

A N N U A L R E P O R T 2 0 1 6



GREEN ENERGY GROUP LIMITED
綠色能源科技集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 979



Contents

	<i>Pages</i>
Corporate Information	2
Chairman's Statement	3
Biographical Details of Directors and Senior Management	6
Management Discussion and Analysis	8
Directors' Report	12
Corporate Governance Report	19
Environmental Social and Governance Report	27
Independent Auditor's Report	33
Consolidated Statement of Comprehensive Income	38
Consolidated Statement of Financial Position	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Cash Flows	42
Notes to the Consolidated Financial Statements	44
Five Years Financial Summary	108

Corporate Information

DIRECTORS

Executive Director

Mr. Yip Wai Leung Jerry (*Chairman*)

Mr. Sean Douglas Mollet

(resigned on 15 June 2016)

Mr. Chan Wai Kit

(appointed on 1 February 2017)

Independent Non-Executive Directors

Mr. So Yin Wai

Mr. Tam Chun Wa

Ms. Li Kit Chi Fiona

AUDIT COMMITTEE

Mr. So Yin Wai (*Chairman*)

Mr. Tam Chun Wa

Ms. Li Kit Chi Fiona

REMUNERATION COMMITTEE

Mr. Tam Chun Wa (*Chairman*)

Mr. So Yin Wai

Ms. Li Kit Chi Fiona

NOMINATION COMMITTEE

Ms. Li Kit Chi Fiona (*Chairwoman*)

Mr. Yip Wai Leung Jerry

Mr. Tam Chun Wa

COMPANY SECRETARY

Mr. Tso Sze Wai

AUDITOR

BDO Limited

LEGAL ADVISOR

Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking

Corporation Limited

Wing Hang Bank Limited

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

4C Derrick Industrial Building

49 Wong Chuk Hang Road

Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Codan Corporate Services (Bermuda) Limited

Clarendon House

2 Church street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Room 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

979

Chairman's Statement

On behalf of the board of directors (the “**Board**”) of Green Energy Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”), I am pleased to present the annual report of the Group for the financial year ended 31 December 2016 (“**FY2016**”).

PRINCIPAL BUSINESS

During FY2016 the Group has engaged in the trading of (a) bio-cleaning materials, (b) waste construction materials and provision of waste processing services, (c) renewable energy and (d) plastic recycling business. An analysis of the above segments can be found in note 5 of the audited consolidated financial statements.

FINANCIAL PERFORMANCE

The Group's total revenue for FY2016 was approximately HK\$2.6 million (FY2015: HK\$1.2 million) representing a increase of approximately 110.7% as compared with that for the year ended 31 December 2015 (“**FY2015**”). The main reason for the increase was due to the increase in revenue from the waste construction material sector. Further details of the financial analysis for FY2016 have been included in the Management Discussion and Analysis section of the report.

YEAR IN REVIEW AND OUTLOOK

(a) Bio-Cleaning Products

As in the previous financial years, all revenues in FY2016 from this sector were contributed by sales made in Hong Kong. The Group will continue to grow its business in Hong Kong and will also promote and broaden its sales to overseas markets. Plans to sell and gain market access to overseas customers have also been put in place and the Company will continue to explore business opportunities outside of Hong Kong.

(b) Waste Construction Materials

The performance in this segment has improved in FY2016 because of the demand for our product is picking up. As a result, more orders were placed from local construction companies and government authorities. Steady growth is expected in this segment in the coming year as the Group is still in the process of building up its customer's base in Germany.

(c) Renewable energy

The business environment for this sector remains challenging and the fluctuation of crude oil price will continue to affect our competitiveness of the new products in the market. Taking into the consideration of the outlook on the demand side is not promising and to minimise further losses and other anticipated capital costs required to be injected in order to turn biodiesel plant into commercial production, the project in Portugal has been terminated by the Group and the management has been reviewing this situation closely in order to adjust its development plan. These are all steps taken by the management to be prudent in the current environment.

Chairman's Statement

(d) Plastic Recycling business

In FY2016, the Group has purchased certain property, plant and equipment for development a new business in the trading of plastic recycling materials. As stated in the Company's announcement dated 30 September 2016, the Group has completed the acquiring of the land (the "Property") upon which the Group's plastic recycling business is to be carried on, and has removed and cleared all existing scrap materials at the Property. In addition to this, the Group also has carried out maintenance and recalibration works for those production facilities in order to improve the overall production efficiency. Trial run of the production is anticipated to start very soon, and this new business segment is expected to contribute positively to the future growth of the Group and to bring synergy effect with the existing businesses of the Group.

BUSINESS DEVELOPMENT

During FY2016, Renminbi was still under depreciation pressure. In December, the US Federal Reserve triggered the second rate hike in the last decade and the Federal Open Market Committee (FOMC) indicated that it would enter into the rate hike cycle in 2017. The US dollars therefore appreciated even stronger that resulted in further withdrawals of capital from emerging markets and developing countries. The Group hence took several effective measures to tackle the above challenges. The Group, being able to seize the market window, successfully place up to 133,206,000 placing shares to not less than six placees which are professional investors. The placing was completed on 3 January 2017. The aggregate gross and net proceeds from the placing are approximately HK\$34.63 million and approximately HK\$34.11 million, respectively. The directors of the Company consider the placing represents a good opportunity to raise additional funds and widen the shareholder base of the Company.

BUSINESS OUTLOOK AND FUTURE PROSPECTS

Looking back 2016, the global economy was experiencing a tough time amid uncertainties and a further slowdown in economic growth. The withdrawal of the United Kingdom from the European Union, the successful appointment of Donald J. Trump as the United States president and other unexpected events together with various factors, among others, the downward pressure of the PRC economy and the forecast on the increase of interest rate by The Federal Reserve Board, have resulted in the depreciation of Renminbi against US dollars. Under the national strategy of "One Belt, One Road", an increasing number of enterprises conducted mergers and acquisitions in overseas markets. In 2016, the scale of overseas mergers and acquisitions conducted by Chinese enterprises hit a historic high with over USD200 billion, ranking the first in the world.

Looking forward, a stagnant recovery in the global economy is expected to continue in 2017 and the uprising of trade protectionism is expected to lead to a greater fluctuation in the global economy and capital markets. Regarding foreign investments, on 23 May 2016, a subsidiary of the Company entered into a purchase agreement with an independent third party to purchase the Property in Germany. The Company intends to use the Property together with the buildings and structures erected thereon to develop the plastics recycling business. Our management believe that the plastics recycling business is expected to contribute positively to the future growth of the Group and to bring synergy effect with the existing businesses of the Group. Please refer to the Company's announcement dated 23 May 2016 and 30 September 2016 for more details.



Chairman's Statement

Increasing prices for conventional plastics, environmental issues and improved quality of recycled plastic is expected to contribute towards the growth of the global recycled plastic market.

The global recycled plastic growth will also be driven by a variety of factors such as the growing emphasis on sustainability amongst the packaging and consumer product manufacturers, improvements in processing and sorting technologies allowing a broader variety of plastic to be recycled into high quality resins, and an improved collection infrastructure which increases the plastic recycling rate.

Recycled plastic market in Europe is also expected to show steady growth due to stringent laws pertaining to the use of plastic in Europe. Europe is currently recycling more than 4.4 million tons of plastic wastes every year due to ban on dumping plastic scrap in landfills. Furthermore, the increasing awareness about protection of the environment is also anticipated to boost the Europe plastic recycling market.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my appreciation to all our shareholders, customers and business associates for their continued support throughout the years. I would also like to express my gratitude to our management and staff for their dedication and loyalty to the Group.

Yip Wai Leung Jerry

Chairman and Executive Director

Hong Kong, 30 March 2017

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Yip Wai Leung Jerry, aged 58, is a solicitor and a partner in the firm of J. Chan Yip, So & Partners, of which he is one of the founding partners. Mr. Yip graduated from University of London with a Bachelor Degree in Laws. He has more than 20 years of legal professional experience and his principal areas of practice include commercial work, property, finance and litigation. Mr. Yip has commenced his service with the Company on 2 March 2006.

Mr. Chan Wai Kit, aged 33, graduated from the Curtin University of Technology, Australia, with a Bachelor of Commerce Degree in Information Systems and a Master of Accounting Degree in September 2006 and February 2008, respectively. He has extensive experience in information technology, accounting, finance, corporate governance, strategic planning, as well as mergers and acquisitions. He is currently an executive director, deputy-chairman, authorised representative and compliance officer of Aurum Pacific (China) Group Limited, a company listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (Stock Code: 8148).

Mr. Chan has been appointed as a committee member of the 9th Committee of Maoming City of The Chinese People's Political Consultative Conference since December 2016.

Mr. Chan was the chairman, executive director, authorised representative and compliance officer of PPS International (Holdings) Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8201) from June 2015 to July 2016. He was also an executive director of China Taifeng Beddings Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 873) from July 2016 to August 2016.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So Yin Wai, aged 54, was appointed as independent Director with effect from 2 March 2006. He graduated from Hong Kong Polytechnic University in 1986 and has been in the accounting profession for more than 20 years. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He had previously worked for Peat Marwick, Mitchell & Co. and Messrs. Kwan Wong Tan & Fong and been involved in the audit of a number of international and local engagements and listed companies. He is currently the sole practitioner of his own firm known as Alex So & Co (Certified Public Accountants). Apart from his auditing experiences, Mr. So also specializes in company secretarial work, tax planning and management consultancy matters. Mr. So is currently the Vice-Chairman of China Business Association. He is the Honorary Auditor of a number of voluntary organizations, including Hong Kong Parkinson's Disease Foundation, Life Currents and Caring Centre Foundation Limited.

Mr. Tam Chun Wa, aged 53, was an executive director, the chief financial officer and the company secretary of Chinasing Investment Holdings Limited, a company which shares are listed on the main board of Singapore Exchange Securities Trading Limited. Mr. Tam obtained a Master degree of Business Administration from the University of Sydney. He is also a member of Hong Kong Institute of Certified Public Accountants, CPA (Australia) and Institute of Singapore Chartered Accountants. Mr. Tam has more than 20 years in the areas of auditing, accounting, tax, investment banking and company secretarial works. He has been an independent Director since 24 August 2011.

Ms. Li Kit Chi Fiona, aged 57, was appointed as an independent Director of the Company on 31 May 2012. She is a solicitor in Hong Kong who was first admitted in 1989. She was also admitted to practice law in Victoria, Melbourne, Australia in 1985 and in England and Wales in 1992. Ms. Li obtained a bachelor of laws and bachelor of economics (combined course) from Monash University in 1982 and 1984 respectively, a Chinese bachelor of laws from the Chinese University of Political Science and Law in 1995 and an executive master degree of business administration from the Chinese University of Hong Kong in 1998.

SECRETARY AND FINANCIAL CONTROLLER

Mr. Tso Sze Wai, aged 46, is the Financial Controller and Company Secretary of the Group. He is responsible for the Group's accounting and finance matters. Mr. Tso holds a bachelor degree in Commerce awarded by University of New South Wales, Australia and a postgraduate diploma in Computing in the University of Western Sydney, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants. He has over 15 years of experience in accounting and finance. Mr. Tso joined the Group in August 2014. He has been appointed as Independent Non-executive director of Hua Han Health Industry Holdings Limited and China Jicheng Holdings Limited, which are listed companies on mainboard of the Stock Exchange of Hong Kong Limited.

Management Discussion and Analysis

FINANCIAL REVIEW INCOME

During the year, the Group has engaged in the trading of (a) bio-cleaning materials, (b) waste construction materials and provision of waste processing services, (c) renewable energy, and (d) plastic recycling business. The Group's total revenue for FY2016 was approximately HK\$2.6 million (FY2015: approximately HK\$1.2 million) representing an increase of approximately 110.7% as compared with that for FY2015.

(a) Bio-cleaning Products

The revenue arising from activities of bio-cleaning sector for the FY2016 was approximately HK\$94,000 (FY2015: approximately HK\$129,000) representing a decrease of approximately 27.1% as compared with that for FY2015.

(b) Waste Construction Materials

The revenue arising from waste construction material sector for FY2016 was approximately HK\$2.5 million (FY2015: approximately HK\$1.08 million) representing an increase of approximately 127.2% compared with FY2015.

(c) Renewable Energy

On 29 December 2016, after taking into account that (i) the uncertainties in relation to the fluctuation in crude oil prices and thereby impacting upon the competitiveness of our business segment in the biodiesel industry; and (ii) sourcing of raw materials for the production of biodiesel has not been as satisfactory as the Company had expected, the Board considers that it is in the interest of the Company to dispose of a subsidiary in this segment which invested in production of biodiesel in Portugal to an independent third party at a consideration of HK\$3,000,000 (the "Disposal"). The Company currently intends to use the proceeds from the Disposal for financing future potential investment opportunities and/or general working capital of the Group.

(d) Plastic Recycling business

No revenue was recognized from this segment during FY2016. The property, plant and equipment of plastic recycling segment was newly acquired by the Group in September 2016, details of which are set out in the Company's announcements dated 23 May 2016 and 30 September 2016.

Management Discussion and Analysis

EXPENDITURE

In FY2016, total expenditures excluding finance costs were recorded at HK\$39.9 million (FY2015: HK\$40.7 million).

The net loss of HK\$36.8 million for FY2016 included (i) equity-settled share-based payments of approximately HK\$12.4 million was recognized as two lots of options granted on 4 November 2016 and 6 December 2016 respectively, (ii) exchange differences of approximately HK\$3.2 million was recorded due to the translation of balances denominated in foreign currencies, which was mostly attributable to the depreciation of Euro and Renminbi against Hong Kong dollars during FY2016, and (iii) impairment loss on deposit for acquisition of plant and equipment of approximately HK\$2.8 million due to the outlook of the oil price market is not promising.

Other expenses which included legal and professional fees, amortization and general administrative expenses, decreased by 10.3% from approximately HK\$29.2 million in FY2015 to HK\$26.2 million in FY2016.

Finance costs of approximately HK\$0.7 million relate to imputed interest of convertible redeemable bonds outstanding during FY2016 (FY2015: HK\$5.5 million)

During FY2016, the Group recorded a net loss of approximately HK\$36.8 million. However, excluding (i) the equity-settled share-based payments amounting to approximately HK\$12.4 million, and (ii) impairment loss on deposit for acquisition of plant and equipment of approximately HK\$2.8 million which is non-recurring in nature, the Group has recorded a net loss of approximately HK\$21.6 million only. The share-based payments and impairment loss on deposit for acquisition of plant and equipment were non-cash accounting items and were charged to the profit and loss for the year but has no effect on the cash flow of the Group's operation.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had total current assets of approximately HK\$32.1 million (As at 31 December 2015: approximately HK\$67.2 million) while total current liabilities were approximately HK\$4.9 million (As at 31 December 2015: approximately HK\$9.6 million). The current ratio, an indicator to demonstrate the ability to meet the short term liabilities, was approximately 6.5 (As at 31 December 2015: approximately 7.0). Notwithstanding that there was decline in the current ratio, the Group has sufficient fund to meet its liabilities as they fall due.

As at 31 December 2016, the Group had total assets of approximately HK\$56.1 million (As at 31 December 2015: approximately HK\$81.9 million). The Group did not have external borrowing as at 31 December 2016. As at 31 December 2015, the gearing ratio, calculated by dividing the total debts over its total assets was 8.1%.

Management Discussion and Analysis

Placing of new shares

On 14 December 2016, after trading hours, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent conditionally agreed with the Company to endeavor to place up to 133,206,000 placing shares to not less than six placees which are professional investors, who and whose ultimate beneficial owners are independent third parties at the placing price of HK\$0.26 per placing share. The placing price of HK\$0.26 per placing share represented a discount of approximately 11.86% to the closing price of HK\$0.295 per share as quoted on the Stock Exchange on 14 December 2016.

The placing was completed on 3 January 2017. 133,206,000 placing shares were successfully placed at a price of HK\$0.26 per share pursuant to the placing agreement. The aggregate nominal value of the placing shares is HK\$13,320,600. The aggregate gross and net proceeds from the placing are approximately HK\$34.63 million and approximately HK\$34.11 million, respectively. The net price to the Company of each placing share, which is calculated by dividing the aggregate net proceeds from the placing by the total number of placing shares, is approximately HK\$0.256.

The directors of the Company consider the placing represents a good opportunity to raise additional funds and widen the shareholder base of the Company. Accordingly, the directors consider that the placing is in the interests of the Company and shareholders as a whole.

To the best of the directors' knowledge, information and belief, having made all reasonable enquiries, the placees and their ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons.

FOREIGN EXCHANGE EXPOSURE

The ordinary operations and investments of the Group are mainly in Hong Kong and Germany, with revenue and expenditures denominated in Hong Kong dollars and Euro. The Operations results of the Group may be affected by the volatility of foreign currencies. The Group will review its foreign exchange exposures regularly and may consider using financial instrument to hedge against such exposures at appropriate times. As at 31 December 2016, there were no derivative financial instruments employed by the Group.

SEASONAL OR CYCLICAL FACTORS

During the year, the Group's business operations are not significantly affected by any seasonal and cyclical factor.

MATERIAL ACQUISITION

Save for disclosed in the Company's announcement dated at 23 May 2016, 30 September 2016 and 29 December 2016 there was no material acquisition or disposal of the Company's subsidiaries and associated companies for the FY2016.

Management Discussion and Analysis

CAPITAL COMMITMENT

As at 31 December 2016 the Group had capital commitment of HK\$1,139,000 (As at 31 December 2015: HK\$1,150,000).

CONTINGENT LIABILITIES

Save for disclosed in the note 29 to the consolidated financial statements, the Group did not have any material contingent liabilities (As at 31 December 2015: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016 the Group had 28 employees (As at 31 December 2015: 21 employees) in Hong Kong, the PRC and Germany.

The Group offered competitive remuneration package as an incentive to staff for improvement. The Company has a share option scheme in place as a mean to encourage and reward the eligible employees' (including directors of the Company) contributions to the Group's results and business development based on their individual performance.

The employees' remuneration, promotion and salary are assessed by reference to work performance, working experiences and professional qualifications and the prevailing market practice.

Directors' Report

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

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATION

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities.

Segmental information of the Group was disclosed in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income on page 38.

The Directors do not recommend the payment of a dividend for the year.

BUSINESS REVIEW

Further discussion and analysis of business activities of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are set out in the Chairman's Statement on pages 3 to 5 and Management Discussion and Analysis on pages 8 to 11 of this Annual report. These discussions form part of this directors' report.

The financial risk management objectives and policies of the Group are shown in note 31 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicator is set out in the Five Years Financial Summary and Management Discussion and Analysis on page 108 and pages 8 to 11 of this annual report respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2016 comprised contributed surplus of HK\$56,897,000 (2015: HK\$56,897,000).

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

SHARE CAPITAL

Details of movements of the Company's share capital during the year are set out in note 22 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of change in equity on page 40 of the annual report and in note 32(b) to the consolidated financial statements, respectively.

DIRECTORS

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

Executive Directors

Mr. Yip Wai Leung Jerry (*Chairman*)
Mr. Sean Douglas Mollet (*resigned on 15 June 2016*)
Mr. Chan Wai Kit (*appointed on 1 February 2017*)

Independent non-executive Directors

Mr. So Yin Wai
Mr. Tam Chun Wa
Ms. Li Kit Chi Fiona

Mr. Chan Wai Kit was appointed by the Board as new Director pursuant to Clause 102(B) of the Company's Bye-laws on 1 December 2016, he will hold office only until next following general meeting and will then be eligible and will offer himself for re-election at the Annual General Meeting.

In accordance with Clause 99 of the Company's Bye-Laws, Mr. So Yin Wai and Ms. Li Kit Chi Fiona retire by rotation and being eligible, offer themselves for re-election.

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 31 December 2016, the interests or short positions of the Directors and the chief executive in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Ordinary shares of HK\$0.10 each of the Company

Name of Director/chief executive	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Yip Wai Leung Jerry ("Mr. Yip")	Settlor of a discretionary trust Beneficial owner	222,971,436 330,000	32.74% 0.05%

Other than as disclosed above, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2016 as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Share Option Scheme

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

Mr. Yip Wai Leung Jerry has entered into a service agreement with the Company for a period of two year expiring on 31 December 2018 and the service contracts are subject to renewal after expiration.

Mr. Chan Wai Kit has entered into a service contract with the Company commencing from 1 February 2017 to 31 January 2019, and the service contracts are subject to renewal after expiration.

Mr. So Yin Wai, Mr. Tam Chun Wa and Ms. Li Kit Chi Fiona as the independent non-executive directors have a two year service contracts with the Company and the service contracts are subject to renewal after expiration.

Save as disclosed above, no Directors who are proposed for re-election at the annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" of this Directors' Report, no transactions, arrangements or contract of significance to which any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director or entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors as at the date of this Directors' Report are set out on pages 6 to 7.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	24%
– five largest customers combined	59%
Purchase	
– the largest supplier	62%
– five largest suppliers combined	100%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

MANAGEMENT CONTRACT

There was no contracts concerning the management and administration of the whole or any substantial part of business during the year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests and short positions disclosed above in respect of certain Directors, the following shareholders had interests or short positions in the shares and underlying shares of the Company:

Ordinary shares and underlying shares of the Company:

Name of shareholder	Capacity	No. of ordinary shares of HK\$0.10 each held	No. of underlying shares held	Percentage of total issued share capital
Always Adept Limited ("Always Adept") (Note 1)	Beneficial owner	66,891,428	–	9.82%
First Win Trading Limited ("First Win") (Note 1)	Beneficial owner	156,080,008	–	22.92%
Always New Limited (Note 1)	Interest of controlled corporation	222,971,436	–	32.74%
The Trustee (Note 2)	Trustee	222,971,436	–	32.74%
Chui Pui Fun ("Mrs. Yip")	Spouse interest (Note 3)	222,971,436	–	32.74%
	Spouse interest (Note 3)	330,000	–	0.05%

Notes:

1. Always New Limited held the entire issued share capital of each of Always Adept and First Win. Always New Limited was deemed to be interested in the shares held by the Always Adept and First Win by virtue of the SFO.
2. Mr. Yip set up a discretionary family trust pursuant to a deed of settlement dated 5 December 2005 entered into between him and New Zealand Professional Trustee Limited ("Trustee"). The Trustee held the entire issued shares in the capital of Always New Limited, which own the entire issued share capital of each of Always Adept and First Win, which in turn held in aggregate 222,971,436 Shares.
3. Mrs. Yip is the spouse of Mr. Yip and she is deemed to be interested in the shares in which Mr. Yip is interested by virtue of the SFO.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company still considers all of the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 19 to 26 of the annual report of the Company for the year.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the audit committee of the Company ("**Audit Committee**") are set out in the code provision C.3.3 of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), which were in force prior to 1 January 2009.

The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scopes of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. So Yin Wai as chairman, Mr. Tam Chun Wa and Ms. Li Kit Chi Fiona as a member.

The Audit Committee had reviewed the audited results of the Group for the year.

CONNECTED TRANSACTIONS

During the year under review, the Group had connected transactions, certain details of which have been disclosed in note 30 to the consolidated financial statements and which have been disclosed in this paragraph are connected transactions or as the case may be, continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

EMOLUMENT POLICY

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

The emoluments of the Directors are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company was adopted a share option scheme as an incentive to Directors, employees and other eligible participants, details of the scheme is set out in note 26 to the consolidated financial statements.

ENVIRONMENTAL PROTECTION

The Group promotes environmental protection by raising the employees' awareness of resources saving and efficient use of energy. In recent years, the Group has implemented several policies to encourage employees for saving energy and paper. All these policies aim at reducing resources and saving costs which are beneficial to the environment and meet the commercial goals of the Group.

Directors' Report

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Group upholds high standards of operating practices and complies with the relevant standards. The Group has stringent requirements to maintain high levels of quality control and responsible business practices. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIP WITH SUPPLIES AND CUSTOMERS

The Group values mutually beneficial long standing relationships with its suppliers and customers. The Group aims at delivering high quality products to its customers and developing mutual trust among its suppliers.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES OR CONVERTIBLE REDEEMABLE BONDS

The Company did not redeem any of its shares during the year under review. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year under review.

All the outstanding convertible redeemable bonds of the Company, with principal amount of HK\$6,786,000, were redeemed at the maturing date during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float.

INDEMNITY OF DIRECTORS

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout this year.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Yip Wai Leung Jerry
Chairman

Hong Kong, 30 March 2017

Corporate Governance Report

COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness. The board ("Board") of directors ("Directors") of the Company ensures that effective self-regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has complied with the Code Provisions under the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2016 (the "year under review"), save for the deviations discussed below. The following sections set out a discussion of the corporate governance practices adopted and observed by the Company, including any deviations therefrom, during the year under review.

A. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own securities dealing code for the Directors. All the Directors confirmed, upon specific enquiry made by the Company on them, that they had complied with the required standard set out in the Model Code regarding their securities transactions.

B. Board of Directors

(i) Board composition

The Board currently comprises a combination of executive Director and independent non-executive Directors. As at 31 December 2016, the Board consisted the following Directors:

Executive Director

Mr. Yip Wai Leung Jerry

Mr. Sean Douglas Mollet (*resigned on 15 June 2016*)

Independent non-executive Directors

Mr. So Yin Wai

Mr. Tam Chun Wa

Ms. Li Kit Chi Fiona

Schedules of matters reserved for the Board include:

- To formulate overall strategy of the Company and its subsidiaries (the "Group")
- To monitor its financial performance and maintains effective oversight over the management
- To control and approve transactions which are extraordinary and significant to the Group as a whole

Corporate Governance Report

B. Board of Directors – continued

(ii) Board meetings and attendance record

The Company held four meetings during the year under review. The attendance record of the Board meetings are as follows:

Members of the Board	Number of board meetings held during the Director's term of office in 2016	Number of meeting(s) attended
Chairman		
Mr. Yip Wai Leung Jerry	4	4
Mr. Sean Douglas Mollet (resigned on 15 June 2016)	1	1
Independent non-executive Directors		
Mr. So Yin Wai	4	4
Mr. Tam Chun Wa	4	4
Ms. Li Kit Chi Fiona	4	4

(iii) Independent non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors during the year under review. All independent non-executive Directors brought their wealth of experience to the Board and made active contribution to the Group. They closely monitored the developments of the Group and freely expressed their opinions at board meetings. One of the independent non-executive Directors, Mr. So Yin Wai, graduated from Hong Kong Polytechnic University in 1986 and has been in the accounting profession for more than 20 years. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. His accounting qualification satisfies the requirements of Rule 3.10(2) of the Listing Rules.

None of the independent non-executive Directors, has any business or financial interests with the Group and each of them has confirmed their independence to the Group pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers that all independent non-executive Directors were independent.

(iv) Relationship among members of the Board

There is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board. All of them are free to exercise their independent judgment.

Corporate Governance Report

B. Board of Directors – continued

(v) *Directors' Continuous Professional Development*

The Group regularly updates Directors on the latest development regarding the Listing Rules and other applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties. In addition, the Company has been encouraging Directors to attend seminars on the latest development of applicable laws, rules and regulations so that they can continuously update and further improvement their relevant knowledge and skills.

According to the records provided by the Directors, the training received by each of the Directors during the period from 1 January 2016 up to 31 December 2016 is summarized as follows:

	Type of continuous professional development training <i>(notes)</i>
Directors	
Executive Directors	
Mr. Yip Wai Leung Jerry	A and B
Mr. Sean Douglas Mollet (<i>resigned on 15 June 2016</i>)	B
Independent non-executive Directors	
Ms. Li Kit Chi Fiona	A and B
Mr. So Yin Wai	A and B
Mr. Tam Chun Wa	A and B

Notes:

A: Attending seminar(s) or training session(s)

B: Reading newspapers, journals and updates relating to the Company's business or Directors' duties and responsibilities, the latest development of the Listing Rules and other applicable regulatory requirements etc.

(vi) *Board Diversity Policy*

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All board appointment will be made based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board and the contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board is characterized by significant diversity, in terms of gender, professional and educational background and skills.

Corporate Governance Report

C. Chairman and chief executive officer

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of the chief executive officer was performed by Mr. Yip Wai Leung Jerry, who was also the chairman of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board will periodically review the merits and demerits of such management structure and will adopt such appropriate measures as may be necessary in the future taking into consideration of the nature and extent of the Group's operation.

D. Remuneration of Directors

The Company established a remuneration committee on 21 December 2005. Members of the remuneration committee as at 31 December 2016 comprised Mr. So Yin Wai, Mr. Tam Chun Wa and Ms. Li Kit Chi Fiona. Mr. Tam Chun Wa is the chairman of the remuneration committee. All votes in the remuneration committee are exercisable by independent non-executive Directors. No Directors will be involved in any discussion in connection with his own remuneration.

The main duties of the remuneration committee are as follows:

- To determine the remuneration policy of the Group
- To determine the remuneration of executive Directors regarding their remuneration
- To review annually and take note of the remuneration trends of the Group and obtain reliable and up-to-date information about remuneration packages of other closely comparable companies

Corporate Governance Report

D. Remuneration of Directors – continued

It is the Company's policy that the remuneration package of each Director shall be determined by reference to their experience, qualification and the time expected to be devoted by them on the affairs of the Company.

The remuneration committee held one meeting during the year under review.

Members of the Remuneration Committee	Number of meeting(s) held during the committee member's term of office in 2016	Number of meeting(s) attended
Mr. So Yin Wai	1	1
Mr. Tam Chun Wa	1	1
Ms. Li Kit Chi Fiona	1	1

Upon the determination of the old share option scheme, the Company has adopted a new share option scheme on 1 June 2016, which serves as an incentive to attract, reward and motivate eligible staffs etc.

Details of the share option scheme are set out in note 26 to the consolidated financial statements.

E. Nomination of Directors

The Company established a nomination committee on 21 December 2005. Members of the nomination committee as at 31 December 2016 comprised Mr. Tam Chun Wa, Mr. Yip Wai Leung Jerry and Ms. Li Kit Chi Fiona. Ms. Li Kit Chi Fiona was the chairwoman of the nomination committee.

The main duties of the nomination committee are as follows:

- To review the structure, size and composition of the Board regularly and to make recommendations to the Board with regard to any changes required
- To evaluate the balance of skills, knowledge and experience of the Board
- To identify and nominate any candidate for the Board's approval
- To make recommendations for the appointment and removal of the Chairman or any Director
- To make recommendations to the Board on the re-appointment of any non-executive Director at the conclusion of his specified term of office

Corporate Governance Report

E. Nomination of Directors – continued

The Group will consider the background, experience and qualification of any proposed candidates to ensure that the proposed candidates possess the requisite experience, characters and integrity to act as a Director of the Company.

The nomination committee held one meeting during the year under review.

Members of the Nomination Committee	Number of meeting(s) held during the committee member's term of office in 2016	Number of meeting(s) attended
Mr. Yip Wai Leung Jerry	1	1
Mr. Tam Chun Wa	1	1
Ms. Li Kit Chi Fiona	1	1

F. Auditor's remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the remuneration paid/payable to the Company's auditor, BDO Limited, is set out as follows:

Services rendered	Fees paid/payable HK\$
Audit services	570,000

G. Audit committee

As at 31 December 2016, the audit committee of the Company ("Audit Committee") comprised three independent non-executive Directors, namely Mr. Tam Chun Wa, Mr. So Yin Wai and Ms. Li Kit Chi Fiona. Mr. So Yin Wai is the chairman of the Audit Committee. Mr. So Yin Wai has the appropriate professional qualifications of accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules for the purpose of such appointment.

Meetings of the Audit Committee are held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meetings may also be held by the committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditor of the Group may request a meeting of the Audit Committee to be convened if they consider that it is necessary.

Corporate Governance Report

G. Audit committee – continued

The main duties of the Audit Committee are as follows:

- To monitor the works of the external auditor
- To review the Group's interim and annual financial statements before submission to the Board
- To discuss problems and reservations arising from the interim and final audits and any matters that the external auditor may wish to discuss
- To review the Group's statement on internal control system prior to endorsement by the Board
- To consider the major findings of any internal investigation and the management's response

The Audit Committee held three meetings during the year under review. The attendance record of the Audit Committee meetings for the year under review is as follows:

Members of the Audit Committee	Number of meetings held during the committee member's term of office in 2016	Number of meeting(s) attended
Mr. So Yin Wai	3	3
Mr. Tam Chun Ma	3	3
Ms. Li Kit Chi Fiona	3	3

Throughout the year under review, the Audit Committee discharged its responsibilities by reviewing and discussing the financial results and internal control system of the Group.

Risk management and Internal Control:

Pursuant to the CG Code, the Board should ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investment and the Group's asset.

The Board has reviewed the efficiency of the Group's internal control systems, including financial operation and compliance control and risk management procedure. The Board believes that the Group is responsible to improve the internal control system continuously in order to give hand to the risk of the deficiency in the operating system, if any, with an aim to achieve the Group's objectives.

During the year under review, the Company complied with the code provision C.2.1 of the CG Code. During the year under review, the Board conducted a full review of the effectiveness of the material internal control system of the Group and considered internal audit planning presented by internal audit staff and discussed the assessment with the management.

Corporate Governance Report

G. Audit committee – continued

Based on the assessment, the Board, with the concurrence of the audit committee is of the opinion that the system of internal controls established and maintained by the Group addressing financial, operational, compliance and information technology risks as well as risk management systems, were adequate to meet the needs of the Group in its current business environment.

Internal audit

The Company has employed a full time Internal Auditor (“IA”) to perform the internal audit function and to improve the system and processes of internal controls of the Company. IA primarily reports to the Chairman of audit committee and ensure the internal control are in place and functioning properly as intended.

The audit committee has bi-annually reviewed the internal audit programme, the scope and results of internal audit procedures. The audit committee reviews the adequacy and effectiveness of the internal audit function. The audit committee is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company. The audit committee is also satisfied that the IA is staffed by suitably qualified and experienced personnel.

H. Directors’ and officers’ liability insurance

Insurance cover has been arranged for Directors’ and officers’ liability to provide adequate cover, as determined by the Board, in respect of the Board members and senior management members of the Company. Such insurance has also been renewed before 29 March 2017 with a term from one year until 28 March 2018.

I. COMPANY SECRETARY

Mr. Tso Sze Wai has been the Company Secretary of the Company since 28 August 2014. Mr. Tso reports to the chairman of the Company and is responsible for advising the Board on corporate governance matters. Mr. Tso has confirmed that he has taken no less than 15 hours of relevant professional training during the year under review.

J. Directors’ and auditor’s acknowledgement

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year under review.

The external auditor of the Company acknowledge their reporting responsibilities in the auditor’s report on the consolidated financial statements for the year under review.

By order of the Board
Yip Wai Leung Jerry
Chairman

Hong Kong, 30 March 2017

Environmental, Social and Governance Report

The Group is pleased to present this Environmental, Social and Governance (“ESG”) report, which provides a comprehensive account of the Group’s sustainability related policies, measures and performance from 1 January 2016 to 31 December 2016. We believe that this ESG report enables us to communicate our sustainability related matters in a transparent and accountable manner, which is key to gaining the trust of our stakeholders. This is the first ESG report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by the Stock Exchange.

This report covers the 2016 fiscal year and the data herein covers our major operations in Germany. We have evaluated the materiality of the key ESG issues arising from our business which we believed are most important to our business and shareholders. The report sets out the Group’s overall sustainability approaches and policies through four different areas, including environmental protection, our people, operating practices and community involvement.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report in this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS’ FEEDBACK

The Group welcomes stakeholders’ feedback on our ESG approach and performance. Please give your suggestions or share your views with us via email at hr@greenenergy.hk.

ENVIRONMENTAL PROTECTION

The Group has been taking measures to reduce the possible impact on the environmental arising from the operation and production activities.

Production and sales

The emissions from production activities are limited to reproduce the construction waste, transports and motor vehicles. It is estimated that over 30,000 liters diesel/gasoline was consumed for collecting the construction waste materials from industrial area and regrind and for running motor vehicles. A further breakdown is provided in the following table:

Diesel for operation	Over 26,000 Liters
Diesel/gasoline for motor vehicles	Over 4,000 Liters
Electricity for operation	Over 300,000 kWh
Paper usage for operation	Over 600 Kgs

Environmental, Social and Governance Report

Regarding other Greenhouse Gas ("GHS") emission from our operations in Germany in 2016, the following were calculated based on the fuel consumption data available.

Year ended 31 December 2016

(Tonnes)	Diesel/ gasoline for		Electricity for operation	Paper usage	Total
	Diesel for operation	motor vehicles			
CO ₂	84	9	205	<1	298
CO	<1	<1	N/A	N/A	<2
NO _x	<1	<1	N/A	N/A	<1
N ₂ O	<1	<1	N/A	N/A	<1
CH ₄	<1	<1	N/A	N/A	<1
VOC	<1	<1	N/A	N/A	<1

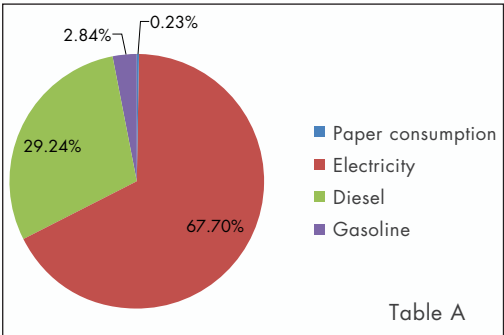


Table A: Percentage of greenhouse gas emission sources in FY2016

DIESEL

There was 84 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The annual emission intensity was 3.138 tCO₂e/m².

DIESEL/GASOLINE

A total of 4,300 litres of diesel/gasoline was used for motor vehicles in the reporting period, contributing to 9 tonnes of carbon dioxide equivalent.

ELECTRICITY

The electricity consumption by the Group was 325,000 kWh contributing 205 tonnes of carbon dioxide equivalent, with an energy intensity of 0.63 kWh/m² despite positive business growth. The Group continues its commitment in installing and switching to energy-saving lighting fixtures and sourcing energy efficient equipment to ensure functioning in optimal conditions and efficiency.

Environmental, Social and Governance Report

OTHER INDIRECT EMISSION - PAPER CONSUMPTION

The Group's additional effort in practising double password confirmation for printing and the recycling of used papers, which further reduced printing mistakes and thus less paper usage and wastage. A total amount of 0.69 tonnes of carbon dioxide equivalent greenhouse gases emitted from the Group's daily office operation, with an annual emission intensity of 4.8 kg CO₂e/kg.

OUR PEOPLE

The Group cares about our employees and regards them as one of the important resources for the development of the Group. To attract and retain the best people for the Group, we endeavor to build a comfortable, healthy and equal working environment for our employees and ensure that all their rights and interests are protected. The Group had a total number of 28 employees as of 31 December 2016.

(A) Employment Practices

The Group strictly complies with all applicable labour standards and employment laws and regulations of its respective operating bases. The Group prohibits child labour and forces labour in any workplace.

All employees of the Group have entered into written employment contracts and such contracts shall include dismissal term where the Company has the right to terminate such contract with an employee who willfully violates local laws and regulations and the Group's policy.

Employees' remuneration packages include basic salaries and performance-based bonuses which shall be determined by their qualifications, experience and prevailing market rates. Salaries and promotion opportunities are normally reviewed annually based on individual performance appraisals. Apart from the basic remuneration package, the Group also offers a wide range of benefits including medical and hospital insurance coverage, Chinese New Year red packet and paid leaves for sick, marriage and bereavement in addition to statutory holidays.

All employees enjoy rest days, statutory holidays and paid annual leave according to the respective government laws and regulations. No employee is paid less than the minimum wage specified by the government regulations in different jurisdictions.

(B) Employee Health and Safety

The Group places the highest priority on securing health and safety of all our employees. We endeavor to protect them from work-related accidents or injuries and the Group pledges full compliance with the relevant occupational health and safety legislation of Hong Kong, People's Republic of China and Germany.

Environmental, Social and Governance Report

The Company provides insurance covering medical treatments and accidents to eligible employees. In order to avoid accidents and ensure that all employees work in a safe manner, we implement tailor-made “Workplace Health and Safety Manual” for different working conditions and needs which stipulates clearly the safety procedures as well as emergency response plans. Those established policies and guidelines will be reviewed periodically and further improved to better protect our employees. At the same time, first aid kit is available at each workplace to ensure that any employee who is injured or ill at work can receive immediate attention.

Indicators	Unit	Year ended 31 December 2016			Total
		Hong Kong	People’s Republic of China	Germany	
Fatality or permanent disablement cases recorded	Number	0	0	0	0
Number of employees died during duty	Person	0	0	0	0
Number of working days loss from working injury	Days	0	0	0	0

(C) Development and Training

The Group strives to provide an environment where our employees can grow professionally and develop their career path that meets the long-term growth of our business simultaneously. In view of that, we always encourage our staff to participate in the continuous learning activities.

The Group encourages employees to participate in various external qualification examinations. Education allowances are offered to our employees to attend training courses organized by professional institutions from time to time to enhance their professional and technical knowledge. The Group also provides its directors with regular reading materials to ensure that they keep abreast of the latest regulatory requirements, corporate governance practices, and financial information and market trends.

In our Germany division, we have created “Standard Operational Procedures Manual” for most of our activities which set out instructions for workers to carry out routine operations. It not only forms the basis operating training to our employees but also assists us to improve the overall operation efficiency and uniformity of performance in the long run. The procedures will be explained to each new employee before they begin their job.

Environmental, Social and Governance Report

OPERATING PRACTICES

The Group promotes the concept of rational development to construct a sincere and harmonious enterprise by upholding the principle of building a harmonious enterprise, following the direction of creating long-term mutual benefits with the best quality and services and creating the best situation for upstream and downstream customers.

(A) Product Liability

The Group understands that apart from the quality, customers are becoming more concerned about environmental matters and more likely to purchase and use ecofriendly products. The Group is fully aware of and in fact supports this market trend and implements product certification and well-established quality inspection procedures to ensure that all our products meet quality standard and sustainable development requirement.

(B) Customer Privacy

The Group's information technology department has maintained a comprehensive data protection system to ensure that the data we collect is protected and our customer's privacy is respected. The Group respects intellectual property rights and requires using copyrighted application software, and avoids the security flaw and legal disputes arising from the copyright of software.

(C) Anti-corruption

Employees who engage in business operations and represent the Group's professional image, are strictly prohibited to use business opportunities for personal interest or benefit. Employees are reminded that receiving gifts of any form from suppliers and customers is prohibited.

Staff handbook which lays out the Company's expectations and guiding principles on bribery prevention is provided to each employee. Meanwhile, we encourage employees to report any malpractice and misconduct directly to the human resources department or the senior management. All reports will be treated at all times with confidentiality.

During the product/service providers' selection or procurement processes, employees are reminded to avoid misuse of authority or being engaged in situations which could affect their ability to make decisions.

Environmental, Social and Governance Report

COMMUNITY

Being a responsible corporate citizen, the Group has been actively involved in community projects near the towns and cities where we worked. Our strategy is focused on working with other non-profit organizations to improve underprivileged people's lives and promote environmental awareness.

(A) Corporate Giving

- 1) During the year, the Group had donated a total approximately Euro530 to different charity organizations. We have also donated used equipment for refurbished projects led by non-profit organization. We had been sponsoring the Green Carnival organize by Green Council, which is part of local government initiative.
- 2) Germany divisions have "Standard Recycling Procedures Manual" which instructs employees how to classify the office and field wastes into different recycling bins or recycling trash bags.

(B) Employee Volunteering

In addition to donation, we also encourage our employees to contribute their time and efforts in various local community projects in the regions where we operate.

- 1) 2013 – 2015 Donations to local community in Germany
- 2) 2015 – 50 hours voluntarily work for the local community achieved by Hong Kong division's staff
- 3) 2015 – Charity walk for People's Republic of China Division's employees

FUTURE DIRECTIONS FROM THE GROUP

The Group will continue actively sourcing energy-saving appliances, equipment and materials with careful selection and review of suppliers and their origins. Opportunities to work with other charity partners and more training and development in terms of raising staff's awareness on environmental and social impacts from the business will also be considered.

Independent Auditor's Report



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

TO THE SHAREHOLDERS OF GREEN ENERGY GROUP LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Green Energy Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 38 to 107, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong Limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Independent Auditor's Report

KEY AUDIT MATTERS – Continued

Impairment of property, plant and equipment

(Refer to notes 3.10, 4 and 13 to the consolidated financial statements)

As at 31 December 2016, the Group had property, plant and equipment located in Germany with carrying amount of HK\$15,103,000 which are deployed by the Group for its plastic recycling business in Germany. During the year, this business segment incurred segment loss of HK\$1,737,000. Management considered that there were indicators of possible impairment of those assets and the Group thereby engaged independent professional valuers to undertake valuation for those assets.

Management has concluded that there is no impairment in respect of those assets as their recoverable amounts are higher than their carrying values. The recoverable amounts are determined based on the fair value of those assets estimated by the independent professional valuers.

We have identified this as a key audit matter because the estimation of recoverable amounts of those assets requires significant level of estimation and judgement, which includes selection of valuation methodologies and comparables and application of adjustments to the comparables.

Our procedures in relation to management's impairment assessment on the property, plant and equipment of the plastic recycling business included:

- Evaluating the independent professional valuers' competence, capabilities and objectivity;
- Involving our internal specialist to assist in assessing the valuation of the independent professional valuer;
- Assessing the methodologies used and the appropriateness of key assumptions adopted and the reasonableness of the adjustments applied to the comparables; and
- Checking the accuracy and relevance of the input data used.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Corporate Information, Chairman's Statement, Biographical Details of Directors and Senior Management, Directors' Report, Corporate Governance Report, Environmental Social and Governance Report and Five Years Financial Summary are expected to be made available to us shortly after that date.

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

Independent Auditor's Report

OTHER INFORMATION IN THE ANNUAL REPORT – Continued

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

When we read the Corporate Information, Chairman's Statement, Biographical Details of Directors and Senior Management, Directors' Report, Corporate Governance Report, Environmental Social and Governance Report and Five Years Financial Summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee of the Company (the "Audit Committee") and take appropriate actions considering our legal rights and obligations.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

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

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

Independent Auditor's Report

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's Report

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

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

From the matters communicated with the directors, 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.

BDO Limited

Certified Public Accountants

Lee Ming Wai

Practising Certificate Number P05682

Hong Kong, 30 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	6	2,552	1,211
Changes in inventories of finished goods		(392)	(281)
Write-down of inventories to net realisable value		(32)	(3)
Other income and gains	7	1,591	2,168
Staff costs		(9,967)	(9,996)
Depreciation		(781)	(1,230)
Other expenses		(26,235)	(29,233)
Impairment loss on property, plant and equipment		-	(240)
Impairment loss on deposit for acquisition of property, plant and equipment	19	(2,848)	-
Finance costs	8	(718)	(5,544)
Loss before income tax	9	(36,830)	(43,148)
Income tax	10	-	-
Loss for the year		(36,830)	(43,148)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		120	2,830
Other comprehensive income for the year		120	2,830
Total comprehensive income for the year		(36,710)	(40,318)
Loss attributable to:			
Owners of the Company		(36,630)	(43,148)
Non-controlling interest		(200)	-
		(36,830)	(43,148)
Total comprehensive income attributable to:			
Owners of the Company		(36,515)	(40,318)
Non-controlling interest		(195)	-
		(36,710)	(40,318)
		HK cents	HK cents
Loss per share – Basic and diluted	12	(5.47)	(6.79)

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	24,021	9,069
Intangible assets	14	–	–
Deposit for acquisition of property, plant and equipment	17	–	5,655
		24,021	14,724
Current assets			
Inventories	15	877	256
Trade receivables	16	105	107
Prepayments, deposits and other receivables	17	1,478	8,432
Cash and cash equivalents	18	26,665	58,375
		29,125	67,170
Assets of a disposal group classified as held for sale	19	3,000	–
		32,125	67,170
Current liabilities			
Trade payables	20	684	–
Accruals and other payables		3,382	2,158
Convertible redeemable bonds – liability component	21	–	6,611
Provision for income tax		853	853
		4,919	9,622
Net current assets		27,206	57,548
Net assets		51,227	72,272
EQUITY			
Share capital	22	68,103	66,603
Reserves	23	(16,704)	5,669
Equity attributable to owners of the Company		51,399	72,272
Non-controlling interest		(172)	–
Total equity		51,227	72,272

On behalf of the directors

Yip Wai Leung Jerry
Executive Director

So Yin Wai
Independent Non-Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Notes	Share capital HK\$'000	Share premium* HK\$'000	Convertible redeemable bonds		Exchange reserve* HK\$'000	Share option reserve* HK\$'000	General reserves* HK\$'000	Accumulated losses* HK\$'000	Equity attributable		Total HK\$'000
			equity reserves* HK\$'000	Contributed surplus* HK\$'000					to owners of the Company HK\$'000	Non- controlling interest HK\$'000	
At 1 January 2016	66,603	324,745	1,381	56,897	7,834	27,323	71	(412,582)	72,272	-	72,272
Capital contribution by a non-controlling interest	-	-	-	-	-	-	-	-	-	23	23
Redemption of convertible redeemable bonds	21	-	(1,381)	-	-	-	-	1,381	-	-	-
Recognition of equity-settled share-based payments	26	-	-	-	-	12,387	-	-	12,387	-	12,387
Lapse of vested share options	-	-	-	-	-	(12,596)	-	12,596	-	-	-
Shares issued upon acquisition of property, plant and equipment	22(b)	1,500	1,755	-	-	-	-	-	3,255	-	3,255
Transactions with owners	1,500	1,755	(1,381)	-	-	(209)	-	13,977	15,642	23	15,665
Loss for the year	-	-	-	-	-	-	-	(36,630)	(36,630)	(200)	(36,830)
Other comprehensive income											
Exchange difference on translation of financial statements of foreign operations	-	-	-	-	115	-	-	-	115	5	120
Total comprehensive income for the year	-	-	-	-	115	-	-	(36,630)	(36,515)	(195)	(36,710)
At 31 December 2016	68,103	326,500	-	56,897	7,949	27,114	71	(435,235)	51,399	(172)	51,227

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Notes	Share capital	Share premium*	Convertible redeemable bonds equity reserves*	Contributed surplus*	Exchange reserve*	Share option reserve*	General reserves*	Accumulated losses*	Equity attributable to owners of the Company	Non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	57,175	264,955	-	56,897	5,004	29,135	71	(371,341)	41,896	-	41,896
Issue of convertible redeemable bonds	21	-	-	12,222	-	-	-	-	12,222	-	12,222
Early redemption of convertible redeemable bonds	21	-	-	(5,730)	-	-	-	1,907	(3,823)	-	(3,823)
Recognition of equity-settled share-based payments	26	-	-	-	-	14,724	-	-	14,724	-	14,724
Shares issued upon conversion of convertible redeemable bonds	21	3,220	21,655	(5,111)	-	-	-	-	19,764	-	19,764
Shares issued upon exercise of share options	22	4,708	38,425	-	-	(16,536)	-	-	26,597	-	26,597
Shares issued upon acquisition of assets and liabilities through acquisition of subsidiaries	28	1,500	(290)	-	-	-	-	-	1,210	-	1,210
Transactions with owners		9,428	59,790	1,381	-	(1,812)	-	1,907	70,694	-	70,694
Loss for the year		-	-	-	-	-	-	(43,148)	(43,148)	-	(43,148)
Other comprehensive income											
Exchange difference on translation of financial statements of foreign operations		-	-	-	-	2,830	-	-	2,830	-	2,830
Total comprehensive income for the year		-	-	-	-	2,830	-	(43,148)	(40,318)	-	(40,318)
At 31 December 2015		66,603	324,745	1,381	56,897	7,834	71	(412,582)	72,272	-	72,272

* The aggregate balances underlying these accounts at the reporting date of deficit of HK\$16,704,000 (2015: surplus of HK\$5,669,000) are included as reserves in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Loss before income tax		(36,830)	(43,148)
Adjustments for:			
Interest income		(126)	(497)
Finance costs		718	5,544
Impairment on property, plant and equipment		–	240
Impairment on deposit for acquisition of property, plant and equipment		2,848	–
Depreciation of property, plant and equipment		781	1,230
Loss on disposal of property, plant and equipment		8	–
Gain on early redemption of convertible redeemable bonds		–	(87)
Equity-settled share-based payments		12,387	14,724
Write-down of inventories to net realisable value		32	3
Net exchange loss		2,233	3,357
Operating losses before movements in working capital		(17,949)	(18,634)
(Increase)/Decrease in inventories		(653)	103
Decrease in trade receivables		–	15
Decrease in prepayments, deposits and other receivables		650	1,302
Increase in trade payables		684	–
Increase/(Decrease) in accruals and other payables		1,237	(1,543)
<i>Net cash used in operating activities</i>		(16,031)	(18,757)
Cash flows from investing activities			
Interest received		126	497
Refund of deposit/(Deposit paid) for acquisition of investment under negotiation		5,136	(5,136)
Increase in loan receivables		(400)	–
Repayment of loan receivables		1,500	1,000
Purchases of property, plant and equipment		(12,598)	(715)
Proceed from disposal of property, plant and equipment		6	–
Net cash acquired from acquisition of assets and liabilities through acquisition of subsidiaries	28	–	123
<i>Net cash used in investing activities</i>		(6,230)	(4,231)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Cash flows from financing activities			
Net proceeds from issue of convertible redeemable bonds	21	–	58,559
Proceeds from exercise of share options	22	–	26,597
Payment on redemption of convertible redeemable bonds at maturity date	21	(6,786)	–
Payment on early redemption of convertible redeemable bonds	21	–	(29,231)
Capital contribution from a non-controlling interest		23	–
Interest paid		(543)	(11)
<i>Net cash (used in)/generated from financing activities</i>		(7,306)	55,914
Net (decrease)/increase in cash and cash equivalents		(29,567)	32,926
Effect of foreign exchange rate changes		(2,012)	(56)
Cash and cash equivalents at 1 January		58,375	25,505
Cash and cash equivalents at 31 December		26,796	58,375
Analysis of balance of cash and cash equivalents			
Bank balances and cash	18	26,665	58,375
Bank balances and cash classified under held for sale	19	131	–
		26,796	58,375

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

Green Energy Group Limited (“the Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is located at 4C Derrick Industrial Building, 49 Wong Chuk Hang Road, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Principal activity of the Company continued to be investment holding. The principal activities of its subsidiaries are set out in note 33. The Company together with its subsidiaries are collectively referred to as the “Group” hereinafter.

The Company’s parent is Always New Limited which was incorporated in the British Virgin Islands and the directors of the Company (the “Directors”) consider its ultimate parent is New Zealand Professional Trustee Limited which was incorporated in New Zealand.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2016

In the current year, the Group has applied for the first time the following new standards and amendments issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group’s consolidated financial statements for the current year:

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The adoption of these amendments has no material impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – Continued

(b) New/Revised HKFRSs – issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 Statement of Cash Flows – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 Income Tax – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – Continued

(b) New/Revised HKFRSs – issued but are not yet effective – Continued

Amendments to HKFRS 2 Share-based Payment – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – Continued

(b) New/Revised HKFRSs – issued but are not yet effective – Continued

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts and related interpretations*.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – Continued

(b) New/Revised HKFRSs – issued but are not yet effective – Continued

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Group is not yet in a position to state whether the application of these new pronouncements will result in substantial changes to the Group’s accounting policies or financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The consolidated financial statements have been prepared under historical cost convention.

(b) *Functional and presentation currency*

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

(c) *Critical accounting estimates and judgements*

It should be noted that accounting estimates and assumptions are used in preparation of these consolidated financial statements. Although these estimates and assumptions are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

3.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.2 Business combination and basis of consolidation – Continued

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interest that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of twelve months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interest is adjusted to reflect the changes in their relative interests in the subsidiaries.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to the acquisition, the carrying amount of non-controlling interest that represents present ownership interest in the subsidiary is the amount of those interest at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interest even if this results in those non-controlling interest having a deficit balance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

3.4 Property plant and equipment

Property, plant and equipment, other than freehold land, including buildings held for use in the production or supply of goods and services, or for administrative purposes are stated at cost less accumulated depreciation and any impairment losses. They are depreciated to write off their cost net of estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Buildings	20 – 50 years
Furniture, fixtures and equipment	3 – 10 years
Leasehold improvements	Over the shorter of terms of the leases and 5 years
Motor vehicles	5 years

Freehold land is not depreciated and stated at cost less any impairment.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs such as repairs and maintenance are recognised as an expense in profit or loss during the year in which they are incurred.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. See note 3.10 for the Group's accounting policies on impairment of non-financial assets.

Gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.5 Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on straight-line method over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

3.6 Intangible assets

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment (note 3.10) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment annually either individually or at the cash-generating unit (“CGU”) level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Acquired intangible assets

Intangible assets acquired separately are mainly distribution rights and are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight-line method over their useful lives of 10 to 12 years.

3.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.8 Financial instruments

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.8 Financial instruments – Continued

(ii) *Impairment loss on financial assets – Continued*

An impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of loans and receivables is reduced through the use of an allowance account. When any part of financial assets is determined as uncollectible, it is written off against the allowance account for the relevant financial assets.

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

(iii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables and convertible redeemable bonds are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

Effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.8 Financial instruments – Continued

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

3.9 Convertible Redeemable bonds

The convertible redeemable bonds issued by the Company (note 21) contain both the liability and equity components which are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond containing derivative features where applicable. The equity component of the convertible bonds is then the residual after deducting the fair value of the liability component from the proceeds from the issuance of the convertible redeemable bonds. The liability component is subsequently measured at amortised cost using effective interest method until extinguished on conversion or redemption. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs. The equity component is recognised in convertible redeemable bonds equity reserve until either the convertible redeemable bonds are converted or redeemed. If the convertible redeemable bonds are converted, the convertible redeemable bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the share issued. If the convertible redeemable bonds are redeemed, the convertible redeemable bonds equity reserve is released directly to accumulated losses.

If the convertible redeemable bonds are early redeemed, the consideration paid for redemption is allocated to the liability and equity component using the same allocation method as in initial recognition. The difference between the carrying amount and the fair value of the liability component redeemed is recognised in profit or loss.

Transaction costs that related to the issuance of the convertible redeemable bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.10 Impairment of non-financial assets

Intangible assets having indefinite useful lives are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets including property, plant and equipment and other intangible assets with finite useful lives are tested for impairment whenever there are indications that the assets' carrying amounts may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.11 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

3.12 Foreign currency

Transactions entered into by the Company/group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.12 Foreign currency – Continued

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

When a foreign operation is disposed of, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on disposal.

3.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.14 Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services. Provided it is probable that the economic benefits will flow to the Group and income and costs, if applicable, can be measured reliably, revenue and other income are recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Rental and sub-leasing income under operating lease is recognised on a straight-line basis over the term of the relevant lease.

Service income is recognised when services are provided.

Interest income is recognised on time-proportion basis using effective interest method.

3.15 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities arising from initial recognition of assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profits are not required recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.15 Income taxes – Continued

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

3.16 Employee benefits

(i) *Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) *Short-term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(iii) *Share-based payments*

Where equity instruments such as share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.16 Employee benefits – Continued

(iii) *Share-based payments – Continued*

If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the vested share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

3.17 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group;
 - (iii) is a member of key management personnel of the Group or the Company's parent.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.17 Related parties – Continued

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

3.18 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.19 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(i) Impairment of property, plant and equipment

Property, plant and equipment of the Group are reviewed by the Directors for possible impairment when events or changes in operating environment indicate that the carrying amounts of such assets may not be fully recoverable. In determining the recoverable amounts of these assets, expected cash flows to be generated by the assets are discounted to their present value, which involves significant level of estimates relating to the amount of revenues generated, selling prices and other operating costs. When a decline in an asset's recoverable amount has occurred, the carrying amount is reduced to its estimated recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – Continued

(ii) Share-based payments

Share options granted during the year were measured at fair value on the date of grant (note 26). In assessing the fair values of the share options, the generally accepted option pricing models were used to calculate the fair values of the share options. The option pricing models require the input of subjective assumptions, including the expected volatility and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair values of the share options.

5. SEGMENT INFORMATION

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker (i.e. most senior executive management) for the purposes of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

Bio-cleaning materials	–	Trading of bio-cleaning materials
Waste construction materials and waste processing services	–	Trading of waste construction materials and provision of waste processing services
Renewable energy	–	Production and trading of biodiesel
Plastic recycling	–	Trading of plastic recycling materials

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Reportable segment results exclude interest income, finance costs and corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of corporate assets, including bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include accruals and other payables and other liabilities directly attributable to the business activities of operating segments, and exclude corporate liabilities and provision for income tax.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION – Continued

Segment information about these businesses is presented below:

Segment revenue and results

2016

	Bio-cleaning materials HK\$'000	Waste construction materials and waste processing services HK\$'000	Renewable energy HK\$'000	Plastic recycling HK\$'000	Total HK\$'000
REVENUE					
Segment revenue – sales to external customers	94	2,458	–	–	2,552
RESULTS					
Segment results	(252)	818	(1,062)	(1,737)	(2,233)
Share-based payments (<i>note 26</i>)					(12,387)
Other corporate expenses					(23,083)
Finance costs					(718)
Other income					1,591
Loss before income tax					(36,830)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION – Continued

Segment revenue and results – Continued

2015

	Bio-cleaning materials HK\$'000	Waste construction materials and waste processing services HK\$'000	Renewable energy HK\$'000	Plastic recycling HK\$'000	Total HK\$'000
REVENUE					
Segment revenue – sales to external customers	129	1,082	–	–	1,211
RESULTS					
Segment results	(169)	(278)	(3,062)	–	(3,509)
Share-based payments (<i>note 26</i>)					(14,724)
Other corporate expenses					(21,539)
Finance costs					(5,544)
Other income					2,168
Loss before income tax					(43,148)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION – Continued

Segment assets, segment liabilities and other segment information
2016

	Bio-cleaning materials HK\$'000	Waste construction materials and waste processing services HK\$'000	Renewable energy HK\$'000	Plastic recycling HK\$'000	Total HK\$'000
ASSETS					
Segment assets	357	9,864	4,698	19,327	34,246
Unallocated cash and cash equivalents					19,573
Loan receivable					400
Other corporate asset					1,927
Consolidated total assets					56,146
LIABILITIES					
Segment liabilities	5	197	25	871	1,098
Provision for income tax					853
Other corporate liabilities					2,968
Consolidated total liabilities					4,919

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION – Continued

Segment assets, segment liabilities and other segment information – Continued
2016 – Continued

	Bio-cleaning materials HK\$'000	Waste construction materials and waste processing services HK\$'000	Renewable energy HK\$'000	Plastic recycling HK\$'000	Corporate HK\$'000	Total HK\$'000
OTHER INFORMATION						
Additions to non-current assets	-	15	-	15,480	358	15,853
Depreciation	1	73	15	385	307	781
Write-down of inventories to net realisable value	-	-	32	-	-	32
Share-based payments (note 26)	-	-	-	-	12,387	12,387
Impairment loss on deposit for acquisition of property, plant and equipment (note 19)	-	-	2,848	-	-	2,848

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION – Continued

Segment assets, segment liabilities and other segment information – Continued 2015

	Bio-cleaning materials HK\$'000	Waste construction materials and waste processing services HK\$'000	Renewable energy HK\$'000	Plastic recycling HK\$'000	Total HK\$'000
ASSETS					
Segment assets	384	9,182	19,136	–	28,702
Unallocated cash and cash equivalents					43,808
Loan receivable					1,500
Deposit for acquisition of investment under negotiation (<i>note 17(a)</i>)					5,136
Other corporate assets					<u>2,748</u>
Consolidated total assets					<u>81,894</u>
LIABILITIES					
Segment liabilities	–	182	26	–	208
Convertible redeemable bonds					6,611
Provision for income tax					853
Other corporate liabilities					<u>1,950</u>
Consolidated total liabilities					<u>9,622</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION – Continued

Segment assets, segment liabilities and other segment information – Continued 2015 – Continued

	Bio-cleaning materials HK\$'000	Waste construction materials and waste processing services HK\$'000	Renewable energy HK\$'000	Plastic recycling HK\$'000	Corporate HK\$'000	Total HK\$'000
OTHER INFORMATION						
Additions to non-current assets	–	5,055	–	–	715	5,770
Depreciation	1	92	849	–	288	1,230
Write-down of inventories to net realisable value	–	–	3	–	–	3
Share-based payments (note 26)	–	–	–	–	14,724	14,724
Impairment loss on property, plant and equipment	–	–	–	–	240	240

Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China ("PRC") (excluding Hong Kong), Germany and Portugal. The Group's revenue from external customers by geographical markets, determined based on the location of customers, and information about its non-current assets by geographical location, determined based on the location of the assets, are detailed below:

	Revenue from external customers		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	94	129	836	6,436
The PRC (excluding Hong Kong)	–	–	256	329
Germany	2,458	1,082	22,929	7,959
	2,552	1,211	24,021	14,724

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION – Continued

Information about major customers

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A [#]	NA¹	123
Customer B [^]	613	358
Customer C [^]	289	NA ²

¹ Customer A contributes less than 10% of total revenue of the Group in 2016.

² Customer C contributed less than 10% of total revenue of the Group in 2015.

[#] Included in the segment of bio-cleaning material and is located in Hong Kong

[^] Included in the segment of waste construction materials and waste processing services and is located in Germany

6. REVENUE

Revenue derived from the principal activities of the Group is recognised during the year as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trading of bio-cleaning materials	94	129
Trading of waste construction materials	1,810	695
Provision of waste processing services	648	387
	2,552	1,211

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

7. OTHER INCOME AND GAINS

	2016 HK\$'000	2015 HK\$'000
Gain on early redemption of convertible redeemable bonds (note 21)	–	87
Interest income	126	497
Realised fair value gain on financial instruments	419	465
Recovery of bad debt	–	250
Sub-leasing income	898	857
Sundry income	148	12
	1,591	2,168

8. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest expenses on convertible redeemable bonds (note 21)	718	5,533
Interest expenses on other loans	–	11
	718	5,544

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

9. LOSS BEFORE INCOME TAX

	2016 HK\$'000	2015 HK\$'000
Loss before income tax is arrived at after charging:		
Depreciation for property, plant and equipment	781	1,230
Auditor's remuneration	689	618
Minimum lease payments for operating leases in respect of land and buildings	1,733	1,837
Research and development expenditure	10	79
Loss on disposal of property, plant and equipment	8	–
Net exchange loss	3,161	5,267
Equity-settled share-based payments to non-employee participants (note 26)	10,117	11,421
Staff costs including Directors' remuneration		
Salaries and allowances	7,270	6,389
Retirement benefit – defined contribution scheme	427	304
Equity-settled share-based payments to employees (note 26)	2,270	3,303
	9,967	9,996

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in or derived from Hong Kong for both years.

For the subsidiaries operated in Germany, Portugal and the PRC, no provision for corporate income tax or PRC enterprise income tax as appropriate have been made as these subsidiaries incurred a loss for taxation purposes for both years.

Reconciliation between income tax and accounting loss at applicable tax rates is as follows:

	2016	2015
	HK\$'000	HK\$'000
Loss before income tax	(36,830)	(43,148)
Tax on profit at the rates applicable to the jurisdictions concerned	(6,110)	(7,452)
Tax effect of non-deductible expenses	5,656	7,118
Tax effect of non-taxable income/revenue	(467)	(511)
Tax effect of tax losses not recognised	924	730
Tax effect of other temporary differences not recognised	(3)	115
Over-provision in previous years	-	-
Income tax	-	-

The Group has no material unprovided deferred tax liabilities as at the end of the reporting period (2015:Nil).

As at 31 December 2016, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$124,145,000 (2015: HK\$118,625,000) and deductible temporary differences of HK\$143,000 (2015: HK\$103,000) as it is not probable that future taxable profits against which the losses and deductible temporary differences can be utilised will be available in the relevant group entities. The tax losses have no expiry date under current tax legislation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The emoluments paid or payable to each of the Directors were as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 December 2016				
Executive directors				
Mr. Yip Wai Leung Jerry	–	1,690	18	1,708
Mr. Sean Douglas Mollet (<i>note</i>)	–	428	–	428
Independent non-executive directors				
Mr. So Yin Wai	120	–	–	120
Ms. Li Kit Chi Fiona	120	–	–	120
Mr. Tam Chun Wa	120	–	–	120
	360	2,118	18	2,496

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 December 2015				
Executive directors				
Mr. Yip Wai Leung Jerry	–	1,512	18	1,530
Mr. Sean Douglas Mollet (<i>note</i>)	–	78	–	78
Independent non-executive directors				
Mr. So Yin Wai	120	–	–	120
Ms. Li Kit Chi Fiona	120	–	–	120
Mr. Tam Chun Wa	120	–	–	120
	360	1,590	18	1,968

Note:

Mr. Sean Douglas Mollet was appointed on 1 December 2015 and resigned on 15 June 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – Continued

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2015: one) was a director of the Company, whose emoluments are reflected in the analysis presented in note (a) above. The emoluments of the remaining four (2015: four) individuals, are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries and other benefits	2,099	1,857
Retirement benefit scheme contributions	131	130
	2,230	1,987

Their emoluments were within the following band:

	Number of individuals	
	2016	2015
Nil to HK\$1,000,000	4	4

(c) Senior management's remuneration

The emoluments paid or payable to the members of the senior management were within the following bands:

	Number of individuals	
	2016	2015
Nil to HK\$1,000,000	5	5
HK\$1,500,001 to HK\$2,000,000	1	1
	6	6

The remuneration policies of the Group are based on the prevailing remuneration level in the market and the performance of respective group companies and individual employees. During both years, no emoluments were paid by the Group to the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, there was no arrangement under which the Directors waived or agreed to waive any remuneration during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

12. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	2016 HK\$'000	2015 HK\$'000
Loss		
Loss for the year attributable to the owners of the Company	(36,630)	(43,148)
	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	669,852	635,740

In arriving at diluted loss per share, no adjustment has been made as the share options (note 26) and convertible redeemable bonds (note 21) outstanding during both years had an anti-dilutive effect on the basic loss per share for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 January 2015	6,000	1,071	3,375	17,375	1,526	29,347
Exchange realignment	(735)	(113)	(13)	(858)	(25)	(1,744)
Additions	-	-	19	696	-	715
Additions through acquisition of subsidiaries (note 28)	5,055	-	-	-	-	5,055
Disposal	-	-	-	(33)	-	(33)
At 31 December 2015 and 1 January 2016	10,320	958	3,381	17,180	1,501	33,340
Exchange realignment	(99)	(9)	(147)	(206)	(42)	(503)
Additions	5,378	3,411	119	6,783	162	15,853
Classified as held for sale (note 19)	-	-	-	(437)	-	(437)
Disposal	-	-	-	(4,518)	(221)	(4,739)
At 31 December 2016	15,599	4,360	3,353	18,802	1,400	43,514
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	3,696	211	2,993	16,008	1,202	24,110
Exchange realignment	(389)	(23)	(8)	(832)	(24)	(1,276)
Depreciation	-	25	111	1,047	47	1,230
Impairment	-	-	-	240	-	240
Written back on disposal	-	-	-	(33)	-	(33)
At 31 December 2015 and 1 January 2016	3,307	213	3,096	16,430	1,225	24,271
Exchange realignment	(32)	(5)	(147)	(205)	(18)	(407)
Depreciation	-	95	119	493	74	781
Classified as held for sale (note 19)	-	-	-	(427)	-	(427)
Written back on disposal	-	-	-	(4,504)	(221)	(4,725)
At 31 December 2016	3,275	303	3,068	11,787	1,060	19,493
NET CARRYING AMOUNT						
At 31 December 2016	12,324	4,057	285	7,015	340	24,021
At 31 December 2015	7,013	745	285	750	276	9,069

The Group's freehold lands and buildings are situated outside Hong Kong.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

14. INTANGIBLE ASSETS

**Distribution
rights**
HK\$'000

Cost

At 1 January 2015, 31 December 2015 and 31 December 2016 26,800

Accumulated amortisation and impairment

At 1 January 2015, 31 December 2015 and 31 December 2016 26,800

Net carrying amount

At 31 December 2016 –

At 31 December 2015 –

The Group holds two exclusive distribution rights granted by third parties to distribute those third parties' cleaning materials in specific Asian countries and generators in countries other than the PRC (excluding Hong Kong) for a period of twelve years commencing from 1 January 2005 and a period of ten years commencing from 5 November 2007 respectively. The Group has an option to renew the distribution rights of cleaning materials and generators for a term of six years and five years respectively, subject to the terms of agreement.

The exclusive distribution rights have finite useful lives and are subject to amortisation. Amortisation is charged to profit or loss using straight-line method to allocate the acquisition cost over their estimated useful lives. In the case where there is any impairment in value, the unamortised balance is written down to its estimated recoverable amount.

The Directors reviewed the carrying amounts of the Group's exclusive distribution rights and considered that it was uncertain whether future economic benefits would be derived and therefore, the distribution rights were fully impaired in previous years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

15. INVENTORIES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bio-cleaning materials	183	224
Bio-fuel materials	–	32
Plastic materials	694	–
	877	256

16. TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	105	107

The Group allows a credit period of 14 days (2015: 14 days) to certain of its trade customers. The following is an ageing analysis of trade receivables based on invoice date at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Based on invoice date		
0–90 days	91	106
91–180 days	13	–
Over 365 days	1	1
	105	107

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

16. TRADE RECEIVABLES – Continued

The following is an ageing analysis of trade receivables based on due date which are past due but not impaired at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
Based on due date		
Not yet past due	84	101
0–90 days past due	11	5
91–180 days past due	9	–
Over 365 days past due	1	1
	105	107

Certain trade receivables are past due at the reporting date but not provided for impairment as the Directors are of the opinion that there has not been a significant change in credit quality of the debtors and the balances are still considered fully recoverable.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Prepayments	381	1,196
Deposits for acquisition of property, plant and equipment	–	5,655
Deposit for acquisition of investment under negotiation (note (a))	–	5,136
Loan receivable (note (b))	400	1,500
Other deposits and receivables	697	600
	1,478	14,087
Classified under non-current assets	–	(5,655)
	1,478	8,432

(a) In December 2015, the Group transferred a sum of Euro600,000 (equivalent to HK\$5,136,000) to a trust account, in the custody of a German lawyer, as earnest money in favour of a vendor in a proposed acquisition of certain property, plant and equipment to be used in waste plastic recycling business in Germany. The proposed acquisition was completed during the year.

(b) The principal amount of the loan outstanding as at 31 December 2016 is HK\$500,000 which bears interest at 5% per annum and is repayable by 20 monthly instalments until 30 August 2018. The loan outstanding as at 31 December 2015 was fully repaid during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. CASH AND CASH EQUIVALENTS

Included in bank balances and cash of the Group at 31 December 2016 are amounts of HK\$11,322,000 (2015: HK\$22,467,000) which are denominated in Renminbi ("RMB"). RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

19. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 29 December 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire issued share capital of Gold Stand Holding Limited (the "Target Company"), a wholly-owned subsidiary of the Company. The principal activity of the Target Company and its subsidiary (collectively the "Disposal Group") is manufacturing and trading of renewable energy. The disposal was completed in January 2017. Accordingly, the following major classes of assets relating to the Disposal Group have been classified as held for sale in the consolidated statement of financial position of the Group.

	HK\$'000
Property, plant and equipment (<i>note 13</i>)	10
Deposit for acquisition of property, plant and equipment (net of impairment)	2,807
Prepayments, deposits and other receivables	52
Bank balances and cash	131
	3,000

In accordance with HKFRS 5 *Non-current Asset Held for Sale and Discontinued Operation*, the assets of the Disposal Group have been written down to their fair value less costs to sell of HK\$3,000,000. The fair value less costs to sell of the Disposal Group was estimated with reference to the agreed selling price stipulated in the sale and purchase agreement as mentioned above, which is a non-recurring fair value measurement. An impairment loss of HK\$2,848,000 has been recognised in profit or loss and has been allocated to the item of deposit for acquisition of property, plant and equipment of the Disposal Group.

The Disposal Group does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

20. TRADE PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables	684	–

The following is an ageing analysis of trade payables based on invoice date at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
Less than 1 month	684	–

21. CONVERTIBLE REDEEMABLE BONDS

The Company issued one-year 8% convertible redeemable bonds at a total principal amount of HK\$60,060,000 on 22 April 2015. The bonds will mature in one year from the issue date on 21 April 2016 and can be converted into ordinary shares of the Company at the holder's option at initial conversion price of HK\$0.78 per share after the date of issuance up to and including the maturity date. The maximum number of shares to be converted upon full conversion of the bonds is 77,000,000.

The bonds may be redeemed by the Company during the period commencing on the date immediately following the expiry of restriction period to and including the maturity date at a redemption amount equal to 100% of the principal amount of the outstanding bonds together with all interest accrued thereon. Restriction period is defined as the three-month period commencing from the date of issue of the bonds.

The bonds have two components – liability and equity components. On initial recognition, the fair value of the liability component of the convertible redeemable bonds was determined using the prevailing market interest of similar non-convertible bond with the Company's redemption option. The difference between the issue price of the convertible redeemable bonds and the fair value assigned to the liability component, representing the option for conversion of the convertible redeemable bonds into equity, is included in equity as convertible redeemable bonds equity reserve. The liability component of the bonds is subsequently measured at amortised cost using effective interest rate of 31.1% per annum.

The net proceeds from the issue of the convertible redeemable bonds after the direct transaction costs of HK\$1,501,000 were HK\$58,559,000. The transaction costs were allocated based on the fair values of both components at initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

21. CONVERTIBLE REDEEMABLE BONDS – Continued

During the year ended 31 December 2015, the bonds with principal amount of HK\$25,116,000 were converted at the conversion price of HK\$0.78 per share, resulting in the issue of 32,200,000 new shares of HK\$0.1 each and the transfer of a sum of HK\$5,111,000 from convertible redeemable bonds equity reserve to share capital and share premium, and the derecognition of liability component by HK\$19,764,000.

In addition, the Group early redeemed the convertible redeemable bonds with principal amount of HK\$28,158,000. Upon redemption, the redemption consideration of HK\$29,231,000 was allocated as to HK\$25,408,000 to the liability component and HK\$3,823,000 to the equity component. The difference between the redemption consideration allocated to the liability component and the carrying amount of the liability component of the bonds redeemed as at the redemption date of HK\$87,000 is recognised in profit or loss as “gain on early redemption of convertible redeemable bonds”. The difference between the redemption consideration and the carrying amount of the equity component amounting to HK\$1,907,000 is recognised in accumulated losses.

During the year 31 December 2016, no convertible bond was converted into ordinary shares of the Company. All the outstanding convertible redeemable bonds brought forward from 31 December 2015, with principal amount of HK\$6,786,000, were redeemed at the maturity date resulting in transfer of a sum of HK\$1,381,000 from convertible redeemable bonds equity reserve to accumulated losses.

The movements of the liability and equity components of the convertible redeemable bonds are set out below:

	Liability component	Equity component	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Value on initial recognition less			
direct transaction cost	46,337	12,222	58,559
Imputed interest expense recognised (<i>note 8</i>)	5,533	–	5,533
Conversion of convertible redeemable bonds	(19,764)	(5,111)	(24,875)
Early redemption of convertible redeemable bonds	(25,495)	(5,730)	(31,225)
At 31 December 2015 and 1 January 2016	6,611	1,381	7,992
Imputed interest expense recognised (<i>note 8</i>)	718	–	718
Redemption of convertible redeemable bonds at maturity date	(7,329)	(1,381)	(8,710)
At 31 December 2016	–	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

22. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1 January 2015, 31 December 2015 and 31 December 2016	4,000,000	400,000
Issued and fully paid:		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1 January 2015	571,752	57,175
Conversion of convertible redeemable bonds (note 21)	32,200	3,220
Exercise of share options (note(a))	47,078	4,708
Issue upon acquisition of subsidiaries (note 28)	15,000	1,500
At 31 December 2015 and 1 January 2016	666,030	66,603
Issue upon acquisition of property, plant and equipment (note(b))	15,000	1,500
At 31 December 2016	681,030	68,103

Note:

- (a) During the year ended 31 December 2015, 47,078,000 options were exercised at the exercise prices ranging from HK\$0.360 to HK\$1.050 per share, resulting in the issue of 47,078,000 new shares of HK\$0.1 each and the transfer of a sum of HK\$16,536,000 from share option reserve to share premium. Proceeds generated from exercising the share options amounted to HK\$26,597,000.
- (b) During the year, the Group issued 15,000,000 ordinary shares at an issue price of HK\$0.28 each for purchase of certain property, plant and equipments for its plastic recycling business in Germany. As the purchase price was partially-settled by the Company's ordinary shares, it was an equity-settled share-based payment and accordingly, the fair value of the ordinary shares issued in connection with the acquisition is determined based on the fair value of the assets acquired of HK\$9,484,000 less the cash consideration of HK\$6,229,000, amounted to HK\$3,255,000. Among the fair value of HK\$3,255,000, HK\$1,500,000 being the nominal value of the shares issued was credited to share capital and the balance of HK\$1,755,000 was credited to share premium account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. RESERVES

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity of the consolidated financial statements. The natures and purposes of reserves within equity are as follows:

Share premium

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be applied:

- (a) in paying up unissued shares of the Company to be issued to shareholders of the Company as fully paid bonus shares;
- (b) in writing off
 - (i) the preliminary expenses of the Company; or
 - (ii) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; or
- (c) in providing for the premiums payable on redemption of any shares or of any debentures of the Company.

Convertible redeemable bonds equity reserve

Convertible redeemable bonds equity reserve represents the equity component of the convertible redeemable bonds issued in April 2015 (note 21), which was the difference between the issue price (net) of the convertible redeemable bonds and the fair value assigned to the liability component, representing the option for conversion of the convertible redeemable bonds into equity upon initial recognition of the convertible redeemable bonds.

Contributed surplus

Contributed surplus represents the remaining balance of the aggregate amount of credit arising from the capital reduction and the share premium cancellation after credit transfer to accumulated losses pursuant to the implementation of restructuring proposal on 27 April 2004 and to a resolution passed at a special general meeting on 1 December 2003.

Share option reserve

Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the grantees recognised in accordance with the accounting policy adopted for share-based payments in note 3.16(iii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. RESERVES – Continued

General reserves

In accordance with the PRC regulations, the general reserves retained by a subsidiary in the PRC are non-distributable.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3.12.

24. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessor

At the end of the reporting period, the Group had total future minimum rent receivable under non-cancellable operating lease in respect of land and buildings as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,035	913
In the second to fifth year, inclusive	1,806	503
Over five years	463	–
	<hr/> 3,304	<hr/> 1,416

Lease for land and building is negotiated for an average term of two to fifteen years (2015: two to five years) at fixed rental.

(b) The Group as lessee

At the reporting date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,345	1,357
In the second to fifth year, inclusive	1,516	632
	<hr/> 2,861	<hr/> 1,989

Leases for land and building are negotiated for an average term of six months to four years (2015: two to three years) at fixed rental.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

25. CAPITAL COMMITMENTS

The Group had the following outstanding capital commitments at the end of reporting period:

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for, in respect of:		
– Acquisition of property, plant and equipment	1,139	1,150

26. SHARE-BASED PAYMENTS

On 27 May 2016, the shareholders of the Company passed a resolution to approve for the termination of the Company's share option scheme adopted in 2006 (the "Old Share Option Scheme") and the adoption of a new share option scheme (the "Share Option Scheme"), which is an equity-settled share option scheme. The adoption of the Share Option Scheme will not in any event affect the terms of the grant of the outstanding options that has already been granted under the Old Share Option Scheme and those outstanding options shall continue to be valid and subject to the provisions of the Old Share Option scheme.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Under the Share Option Scheme, which is valid for a period of ten years, the board of Directors of the Company may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

26. SHARE-BASED PAYMENTS – Continued

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing of the relevant resolution adopting the Share Option Scheme.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of the share option). In addition, for granting of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all share options granted and to be granted to such person in the 12-month period up to the date of such grant representing in aggregate over 0.1% of shares of the Company in issue and having an aggregated value based on the closing prices of the Company shares at the date of each grant, in excess of HK\$5,000,000, such further grant of share options are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, and the share options in respect of which the offer was so accepted will be deemed to have been granted on the date of the offer. The acceptance of the share options is subject to payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, save that such period shall not be more than ten years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme. Unless otherwise determined by the Directors at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

26. SHARE-BASED PAYMENTS – Continued

Details of the share options granted under the Old Share Option Scheme and the Share Option Scheme are as follows:

Date of grant	Exercisable period	Exercise price HK\$	Closing price immediately before the date on which options were granted HK\$	Number of options outstanding	
				2016	2015
22 September 2006	22 September 2006 to 21 September 2016	0.930	0.910	–	1,690,000
21 November 2006	21 November 2006 to 20 November 2016	1.050	1.020	–	17,748,000
9 July 2015	9 July 2015 to 8 July 2025	0.541	0.355	40,000,000	40,000,000
1 September 2015	1 September 2015 to 31 August 2025	0.349	0.340	26,090,000	26,090,000
4 November 2016	4 November 2016 to 3 November 2026	0.290	0.290	16,600,000	–
6 December 2016	6 December 2016 to 5 December 2026	0.295	0.295	50,002,000	–
				132,692,000	85,528,000

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

26. SHARE-BASED PAYMENTS – Continued

The movements of the share options granted are as follows:

2016

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of options				Outstanding at 31/12/2016
				Outstanding at 01/01/2016	Granted	Exercised	Lapsed	
Directors	21/11/2006	21/11/2006-20/11/2016	1.050	680,000	-	-	(680,000)	-
Employees	21/11/2006	21/11/2006-20/11/2016	1.050	518,000	-	-	(518,000)	-
	09/07/2015	09/07/2015-08/07/2025	0.541	12,250,000	-	-	-	12,250,000
	01/09/2015	01/09/2015-31/08/2025	0.349	4,740,000	-	-	-	4,740,000
	04/11/2016	04/11/2016-03/11/2026	0.290	-	4,600,000	-	-	4,600,000
	06/12/2016	06/12/2016-05/12/2026	0.295	-	8,752,000	-	-	8,752,000
Other eligible participants	22/09/2006	22/09/2006-21/09/2016	0.930	1,690,000	-	-	(1,690,000)	-
	21/11/2006	21/11/2006-20/11/2016	1.050	16,550,000	-	-	(16,550,000)	-
	09/07/2015	09/07/2015-08/07/2025	0.541	27,750,000	-	-	-	27,750,000
	01/09/2015	01/09/2015-31/08/2025	0.349	21,350,000	-	-	-	21,350,000
	04/11/2016	04/11/2016-03/11/2026	0.290	-	12,000,000	-	-	12,000,000
	06/12/2016	06/12/2016-05/12/2026	0.295	-	41,250,000	-	-	41,250,000
Total				85,528,000	66,602,000	-	(19,438,000)	132,692,000
Exercisable at the end of the year								132,692,000
Weighted average exercise price ("HK\$")				0.596	0.294	-	1.040	0.379

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

26. SHARE-BASED PAYMENTS – Continued 2015

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of options				Outstanding at 31/12/2015
				Outstanding at 01/01/2015	Granted	Exercised	Lapsed	
Directors	21/11/2006	21/11/2006-20/11/2016	1.050	680,000	-	-	-	680,000
	29/09/2008	29/09/2008-28/09/2018	0.395	330,000	-	(330,000)	-	-
Employees	22/09/2006	22/09/2006-21/09/2016	0.930	2,004,000	-	(2,004,000)	-	-
	21/11/2006	21/11/2006-20/11/2016	1.050	3,418,000	-	(2,900,000)	-	518,000
	20/12/2011	20/12/2011-19/12/2021	0.360	10,120,000	-	(10,120,000)	-	-
	12/05/2014	12/05/2014-11/05/2024	0.388	9,500,000	-	(9,500,000)	-	-
	09/07/2015	09/07/2015-08/07/2025	0.541	-	12,250,000	-	-	12,250,000
	01/09/2015	01/09/2015-31/08/2025	0.349	-	4,740,000	-	-	4,740,000
Other eligible participants	22/09/2006	22/09/2006-21/09/2016	0.930	3,284,000	-	(1,594,000)	-	1,690,000
	21/11/2006	21/11/2006-20/11/2016	1.050	24,050,000	-	(7,500,000)	-	16,550,000
	20/12/2011	20/12/2011-19/12/2021	0.360	5,130,000	-	(5,130,000)	-	-
	16/06/2014	16/06/2014-15/06/2024	0.378	8,000,000	-	(8,000,000)	-	-
	09/07/2015	09/07/2015-08/07/2025	0.541	-	27,750,000	-	-	27,750,000
	01/09/2015	01/09/2015-31/08/2025	0.349	-	21,350,000	-	-	21,350,000
Total				66,516,000	66,090,000	(47,078,000)	-	85,528,000
Exercisable at the end of the year								85,528,000
Weighted average exercise price ("HK\$")				0.704	0.465	0.565	-	0.596

The weighted average remaining contractual life of the share options outstanding at 31 December 2016 was approximately 9.3 years (2015: 7.61 years).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

26. SHARE-BASED PAYMENTS – Continued

During the year ended 31 December 2016, a total of 66,602,000 (2015: 66,090,000) share options were granted to certain employees and other non-employee participants. The estimated fair value of the options granted during the year amounted to HK\$12,387,000 (2015: HK\$14,724,000) which was determined based on the fair value of the options issued on the date of grant. Share options granted to non-employee participants are for their past contribution to the Group in respect of providing services similar to those rendered by its employees. The Group has recognised equity-settled share-based payments of HK\$12,387,000 (2015: HK\$14,724,000) in the consolidated statement of comprehensive income, among which HK\$2,270,000 (2015: HK\$3,303,000) is recognised as staff cost and HK\$10,117,000 (2015: HK\$11,421,000) is recognised as other expenses. The corresponding amount of HK\$12,387,000 (2015: HK\$14,724,000) has been credited to share option reserve.

The fair values of the share options granted were calculated using the Binomial option pricing model which is commonly used model to estimate fair value of share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables and certain assumptions. The inputs into the valuation model are as follows:

	4 November 2016	6 December 2016
Fair value per option	HK\$0.17 and HK\$0.19	HK\$0.17 and HK\$0.19
Spot price	HK\$0.290	HK\$0.290
Exercise price	HK\$0.290	HK\$0.295
Expected volatility	89.69%	88.11%
Risk-free rate	1.026%	1.442%
Expected dividend yield	Nil	Nil
Early exercise behaviour	300% of exercise price	300% of exercise price
Valuation model used	Binomial	Binomial

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

During the year ended 31 December 2016, no option was exercised. During the year ended 31 December 2015, 47,078,000 options were exercised and the weighted average closing price of the Company's shares immediately before the dates of which the options were exercised was approximately HK\$1.10.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

26. SHARE-BASED PAYMENTS – Continued

At the end of the reporting period, the Company had 132,692,000 (2015: 85,528,000) share options outstanding under the Old Share Option Scheme and the Share Option Scheme, which represented approximately 19.5% (2015: 12.8%) of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 132,692,000 (2015: 85,528,000) additional ordinary shares of the Company and additional share capital of HK\$13,269,000 (2015: HK\$8,553,000) and share premium of HK\$37,041,000 (2015: HK\$42,400,000) (before issue expenses). An amount of HK\$27,114,000 (2015: HK\$27,323,000) will be transferred from the share option reserve to the share premium account upon the exercise in full of the outstanding share options.

At the date of approval of these financial statements, the Company had 32,250,000 share options outstanding under the Share Option Scheme, which represented approximately 3.5% of the Company's shares in issue as at that date.

27. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme, Mandatory Provident Fund Scheme (the "MPF Scheme"), established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

Both of the employees' and the Group's contributions are calculated at 5% of the employee's monthly relevant income, with the mandatory cap of HK\$30,000, and the Group will make 5% top-up contribution if an employee's monthly basic salary exceeds HK\$30,000.

The employees of the Company's subsidiaries established in the PRC excluding Hong Kong are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The subsidiaries established in Germany are required to make contributions to the local defined contribution scheme on a monthly basis pursuant to the local laws and regulations.

For the year ended 31 December 2016, the Group made contributions to the retirement benefit schemes of HK\$427,000 (2015: HK\$304,000). There were no forfeited contributions available for offset against existing contributions during the year and prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

28. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 15 May 2015, the Group acquired 100% of the voting equity instruments of Skylimit Ventures Limited and its wholly-owned subsidiary (collectively "the Acquirees"), whose principal activity is leasing of freehold land, at a consideration of HK\$8,500,000 which was satisfied by (i) a refundable deposit of HK\$2,500,000 and (ii) the remaining balance of HK\$6,000,000 by allotment and issue of 15,000,000 ordinary shares of the Company with par value of HK\$0.1 each. The Group intended to use the freehold land to further develop and expand its waste construction materials and waste processing service business.

The fair value of identifiable assets and liabilities of the Acquirees as at the date of acquisition were:

	<i>HK\$'000</i>
Property, plant and equipment (<i>note 13</i>)	5,055
Other receivables	65
Bank balances and cash	123
Other payables, deposits received and accruals	(209)
Other loans	(1,324)
	<hr/> 3,710

The fair value of consideration transfer:

Issuance of 15,000,000 ordinary shares of the Company, at fair value (<i>note 22</i>)	1,210
Refundable deposit	2,500
	<hr/> 3,710

	<i>HK\$'000</i>
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	123
Cash consideration paid in 2014	(2,500)
	<hr/> (2,377)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

28. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES – Continued

The fair value of other receivables amounted to HK\$65,000. The gross amount of these receivables is HK\$65,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition was considered as an acquisition of assets and liabilities and the consideration was partially settled by the Company's ordinary shares, it was an equity-settled share-based payment transaction and accordingly the fair values of the ordinary shares issued in connection with the acquisition is determined based on the fair value of the identifiable assets and liabilities acquired less the cash consideration of HK\$2,500,000, amounted to HK\$1,210,000. HK\$1,500,000 of the fair was credited to share capital and the balance of HK\$290,000 was debited to share premium account.

29. CONTINGENT LIABILITIES

A subsidiary of the Group entered into a tenancy agreement for leasing of a land situated at the New Territories of Hong Kong (the "Premises"). The landlord of the Premises received two notices issued by the Planning Department and the Lands Department of the Government of Hong Kong which request the landlord to perform some removal and reinstatement work on the Premises and thereby requested the subsidiary to allow access to the Premises. There is a dispute over the right to access the Premises between the landlord and the subsidiary.

On 31 August 2016, the landlord, being the plaintiff (the "Plaintiff"), filed a claim to the district court against the subsidiary (the "Defendant") which is as follows:

- an injunction that the Defendant to provide reasonable access to the Plaintiff for the purpose of carrying out such appropriate and necessary works in compliance with the two notices, whereas the Defendant shall reimburse the Plaintiff all reasonable costs incurred thereof forthwith;
- alternatively, an injunction or order that the Defendant do forthwith at its own costs carry out all such necessary and appropriate works so as to comply with the two notices;
- an indemnity against the Defendant in favour of the Plaintiff for all loss and damages, costs and disbursement incurred for and/or arising from all enforcement and/or other proceedings in connection with and/or in respect of the unauthorised structures;
- loss and damages to be assessed; and
- interests and costs and further or other relief.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

29. CONTINGENT LIABILITIES – Continued

An interim decision was made by the district court on 8 March 2017 which granted an order in favour of the Plaintiff an injunction that the Defendant provides reasonable access to the Plaintiff for the purpose of carrying out all such appropriate and necessary works in compliance with the two notices in respect of the Premises, whereas the ultimate liability for such works shall be decided separately at trial.

Up to the date of this report, the trial is still in progress and no further decision has been reached by the court. In the opinion of the Directors, as the trial is still in progress, the amount of the claim cannot be measured reliably as it is dependent on the outcome of the trial. Accordingly, no provision has been made in the consolidated financial statements as at 31 December 2016.

As assessed by the Directors, based on the current situation and information, it is unlikely that the litigation would result in material impact to the consolidated financial statements of the Group.

30. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	2016 HK\$'000	2015 HK\$'000
(i) Legal and professional fees paid to J. Chan Yip, So Partner, a solicitor firm in which the executive director of the Company, Mr Yip Wai Leung Jerry, is a partner	1,440	1,440
(ii) Management service fee paid to Fully Glory Investment limited, a related company in which the executive director of the Company, Mr Yip Wai Leung Jerry, is director and shareholder	420	420

(b) Compensation of key management personnel of the Group

Members of key management personnel of the Group during the year comprised only of the Directors of the Company whose remuneration is set out in note 11(a).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Capital 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, issue of new shares and shares buy-backs as well as the issue of new debts.

(b) Financial instruments

(i) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables		
– Trade receivables	105	107
– Deposits and other receivables	1,106	7,236
	1,211	7,343
Cash and cash equivalents	26,665	58,375
	27,876	65,718
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	684	–
– Accruals and other payables	3,382	2,158
– Convertible redeemable bonds	–	6,611
	4,066	8,769

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, trade payables, other payables and convertible redeemable bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong, the PRC excluding Hong Kong and Germany. The functional currency of the Company and its subsidiaries are either HK\$, RMB or Euro. The Group is exposed to currency risk arising from fluctuations on foreign currencies, primarily from those bank balances denominated in US\$ and Euro, against the respective functional currency of the respective Group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Summary of exposure

At the end of the reporting period, the Group's foreign currency denominated financial assets and liabilities, translated into HK\$ at the respective rates at that date, are as follows:

	2016			2015		
	Financial assets HK\$'000	Financial liabilities HK\$'000	Net exposure HK\$'000	Financial assets HK\$'000	Financial liabilities HK\$'000	Net exposure HK\$'000
US\$	1,080	–	1,080	2,753	–	2,753
Euro	4,079	–	4,079	4	–	4

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Currency risk – Continued

Currency exchange rate sensitivity analysis

The following table indicates the approximate change in the Group's loss for the year and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in loss and accumulated losses where (i) RMB strengthens against US\$ and (ii) HKD strengthen against Euro. For a weakening of (i) RMB against US\$ and (ii) HKD against Euro, there would be an equal and opposite impact on the loss for the year and accumulated losses, and the balances below would be negative.

	2016		2015	
	Weakening of foreign exchange rates	Effect on loss for the year and accumulated losses HK\$'000	Weakening of foreign exchange rates	Effect on loss for the year and accumulated losses HK\$'000
(i) US\$	3%	32	3%	83
(ii) Euro	3%	122	3%	–

The assumed changes have no significant impact on the Group's other components of equity.

The sensitivity analysis above has been determined assuming that the change in currency exchange rates had occurred at the beginning of the year and had been applied to the abovementioned financial instruments at that date and throughout the year constantly. The percentage increase or decrease represents management's assessment of a reasonably possible change in currency exchange rates over the period until the next annual reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) *Financial risk management objectives and policies – Continued*

Credit risk

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group also has significant concentration of credit risk on trade and loan receivables which consist of a few customers/lenders only spread across limited industries and geographical areas.

Interest rate risk

The Group's fair value interest-rate risk mainly arises from loan receivable and convertible redeemable bonds as disclosed in notes 17(b) and 21 respectively, which are issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no significant cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any interest rate swaps to hedge potential fluctuations in interest rates.

Liquidity risk

In the management of the liquidity risk, the Directors monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

31. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Liquidity risk – Continued

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

	Carrying amount HK\$'000	Total contractual undiscounted cashflow HK\$'000	Within 1 year or on demand HK\$'000
2016			
Trade payables	684	684	684
Accruals and other payables	3,382	3,382	3,382
	4,066	4,066	4,066
2015			
Accruals and other payables	2,158	2,158	2,158
Convertible redeemable bonds	6,611	7,329	7,329
	8,769	9,487	9,487

(iii) Fair value measurement

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost approximate to their fair values due to short-term maturities of these financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

32. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of financial position of the Company

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		–	–
Current assets			
Prepayments, deposits and other receivables		291	1,032
Amounts due from subsidiaries		48,815	68,069
Cash and cash equivalents		866	9,298
		49,972	78,399
Current liabilities			
Accruals and other payables		730	700
Convertible redeemable bonds – liability component		–	6,611
		730	7,311
Net current assets		49,242	71,088
Net assets		49,242	71,088
EQUITY			
Share capital	22	68,103	66,603
Reserves	32(b)	(18,861)	4,485
Total equity		49,242	71,088

On behalf of the directors

Yip Wai Leung Jerry
Executive Director

So Yin Wai
Independent Non-Executive Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

32. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY – Continued

(b) Reserves of the Company

		Convertible redeemable bonds	Contributed surplus	Share option reserve	Accumulated losses	Total
Notes	Share premium HK\$'000	equity reserve HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	264,955	-	56,897	29,135	(366,807)	(15,820)
Loss and total comprehensive income for the year	-	-	-	-	(40,961)	(40,961)
Recognition of equity-settled share-based payments	26	-	-	14,724	-	14,724
Issued of convertible redeemable bonds	21	-	12,222	-	-	12,222
Early redemption of convertible redeemable bonds	21	-	(5,730)	-	1,907	(3,823)
Shares issued upon conversion of convertible redeemable bonds	21	21,655	(5,111)	-	-	16,544
Shares issued upon exercise of share options	22	38,425	-	(16,536)	-	21,889
Issue of share upon acquisition of assets and liabilities through acquisition of subsidiaries	28	(290)	-	-	-	(290)
At 31 December 2015 and 1 January 2016	324,745	1,381	56,897	27,323	(405,861)	4,485
Loss and total comprehensive income for the year	-	-	-	-	(37,488)	(37,488)
Recognition of equity-settled share-based payments	26	-	-	12,387	-	12,387
Redemption of convertible redeemable bonds	21	-	(1,381)	-	1,381	-
Lapse of vested share options		-	-	(12,596)	12,596	-
Issue of share upon acquisition of property, plant and equipment	22(b)	1,755	-	-	-	1,755
At 31 December 2016	326,500	-	56,897	27,114	(429,372)	(18,861)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

33. PARTICULARS OF THE COMPANY'S SUBSIDIARIES

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

Company name	Place of incorporation and registration/operation	Issued share capital/paid up capital	Attributable equity interests	Principal activities
China Billion Limited	British Virgin Islands	US\$1	100%	Investment holding
Almoray Limited	British Virgin Islands	US\$1	100%	Investment holding
Gold Stand Holdings Limited	British Virgin Islands	US\$1	100%	Investment holding
Jackwell Limited	British Virgin Islands	US\$1	100%	Investment holding
Privilege Sino Limited	British Virgin Islands	US\$100	100%	Investment holding
Proven Best Limited	British Virgin Islands	US\$1	100%	Investment holding
Provost Profits Limited	British Virgin Islands	US\$1	100%	Investment holding
Biofuel Limited	Hong Kong	HK\$1	100%	Investment holding and manufacturing and trading of renewable energy
Dongguan Innovative Power Equipment Limited ^{^*}	PRC	US\$2,300,000	100%	Dormant
Dubaplain Limited	British Virgin Islands	US\$1	100%	Investment holding
EnviroAssets GmbH	Germany	EUR25,000	100%	Holding freehold land
EnviroEnergy GmbH	Germany	EUR500,000	100%	Holding freehold land
EnviroPlastics GmbH	Germany	EUR27,650	90%	Manufacturing and trading of plastic recycling materials
EnviroPower GmbH	Germany	EUR100,000	100%	Trading of waste construction materials and waste processing provision
Gain Asset Limited	Hong Kong	HK\$1	100%	Management services to group companies

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

33. PARTICULARS OF THE COMPANY'S SUBSIDIARIES – Continued

Company name	Place of incorporation and registration/operation	Issued share capital/paid up capital	Attributable equity interests	Principal activities
Green Energy Finance Limited	Hong Kong	HK\$1	100%	Dormant
Green Energy Resources Limited	Hong Kong	HK\$1	100%	Dormant
Green Energy Trading Limited	Hong Kong	HK\$1	100%	Dormant
Green Energy Waste Management Limited	Hong Kong	HK\$1	100%	Dormant
Jensen Power Equipment Limited	Hong Kong	HK\$1	100%	Dormant
ReKRETE International Limited	British Virgin Islands	US\$1	100%	Investment holding
ReKRETE (Asia) Limited	Hong Kong	HK\$10,000	100%	Trading of bio-cleaning materials
Green Energy Supplies Limited	Hong Kong	HK\$1	100%	Dormant
Green Energy Investments Limited	Hong Kong	HK\$1	100%	Investment holding
GE – Natural Fuels S.A	Portugal	EUR50,000	100%	Dormant
Skylimit Ventures Limited	British Virgin Islands	US\$1	100%	Investment holding
Sande Agro GmbH	Germany	EUR25,000	100%	Holding of freehold land

* English name for identification purpose only

^ Wholly foreign owned enterprise

None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired property, plant and equipment with fair value of HK\$9,484,000 which was settled as to HK\$6,229,000 by cash and HK\$3,255,000 by issue of the Company's shares (note 22(b)).

During last year, certain bondholders of the convertible redeemable bonds as mentioned in note 21 converted the bonds with principal amount of HK\$25,116,000 into 32,200,000 new shares of the Company.

35. EVENTS AFTER THE REPORTING DATE

Pursuant to a placing agreement dated 14 December 2016, the Company placed 133,206,000 new ordinary shares to independent third party investors at a price of HK\$0.26 per share on 3 January 2017. The gross and net proceeds from the placing are approximately HK\$34,630,000 and HK\$34,110,000, respectively.

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2017.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

	Year ended 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Results					
Revenue	2,552	1,211	2,357	1,644	977
Loss attributable to owners of the Company					
	(36,630)	(43,148)	(36,198)	(15,916)	(1,414)
Assets and liabilities					
Total assets	56,146	81,894	44,937	19,145	36,392
Total liabilities	(4,919)	(9,622)	(3,041)	(3,927)	(3,869)
Total equity attributable to owners of the Company					
	51,399	72,272	41,896	15,218	32,523