for investment properties

Rental income of approximately HK\$1,022,000 (2015: nil) and direct expenses of approximately HK\$46,000 (2015: nil) were recognised in profit or loss for investment properties during the year ended 31 December 2016.

# Notes to the Consolidated Financial Statements

## 19 INVESTMENT PROPERTIES (Continued)

### (b) Fair value hierarchy

Except for the parcel of land acquired on 30 December 2016, an independent valuation of the investment properties was performed by an independent valuer, RHL Appraisal Limited to determine the fair values of the investment properties as at 31 December 2016. For the parcel of land acquired on 30 December 2016, the management of the Company has assessed the fair value based on their estimation as the transaction was completed near year end.

	Fair value measurements using significant other observable inputs (Level 2) HK\$'000
Recurring fair value measurements	
<b>At 31 December 2016</b>	
– Various retail shops located at Liaohai Garden, Bayuquan district, Yingkou city, Liaoning province, the PRC	91,894
– Wuzi Composite Building, South of Huanghe Road, Bayuquan district, Yingkou city, Liaoning province, the PRC	125,726
– Retail portion on the fourth floor and the fifth floor of Block A, Bao Hua Wang Yuan, Zhongshan district, Dalian city, Liaoning province, the PRC	96,471
– Parcel of land of approximately 36,835 square meters in Bai Sha Wan, Bayuquan district, Yingkou city, Liaoning province, the PRC	44,188
	<b>358,279</b>
<b>At 31 December 2015</b>	
– Various retail shops located at Liaohai Garden, Bayuquan district, Yingkou city, Liaoning province, the PRC	96,882

The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer between Level 1, 2 and 3 during the year.

### (c) Valuation process of the Group

RHL Appraisal Limited holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued.

The Group's finance department reviews the valuations performed by the independent valuer for financial reporting purposes. The finance department reports directly to the CEO. Discussions of valuation processes and results are held between the CEO, the finance department and the independent valuer on a regular basis.

# Notes to the Consolidated Financial Statements

## 19 INVESTMENT PROPERTIES (Continued)

### (c) Valuation process of the Group (Continued)

At each financial year ends the finance department:

- verifies all major inputs to the independent valuation report;
- assess property valuations movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

### (d) Valuation method

The valuation method is based on comparing the properties to be valued directly with other comparable properties, which have recently transacted or those which are currently listed on the market. However, given the heterogeneous nature of real estate properties, assumptions under observable inputs, including adopted units rates and adopted units rents, are required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

There were no changes to the valuation method during the year.

### (e) Minimum lease receipts

One of the investment properties located in Yingkou city are leased to a tenant under long-term operating leases with rentals payable quarterly. Management intends to lease the investment properties located Dalian city and the parcel of land located in Yingkou city to earn rental income.

At 31 December 2016, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2016 HK\$'000	2015 HK\$'000
Not later than one year	4,088	–
Later than one year but not later than five years	14,996	–
	19,084	–

## 20 INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Marbles	–	407

For the year ended 31 December 2016, the Group has written down inventories of HK\$421,000 (2015: HK\$216,000) in the cost of sales in the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 21 SUBSIDIARIES

Details of the principal subsidiaries held by the Group as at 31 December 2016 are as follows:

Name	Place of incorporation and kind of legal entity	Particulars of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities and place of operation
			Direct	Indirect	
Rich Concept Technology Limited	BVI, limited liability company	10,000 Ordinary shares of 1 US\$ each	100	–	Investment holding in Hong Kong
CCST Singapore Pte. Ltd.	Singapore, limited liability company	10,000 Ordinary shares of 1 Singapore dollar (“SGD”) each	–	100	Environmental projects in South East Asia
BHE	Indonesia, limited liability company	600,000 Ordinary shares of 9,052 Indonesian Rupiah (“IDR”) each	–	90.3	Investment holding in Indonesia
GM	Indonesia, limited liability company	24,000,000 Ordinary shares of 100 IDR each	–	33.8 <sup>(a)</sup>	Marble rock mining in Indonesia
Enviro Energy Management Services Limited	Hong Kong, limited liability company	1 Ordinary share	–	100	Provision of management service in Hong Kong
Enviro Energy Information Technology Limited	Hong Kong, limited liability company	1 Ordinary share	–	100	Trading of information technology related product in the PRC
Enviro Energy Minerals Limited	Hong Kong, limited liability company	1 Ordinary share	–	100	Investment holding and trading of base oil in the PRC
Huan Neng International Trading (Yingkou) Company Limited (“HNYK”)*	PRC, limited liability company	RMB100,000,000	–	100	Properties investment in the PRC
Liaoning Taoqibao	PRC, limited liability company	RMB100,000,000	–	100	Properties investment in the PRC
Huan Neng Industrial (Yingkou) Company Limited (“HN Industrial”)*	PRC, limited liability company	RMB8,000,000	–	100	Properties investment in the PRC
Yingkou Hailanggu	PRC, limited liability company	RMB28,880,000	–	100	Properties investment in the PRC

\* *Literal transaction of the Chinese name*

# Notes to the Consolidated Financial Statements

## 21 SUBSIDIARIES (Continued)

### (a) Ordinary shares and warrants in GM

GM was acquired on 15 May 2012 through acquisition of subsidiaries.

GM has 13,500,000 outstanding warrants as at 31 December 2016 (2015: 13,500,000) which are currently exercisable. Assuming the full conversion of all outstanding warrants of GM, the Group would hold approximately 54.15% (2015: 54.15%) controlling interest of the enlarged capital and have control over the financial and operating decisions of GM. Accordingly, the Group consolidates its interest in GM as a subsidiary.

	Number of ordinary shares with par value		Number of warrants	
	2016 '000	2015 '000	2016 '000	2015 '000
<b>Issued and outstanding:</b>				
At the beginning of year and end of year				
Ordinary shares with par value	24,000	24,000	13,500	13,500
Number of ordinary shares and warrants owned by the Group as at end of the year	9,000	9,000	13,500	13,500

Details of outstanding warrants of GM and their respective exercise price are detailed as follows:

Expiry of warrants		Outstanding at 31 December 2016 and 2015 ( <i>'000</i> )	Exercise price (IDR per share)
A Warrant	3 months after commencement of marble production	2,250	444
A Warrant	3 months after commencement of marble production	2,250	888
B Warrant	6 months after commencement of marble production	2,250	888
B Warrant	6 months after commencement of marble production	2,250	1,333
C Warrant	12 months after commencement of marble production	4,500	1,779
		13,500	

# Notes to the Consolidated Financial Statements

## 21 SUBSIDIARIES (Continued)

### (b) Material non-controlling interests

The total non-controlling interests are attributable to BHE and its subsidiary, GM (together, the “BHE Group”).

Set out below are the summarised financial information of BHE Group that has non-controlling interests that are material to the Group.

<b>Summarised balance sheet</b>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Current		
Assets	102	1,123
Liabilities	(18,195)	(17,591)
Net current liabilities	(18,093)	(16,468)
Non-current		
Assets	22	3,802
Liabilities	-	-
Net non-current assets	22	3,802
Net liabilities	(18,071)	(12,666)
<b>Summarised income statement</b>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Revenue	76	342
Loss for the year	(5,291)	(4,324)
Other comprehensive loss	(114)	(1,129)
Total comprehensive loss	(5,405)	(5,453)
Group level adjustments	(77,308)	(63,240)
Total comprehensive loss allocated to non-controlling interests	(51,508)	(42,357)

# Notes to the Consolidated Financial Statements

## 21 SUBSIDIARIES (Continued)

### (b) Material non-controlling interests (Continued)

Summarised cash flows	2016 HK\$'000	2015 HK\$'000
Net cash used in operating activities	(607)	(808)
Net cash generated from/(used in) investing activities	58	(3)
Net cash generated from financing activities	442	817
Net (decrease)/increase in cash and cash equivalents	(107)	6
Bank balances and cash at beginning of the year	132	126
Bank balances and cash at end of the year	25	132

## 22 AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
At 1 January	290	347
Addition	100,000	–
Impairment loss (note 9)	(90)	(57)
<b>At 31 December</b>	<b>100,200</b>	<b>290</b>

Available-for-sale investments comprise:

	2016 HK\$'000	2015 HK\$'000
Listed equity securities, at fair value	200	290
Unlisted equity securities, at fair value	100,000	–

The listed equity securities represent approximately 1.9% (2015: 2.0%) equity interests in Petromin, a former related company of the Group. The addition during the year ended 31 December 2016 represented the unlisted equity securities related to the subscription of Class A Shares of China Huacai Finance Equity Investment Fund SP in an aggregate amount of HK\$100,000,000. There was no change in fair value of this investment during the year ended 31 December 2016.

As at the balance sheet date, the available-for-sale investments are measured at fair value. The listed equity securities are denominated in CAD and the unlisted equity securities are denominated in US\$.

# Notes to the Consolidated Financial Statements

## 23 TRADE RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	41,106	6,932

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 30 to 180 days.

The ageing analysis of the trade receivables of the Group as at the balance sheet dates, based on invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 30 days	978	6,838
31–60 days	–	–
61–90 days	7,010	94
91–120 days	18,089	–
121–150 days	15,029	–
	41,106	6,932

As at 31 December 2016, trade receivables of HK\$40,128,000 (2015: HK\$94,000) were past due but not impaired. These relate to an independent customer with no recent history of default. These receivables were past due for less than 30 days (2015: over 60 days).

For the year ended 31 December 2016, trade receivable of HK\$38,000 (2015: nil) was written off and charged to the administrative and operating expenses in the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 23 TRADE RECEIVABLES (Continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
HK\$	40,128	2,703
RMB	978	–
IDR	–	94
US\$	–	4,135
	<b>41,106</b>	6,932

Movement on the Group's provision for impairment of trade receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
At 1 January	–	108
Reversal of provision for impairment	–	(108)
<b>At 31 December</b>	<b>–</b>	<b>–</b>

## 24 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
<b>Non-current</b>		
Prepayment for investment property (note)	25,022	–
Deposits	–	330
	<b>25,022</b>	330
<b>Current</b>		
Deposits	390	41
Prepayments	353	925
Prepayment for purchases of inventories	87,276	41,335
Investment income receivables	7,435	–
Other receivables	106	433
	<b>95,560</b>	42,734
<b>Total deposits, prepayments and other receivables</b>	<b>120,582</b>	43,064

Note:

The amount represents the consideration paid for a parcel of land with a gross usage area of approximately 22,410 square meters. As the land use right permit in respect of such parcel of land has not been obtained as of 31 December 2016, the payment made was accounted for as a prepayment. For details, please refer to note 19.

# Notes to the Consolidated Financial Statements

## 25 BANK BALANCES AND CASH

	2016 HK\$'000	2015 HK\$'000
Cash at banks and in hand	20,609	310,736

The carrying amounts of bank balances and cash are denominated in the following currencies:

	2016 HK\$'000	2015 HK\$'000
HK\$	16,262	310,479
RMB	4,252	–
US\$	34	176
IDR	9	44
CAD	39	20
SGD	13	17
	20,609	310,736

## 26 TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables ( <i>note</i> )	231	3,013
Construction and other costs payables	8,107	–
Other payables	10,001	830
Consideration payable	7,800	7,800
Accrued liabilities	2,775	2,205
	28,914	13,848
Consideration payables for acquisition of investment properties	–	96,882
	28,914	110,730

*Note:*

The amounts are repayable according to normal credit terms of 30 to 60 days.

The ageing analysis of the trade payables as at the balance sheet dates, based on invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 30 days	231	3,013

# Notes to the Consolidated Financial Statements

## 27 BANK BORROWINGS

As at 31 December 2016, the analysis of the carrying amount of bank borrowings is as follows:

	2016 HK\$'000	2015 HK\$'000
<b>Current</b>		
Bank borrowings – secured	180,884	–

On 28 January 2016, HNYK, an indirect wholly owned subsidiary of the Company, as borrower, entered into a bank borrowing agreement for RMB92,000,000 (equivalent to approximately HK\$102,724,000) with a commercial bank in the PRC. The bank borrowing was secured by an investment property of the Group with carrying amount of HK\$91,894,000 as at 31 December 2016. The loan was subsequently renewed for one year in January 2017.

On 20 July 2016, the Group acquired 100% equity interest of Liaoning Taoqibao which had a bank borrowing of RMB70,000,000 (equivalent to approximately HK\$78,160,000) with a commercial bank in the PRC. The bank borrowing was secured by an investment property of the Group with carrying amount of HK\$125,726,000 as at 31 December 2016. The loan was subsequently renewed for one year in March 2017.

As at 31 December 2016, these bank borrowings carried a fixed rate ranging from 7.1% to 9.0% per annum. The exposure of these bank borrowings to interest rate changes and the contractual repricing dates at 31 December 2016 are one year.

## 28 DISCONTINUED OPERATION

On 24 November 2014, the Board announced a proposed Distribution in Specie to distribute all of its equity interests of Aces Diamond and Chavis, subsidiaries of the Company which collectively held 71.61% equity interest in TWE, to its shareholder upon the approval by the shareholders and the completion of a restructuring plan. The Distribution in Specie was approved by the shareholders on 28 January 2015. Therefore its results were presented as a discontinued operation for the year ended 31 December 2015.

# Notes to the Consolidated Financial Statements

## 28 DISCONTINUED OPERATION (Continued)

### (a) Analysis of the results of discontinued operation

	2015 HK\$'000
Other gains	5
Administrative and operating expenses	(1)
Profit before tax from discontinued operation	4
Income tax credit	–
Profit for the year from discontinued operation	4

### (b) Cumulative gain recognised in other comprehensive income related to discontinued operation

	2015 HK\$'000
Translation reserve	–

### (c) Analysis of cash flows

	2015 HK\$'000
Operating cash outflows	21

# Notes to the Consolidated Financial Statements

## 29 SHARE CAPITAL AND RESERVES

### (a) Share Capital

	Number of shares ('000)	Share capital HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.0025 each At 1 January 2015, 31 December 2015 and 31 December 2016	20,000,000	50,000
<b>Issued and fully paid:</b>		
At 1 January 2015	5,240,327	13,101
Issuance of new shares upon exercise of share options (note (i))	25,383	63
Issuance of new shares upon exercise of warrants (note (ii))	738,297	1,846
Issuance of new shares upon placement (note (iii))	1,048,000	2,620
At 31 December 2015	7,052,007	17,630
Issuance of new shares upon exercise of warrants (note (ii))	775	2
Issuance of consideration shares (note (iv))	487,162	1,218
<b>At 31 December 2016</b>	<b>7,539,944</b>	<b>18,850</b>

#### Notes:

- (i) During the year ended 31 December 2015, the Company issued 25,383,000 shares of the Company for proceeds of HK\$3,138,000, as a result of exercise of share options. The weighted average exercise price was approximately HK\$0.12 per share. Among the proceeds of HK\$3,138,000, HK\$63,000 were credited to the share capital account and the balance of HK\$3,075,000 were credited to the share premium account. No share options were exercised during the year ended 31 December 2016.
- (ii) During the year ended 31 December 2016, approximately 775,000 (2015: 738,297,000) shares of the Company were issued as a result of exercise of approximately 775,000 (2015: 738,297,000) units of warrants by warrant holders at the exercise price of HK\$0.21 per share. The proceeds from the exercise of the warrants were approximately HK\$163,000 (2015: HK\$155,042,000) among which approximately HK\$2,000 (2015: HK\$1,846,000) were credited to the share capital account and the balance of approximately HK\$161,000 (2015: HK\$153,196,000) were credited to the share premium account. On 20 November 2016, the subscription rights attaching to the outstanding warrants of the Company expired and HK\$8,643,000 was reallocated from other reserve to share premium.
- (iii) On 2 October 2015, 1,048,000,000 ordinary shares were issued at the subscription price of HK\$0.20 per share by way of placement to not less than six placees. The net proceeds received by the Company from the placement were approximately HK\$204,240,000, among which HK\$2,620,000 were credited to the share capital account and the balance of HK\$201,620,000 (net of professional fees of HK\$5,360,000) were credited to the share premium account.
- (iv) On 18 October 2016, the Company issued 487,161,789 shares of the Company as consideration shares for the acquisition of an investment property (note 19). The fair value of such investment property on 18 October 2016 was approximately HK\$99,417,000, among which HK\$1,218,000 were credited to the share capital account and the balance of HK\$98,199,000 were credited to the share premium account.

All the above shares rank pari passu in all respects with other shares in issue.

# Notes to the Consolidated Financial Statements

## 29 SHARE CAPITAL AND RESERVES (Continued)

### (b) Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2015	968,297	19,980	77,999	(29,711)	40,303	(463,327)	613,541
Loss for the year	-	-	-	-	-	(44,720)	(44,720)
Exchange differences arising from translation of foreign operations	-	-	-	(44,232)	-	-	(44,232)
Lapse/cancellation of share options	-	-	(6,926)	-	-	6,926	-
Exercise of share options (note 29(a)(i))	5,224	-	(2,149)	-	-	-	3,075
Exercise of warrants (note 29(a)(ii))	173,848	-	-	-	(20,652)	-	153,196
Placing of shares (note 29(a)(iii))	201,620	-	-	-	-	-	201,620
Purchase of non-controlling interests (note 15)	-	-	-	-	32,901	-	32,901
Distribution in specie (note 15)	(555,559)	-	-	-	-	-	(555,559)
Derecognition upon distribution in specie	-	-	-	55,707	(91,669)	35,962	-
As at 31 December 2015	793,430	19,980	68,924	(18,236)	(39,117)	(465,159)	359,822

# Notes to the Consolidated Financial Statements

## 29 SHARE CAPITAL AND RESERVES (Continued)

### (b) Reserves (Continued)

	Share premium HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2016	793,430	19,980	68,924	(18,236)	(39,117)	(465,159)	359,822
Loss for the year	-	-	-	-	-	(34,849)	(34,849)
Exchange differences arising from translation of foreign operations	-	-	-	(8,041)	-	-	(8,041)
Exercise of warrants (note 29(a)(ii))	183	-	-	-	(22)	-	161
Lapse of warrants (note 29 (a)(ii))	8,643	-	-	-	(8,643)	-	-
Issuance of consideration shares (note 29(a)(iv))	98,199	-	-	-	-	-	98,199
As at 31 December 2016	900,455	19,980	68,924	(26,277)	(47,782)	(500,008)	415,292

# Notes to the Consolidated Financial Statements

## 30 ACQUISITION OF SUBSIDIARIES

- (a) On 20 July 2016, the Group acquired 100% equity interest of Liaoning Taoqibao which owned investment properties in Yingkou city at a consideration of RMB100,000,000 (equivalent to approximately HK\$116,863,000). The consideration included RMB30,000,000 (equivalent to approximately HK\$35,059,000) which was settled in cash and the assumption of liabilities due by the vendor to Liaoning Taoqibao amounted to RMB70,000,000 (equivalent to approximately HK\$81,804,000). No material acquisition related costs were incurred in the acquisition. Before the acquisition by the Group, Liaoning Taoqibao had no business activities except for holding of investment properties. Accordingly, the directors of the Company are of the opinion that the acquisition of Liaoning Taoqibao did not constitute a business combination but an acquisition of assets. The effect of the acquisition was summarised as follows:

### Assets acquired and liabilities recognised at the date of acquisition:

	HK\$'000
Investment properties	130,720
Amount due from an immediate holding company	81,804
Other receivables	19
Cash and cash equivalents	13
Bank borrowing	(81,804)
Accruals and other payables	(13,889)

### Net cash outflow from acquisition of subsidiaries:

	HK\$'000
Consideration paid in cash	35,059
Cash and cash equivalents acquired	(13)
	35,046

- (b) On 30 December 2016, the Group acquired 100% equity interest of Yingkou Hailanggu which owned two parcels of land in Yingkou city for a cash consideration of RMB62,000,000 (equivalent to approximately HK\$69,227,000). No material acquisition related costs were incurred in the acquisition. Before the acquisition by the Group, Yingkou Hailanggu had no business activities except for holding of two parcels of land. Accordingly, the directors of the Company are of the opinion that the acquisition of Yingkou Hailanggu did not constitute a business combination but an acquisition of assets. The effect of the acquisition was summarised as follows:

### Assets acquired at the date of acquisition:

	HK\$'000
Investment property	44,188
Prepayment for investment property (note 24)	25,022
Cash and cash equivalents	17

### Net cash outflow from acquisition of subsidiaries:

	HK\$'000
Consideration paid in cash	69,227
Cash and cash equivalents acquired	(17)
	69,210

# Notes to the Consolidated Financial Statements

## 31 DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2015, the Group disposed of the entire issued share capital of (i) STCC Limited; (ii) Sun Ray (China) Limited; (iii) Dragon Bounty Company Limited and (iv) Sys Solutions Limited, all of which were wholly owned subsidiaries of the Company with assets primarily comprised of several motor vehicles, a club membership, a convertible debenture and bank balances, to Sun Ray Capital Investment Corporation, which is beneficially owned by Mr. Chan Wing Him Kenny (“Mr. Kenny Chan”), the former chairman and chief executive officer of the Company, at an aggregate consideration of HK\$2,984,000. There were no gain or loss on disposal of these subsidiaries. These transactions were related party transactions of the Group.

In addition, on 26 March 2015, the Group disposed the entire issued share capital of Basic Corporation Limited, a wholly owned subsidiary of the Company (with assets primarily comprised of two club memberships), to Mr. Chan Wan Tsun Adrian Alan, the former chief financial officer of the Company, at a consideration of HK\$2,249,000. There was no gain or loss on disposal of this subsidiary. This transaction was related party transaction of the Group.

The aggregated net assets of the subsidiaries at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	1,037
Club memberships	2,370
Deposits	278
Trade receivables	83
Deposits, prepayments and other receivables	64
Financial asset at fair value through profit or loss	630
Bank balances and cash	1,138
Other payables	(367)
	5,233
Gain on disposal of subsidiaries	–
Net proceeds received from disposal of subsidiaries	5,233
<b>Satisfied by:</b>	
Cash consideration	5,233
<b>Net cash inflow from disposal of subsidiaries:</b>	
Cash consideration received	5,233
Cash and cash equivalents disposed of	(1,138)
	4,095

# Notes to the Consolidated Financial Statements

## 32 SHARE OPTION SCHEMES

- (a) On 25 January 2003 and 12 May 2011, share option schemes (“2003 Share Option Scheme” and “2011 Share Option Scheme”, respectively) were approved and adopted pursuant to resolutions of the Company. The purpose of the 2003 Share Option Scheme and 2011 Share Option Scheme was to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continue working for the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company. The Board of Directors may, at its discretion, grant share options to any employees, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of the Company. The 2003 Share Option Scheme and 2011 Share Option Scheme remain in force for a period of ten years with effect from 25 January 2003 and 12 May 2011, respectively.

The maximum number of shares in respect of which share options may be granted under the 2003 Share Option Scheme and 2011 Share Option Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders of the Company renew the 10% limit, from time to time which have been duly allotted and issued.

The exercise price for shares under the 2003 Share Option Scheme and 2011 Share Option Scheme may be determined by the Board of Directors at its absolute discretion but in any event will be at least the highest of: (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of the shares on the date of grant of the option.

Any share options granted to a substantial shareholder of the Company or an independent non-executive director or any of their respective associates, representing in aggregate over 0.1% of the shares of the Company in issue on the date of such grant and an aggregate value, based on the closing price of the shares of the Company at the date of grant in excess of HK\$5 million, in any 12-month period, are subject to shareholders’ approval in advance in a general meeting. In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time, in any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The share options granted may be exercised at any time or times during a period to be determined and notified by the Board of Directors which period of time shall commence after the date of grant of the share options and expire on such date as determined by the Board of Directors in any event no later than 10 years from the date of the grant of such share options. A nominal consideration of HK\$1 is payable on acceptance of the grant of a share option under the 2003 Share Option Scheme and 2011 Share Option Scheme.

# Notes to the Consolidated Financial Statements

## 32 SHARE OPTION SCHEMES (Continued)

- (b) Movements in the number of share options outstanding and their weighted average exercise prices for the years ended 31 December 2016 and 2015 are as follows:

	Weighted average exercise price (per share) HK\$	Outstanding options
As at 1 January 2015	0.34	337,887,163
Exercised	0.12	(25,382,894)
Lapsed	0.31	(9,990,753)
Cancelled	0.24	(36,891,892)
As at 31 December 2015, 1 January 2016 and 31 December 2016	0.37	265,621,624
Exercisable as at 31 December 2015, 1 January 2016 and 31 December 2016	0.37	265,621,624

During the year ended 31 December 2016, there was no grant, exercise, lapse or cancellation of share options.

Share options outstanding as at 31 December 2016 and 2015 have the following expiry dates and exercise prices:

Expiry date	Adjusted Exercise price (per share) HK\$	Outstanding options as at 31 December 2015 and 2016
15 June 2019 (note 2)	0.51	29,442,568
6 October 2019 (note 2)	0.53	496,622
4 February 2020 (note 2)	0.36	74,138,514
8 July 2020 (note 3)	0.39	90,952,703
22 June 2021 (note 4)	0.31	69,527,028
30 December 2022 (note 4)	0.11	1,064,189
		265,621,624

# Notes to the Consolidated Financial Statements

## 32 SHARE OPTION SCHEMES (Continued)

### (b) (Continued)

Notes:

1. The exercise price of share options was adjusted upon the subdivision of shares of the Company which came to effect on 29 August 2007 and completion of an open offer with effect from 17 November 2014.
2. Regarding the share options granted on 19 June 2008, 15 June 2009, 6 October 2009 and 4 February 2010, 50% of which shall be exercised in a period commencing two years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options shall be exercised in a period commencing three years from the date of grant and expiring on the tenth anniversary from the date of grant.
3. Regarding the share options granted on 9 July 2010, 50% of which shall be exercised in a period commencing two years from the date of grant and expiring on the date falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options shall be exercised in a period commencing three years from the date of grant and expiring on the date falling one day preceding the tenth anniversary from the date of grant.
4. Regarding the share options granted on 23 June 2011 and 31 December 2012, 50% of which shall be exercised in a period commencing one year from the date of grant and expiring on the date falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options shall be exercised in a period commencing two years from the date of grant and expiring on the date falling one day preceding the tenth anniversary from the date of grant.

During the year ended 31 December 2015 and 2016, there was no share-based payment expense in relation to share options granted to employees and non-employees of the Group.

The fair value of the services received by the Group is measured by the reference to the fair value of the share options granted as consideration because the fair value of the services cannot be measured reliably.

During the year ended 31 December 2015, 25,382,894 options exercised resulted in 25,382,894 shares being issued at a weighted average price of HK\$0.12 each. The related weighted average share price at the time of exercise was HK\$0.30 per share.

# Notes to the Consolidated Financial Statements

## 32 SHARE OPTION SCHEMES (Continued)

- (c) The fair values of the share options granted during the year ended 31 December 2012 were derived from Binomial option pricing model by applying the following bases and assumptions:

Date of grant	Dividend yield	Expected volatility (i)	Risk-free rate (ii)	Price of the Company's shares at grant date of options (iii) HK\$ per share
31 December 2012	Nil	70.30%	0.60%	HK\$0.163

- (i) The expected volatility of the options was calculated based on the historical stock price of the Company and comparable companies. It is assumed that the volatility is constant throughout the option life;
- (ii) The risk-free rate was determined with reference to the yield of the Hong Kong Exchange Fund Notes ("EFN") as at the grant date. In this valuation, the yield of 10-year EFN has been adopted in the estimation of risk-free rate for the share options; and
- (iii) The price of the Company's shares disclosed as at the date of grant of the share options was the closing price on the date of grant of the options.

The fair value of the share options during the year ended 31 December 2012 has been arrived at on the basis of a valuation carried out on date of grant by Vigers Appraisal and Consulting Limited. The values of the options are subject to the limitations of the Binomial option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate. The weighted average fair value of options granted during the year ended 31 December 2012 determined using the Binomial valuation model was HK\$0.12 per option.

The outstanding share options as at 31 December 2016 had a weighted average remaining contractual life of 3.54 years (2015: 4.54 years).

If options are forfeited before expiration or lapsed, the related share option reserve will be transferred directly to accumulated losses.

At 31 December 2016, the Company had 265,621,624 (2015: 265,621,624) share options outstanding under the share option schemes, which represented approximately 3.52% (2015: 3.77%) of the Company's shares in issue at that date. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

# Notes to the Consolidated Financial Statements

## 33 EMPLOYEE BENEFIT EXPENSE

### (a) Employee retirement benefit

The Group enrolled all Hong Kong employees in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group under the control of trustees. The retirement benefit cost for the MPF Scheme charged to the consolidated income statement represents contributions paid to the fund by the Group at rates specified in the rules of the MPF Scheme.

The total cost charged to consolidated income statement of approximately HK\$292,000 represents contributions paid to these schemes by the Group during the year ended 31 December 2016 (2015: HK\$249,000).

The Group contributed to certain retirement benefit schemes based on the wages for the year of those employees in the PRC. The total cost charged to consolidated income statement of approximately HK\$54,000 (2015: nil) represented the social insurance expenses paid in the PRC by the Group during the year ended 31 December 2016.

### (b) Five highest paid individuals

During the year ended 31 December 2016, four (2015: two) of the five individuals with the highest emoluments in the Group were directors of the Company, whose emolument are disclosed in note 40.

Details of the emoluments of the remaining one (2015: three) individuals are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and other benefits	546	1,841
Retirement benefit scheme contributions	18	81
Discretionary and performance related incentive payments	-	1,750
	<b>564</b>	<b>3,672</b>

The emoluments were within the following bands:

	Number of employees	
	2016	2015
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	-	-
HK\$1,500,001 to HK\$2,000,000	-	-
HK\$2,000,001 to HK\$2,500,000	-	1
	<b>1</b>	<b>3</b>

# Notes to the Consolidated Financial Statements

## 34 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions during the year ended 31 December 2016 and 2015.

### (a) Key management personnel compensation

Key management includes executive directors of the Company, chief financial officer and company secretary of the Group. The compensation paid or payable to key management for employee services is shown below:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and other benefits	4,699	14,140
Retirement benefit scheme contributions	123	95
Discretionary and performance related incentive payments	-	2,877
	4,822	17,112

### (b) Disposal of subsidiaries

During the year ended 31 December 2015, the Group disposed certain subsidiaries to its former chairman and chief executive officer and its former chief financial officer of the Company for an aggregate consideration of HK\$5,233,000.

## 35 OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	472	1,033
After one year but within five years	1,741	139
	2,213	1,172

Operating lease payments represent rentals payable by the Group for certain of its office properties for lease terms ranging from one to five years.

# Notes to the Consolidated Financial Statements

## 36 CAPITAL COMMITMENTS

	2016 HK\$'000	2015 HK\$'000
Other commitments contracted for but not provided in the consolidated financial statements in respect of:		
— Investment properties	-	102,304

## 37 CONTINGENT LIABILITIES

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

## 38 EVENTS AFTER BALANCE SHEET DATE

- (a) On 3 January 2017, HN Industrial, a wholly owned subsidiary of the Company, entered into an agreement to purchase Yingkou Haida Property Service Company Limited (literal translation of the Chinese name) which owned certain properties situated in Yingkou city, Liaoning province, the PRC at a consideration of RMB24,650,000. The transaction was completed on 12 January 2017.
- (b) On 16 March 2017, the Group obtained a loan facility of HK\$100,000,000 from a licensed money lender in Hong Kong. The facility is available for drawdown during the period from 16 March 2017 to 30 September 2018. Up to the date of this report, no drawdown was made.

# Notes to the Consolidated Financial Statements

## 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

### (a) Balance sheet of the Company as at 31 December 2016

	2016 HK\$'000	2015 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	–	–
Available-for-sale investment	200	290
Deposit	–	330
	<b>200</b>	<b>620</b>
<b>Current assets</b>		
Amounts due from subsidiaries	444,679	321,833
Deposits, prepayments and other receivables	461	659
Bank balances and cash	334	152,755
	<b>445,474</b>	<b>475,247</b>
<b>Total assets</b>	<b>445,674</b>	<b>475,867</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	18,850	17,630
Other reserves	412,064	446,561
<b>Total equity</b>	<b>430,914</b>	<b>464,191</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables	2,425	1,319
Amounts due to subsidiaries	12,335	10,357
<b>Total liabilities</b>	<b>14,760</b>	<b>11,676</b>
<b>Total equity and liabilities</b>	<b>445,674</b>	<b>475,867</b>

The balance sheet has been approved by the Board of Directors on 31 March 2017 and is signed on its behalf by:

Suen Cho Hung, Paul  
Director

Zhang Yuanqing  
Director

# Notes to the Consolidated Financial Statements

## 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (b) Reserve movement of the Company

	Share premium HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2015	968,297	871	77,999	29,316	(816,460)	260,023
<b>Comprehensive loss</b>						
Loss for the year	-	-	-	-	(7,310)	(7,310)
<b>Transactions with owners in their capacity as owners</b>						
Lapse/cancellation of share options	-	-	(6,926)	-	6,926	-
Exercise of share options (note 29(a)(i))	5,224	-	(2,149)	-	-	3,075
Exercise of warrants (note 29(a)(ii))	173,848	-	-	(20,652)	-	153,196
Placing of shares (note 29(a)(iii))	201,620	-	-	-	-	201,620
Distribution in specie (note 15)	(555,559)	-	-	391,516	-	(164,043)
<b>Total transactions with owners in their capacity as owners</b>	<b>(174,867)</b>	<b>-</b>	<b>(9,075)</b>	<b>370,864</b>	<b>6,926</b>	<b>193,848</b>
As at 31 December 2015	793,430	871	68,924	400,180	(816,844)	446,561

# Notes to the Consolidated Financial Statements

## 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

### (b) Reserve movement of the Company (Continued)

	Share premium HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2016	793,430	871	68,924	400,180	(816,844)	446,561
<b>Comprehensive loss</b>						
Loss for the year	-	-	-	-	(132,857)	(132,857)
<b>Transactions with owners in their capacity as owners</b>						
Exercise of warrants (note 29(a)(ii))	183	-	-	(22)	-	161
Lapse of warrants (note 29(a)(ii))	8,643	-	-	(8,643)	-	-
Issuance of consideration shares (note 29(a)(iv))	98,199	-	-	-	-	98,199
<b>Total transactions with owners in their capacity as owners</b>	<b>107,025</b>	<b>-</b>	<b>-</b>	<b>(8,665)</b>	<b>-</b>	<b>98,360</b>
As at 31 December 2016	900,455	871	68,924	391,515	(949,701)	412,064

# Notes to the Consolidated Financial Statements

## 40 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' and chief executive's emoluments

The remuneration of every director and chief executive is set out below:

For the year ended 31 December 2016:

	Emoluments paid to or receivable by the person in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Directors' fees HK\$'000	Salaries, allowance and other benefits HK\$'000	Employer's contribution to pension scheme HK\$'000	Share-based payments HK\$'000	Discretionary bonus HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Mr. Suen Cho Hung, Paul	-	1,040	52	-	-	1,092
Mr. Zhang Yuanqing (CEO)	-	1,210	15	-	-	1,225
Mr. Lai Ming Wai	-	520	26	-	-	546
Mr. Zhu Lijia	-	1,157	15	-	-	1,172
<b>Independent Non-executive Directors</b>						
Mr. David Tsoi	150	-	-	-	-	150
Mr. Chiang Bun	150	-	-	-	-	150
Ms. Leung Pik Har, Christine	150	-	-	-	-	150
<b>Total</b>	<b>450</b>	<b>3,927</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>4,485</b>

# Notes to the Consolidated Financial Statements

## 40 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2015:

	Emoluments paid to or receivable by the person in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Directors' fees	Salaries, allowance and other benefits	Employer's contribution to pension scheme	Share-based payments	Discretionary bonus	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive Directors</b>						
Mr. Suen Cho Hung, Paul	-	525	24	-	-	549
Mr. Lai Ming Wai	-	263	12	-	-	275
Mr. Zhang Yuanqing (CEO)	-	-	-	-	-	-
Mr. Zhu Lijia	-	-	-	-	-	-
Mr. Kenny Chan (former CEO)	-	11,172	6	-	1,127	12,305
Dr. Arthur Ross Gorrell	-	80	-	-	-	80
Mr. Sue Ka Lok	-	250	13	-	-	263
<b>Independent Non-executive Directors</b>						
Mr. David Tsoi	150	-	-	-	-	150
Mr. Chiang Bun	75	-	-	-	-	75
Ms. Leung Pik Har, Christine	75	-	-	-	-	75
Mr. Lo Chi Kit	73	-	-	-	-	73
Mr. Tam Hang Chuen	73	-	-	-	-	73
<b>Total</b>	<b>446</b>	<b>12,290</b>	<b>55</b>	<b>-</b>	<b>1,127</b>	<b>13,918</b>

### (b) Directors' retirement benefits

There were no retirement benefits paid to directors during the year ended 31 December 2016 (2015: same) by a defined benefit pension plan operated by the Group in respect of the services as a director of the Company and its subsidiaries.

### (c) Director's termination benefits

During the year ended 31 December 2016, there was no board resolution to early terminate of the director's appointment in office (2015: nil).

### (d) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available of director's services during the year ended 31 December 2016 (2015: nil).

# Notes to the Consolidated Financial Statements

## 40 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(e) **Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

During the year ended 31 December 2016, there was no arrangement in relation to loans, quasi-loans and other dealings in favour of the directors of the Company, the controlled bodies corporate by and the connected entities with such director (2015: nil)

(f) **Directors' material interests in transactions, arrangements or contracts**

Save as disclosed in note 34, no significant transactions, arrangements and contracts in relation to Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: nil).

# Five-Year Financial Summary

## CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	184,595	13,171	1,043	1,154	69
Cost of sales	(171,770)	(12,722)	(640)	(266)	(35)
Gross profit	12,825	449	403	888	34
Other gains/(losses), net	10,752	45	1,737	(2,496)	1,597
Impairment loss on exploration and evaluation asset	(78,747)	(49,802)	-	-	-
Selling and distribution expenses	(80)	(156)	(447)	(613)	-
Administrative and operating expenses	(21,746)	(29,033)	(51,556)	(64,131)	(74,189)
Fair value loss in issuance of unlisted warrants	-	-	(38,931)	-	-
Gain on disposal of subsidiaries	-	-	-	81,934	-
Operating (loss)/profit	(76,996)	(78,497)	(88,794)	15,582	(72,558)
Finance income	19	188	19	438	442
Finance cost	(10,187)	-	-	-	-
(Loss)/profit before taxation	(87,164)	(78,309)	(88,775)	16,020	(72,116)
Income tax	-	-	-	-	683
(Loss)/profit for the year from continuing operations	(87,164)	(78,309)	(88,775)	16,020	(71,433)
Profit/(loss) for the year from discontinued operations	-	4	1,592	1,227	(2,930)
(Loss)/profit for the year	(87,164)	(78,305)	(87,183)	17,247	(74,363)
Non-controlling interests	(52,315)	(33,585)	(2,752)	(3,476)	(945)
(Loss)/profit attributable to owners of the Company	(34,849)	(44,720)	(84,431)	20,723	(73,418)

## CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Non-current assets	483,876	176,092	145,862	1,211,226	1,324,020
Current assets	157,275	360,809	1,010,427	43,165	33,856
Current liabilities	(209,798)	(110,730)	(241,027)	(29,646)	(53,495)
Non-current liabilities	-	-	-	(228,428)	(247,733)
Total equity	431,353	426,171	915,262	996,317	1,056,648