Sino Energy International Holdings Group Limited

中能國際控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1096)

Annual Report

2016

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Chen Jianbao
(Chairman and Joint chief executive officer)
Mr. Wang Wei *(Vice-chairman)*
Ms. Cai Xiuman
Mr. Zhang Wenbin *(Joint chief executive officer)*
Mr. Wang Qingshan
Mr. Sun Hui Ding (resigned on 14 January 2017)

Non-executive Director
Mr. Song Pengcheng

Independent Non-Executive Directors
Mr. Chen Jinzhong, Roy
Mr. Lee Ho Yiu Thomas
Mr. Gu Renliang
Mr. Wang Xianzhang (appointed on 12 January 2017)

BOARD COMMITTEES

Audit Committee
Mr. Lee Ho Yiu Thomas *(Chairman)*
Mr. Chen Jinzhong, Roy
Mr. Gu Renliang

Remuneration Committee
Mr. Lee Ho Yiu Thomas *(Chairman)*
Mr. Chen Jinzhong, Roy
Mr. Gu Renliang

Nomination Committee
Mr. Chen Jinzhong, Roy *(Chairman)*
Mr. Lee Ho Yiu Thomas
Mr. Gu Renliang

COMPANY SECRETARY

Mr. Yip Hing Fai

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Shoes Industrial Park
Baogai Town
Shishi
Fujian Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 4201, 42/F
China Resources Building
26 Harbour Road
Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of Communications
China Merchants Bank
Industrial Bank of China
Industrial and Commercial Bank of China

INDEPENDENT AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISER

As to Hong Kong law:
Winston & Strawn

STOCK CODE

01096

COMPANY WEBSITE

www.sino-energyint.com.hk

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 December

	Note	2016	2015	% change
Revenue (RMB'000)		**226,440**	290,545	-22%
Gross (loss)/profit (RMB'000)		**(21,966)**	24,840	-188.4%
Loss before tax (RMB'000)		**(320,759)**	(531,553)	-39.7%
Loss for the year (RMB'000)		**(324,414)**	(542,668)	-40.2%
Gross (loss)/profit margin (%)		**(9.7%)**	8.5%	
Loss per share – Basic (RMB)	1	**(0.20)**	(0.37)	
Dividend per share – final (HK cents)		**–**	–	
As at 31 December				
Current ratio (times)	2	**2.3**	2.3	
Gearing ratio	3	**85.7%**	60.7%	

Notes for key ratios:

1) Basic Loss per share: Loss attributable to owners of the Company/weighted average number of ordinary shares

2) Current ratio: Current assets/current liabilities

3) Gearing ratio: Total borrowings (including bank loans, debentures, promissory notes and convertible bonds)/ total assets

Chairman's Letter to Shareholders

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present the annual results of Sino Energy International Holdings Group Limited and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016.

The global economy remained challenging in 2016. Downward pressure faced by the Chinese economy on its growth, the ongoing depreciation of the RMB, the result of the Brexit referendum and Donald Trump's victory in the United States presidential election have weakened the confidence of consumers and, subsequently, market demand, adding uncertainties to the Group's development. The continued sluggish global economic environment, more intense competition within the industry and rising production costs have further squeezed the revenue of the Group's footwear business during the period. To cope with this situation, the Group has been implementing strategies to diversify its businesses and expand into energy-related business.

The Group's results were inevitably affected by the above factors. For the year ended 31 December 2016, revenue of the Group recorded a decrease of 22.1% year-on-year to RMB226.4 million. Loss attributable to owners of the Company was RMB324.2 million. The decline in profit was mainly attributable to the weak retail environment in the Mainland China which affected the footwear business. Despite this, the energy-related business segment has started to contribute profit during the year after the Group entered that industry by acquiring the gas station business in the first half of 2016.

To further bolster its business, the Group has also attracted a number of renowned leading industry players to become its strategic shareholders during the year which broadens its shareholder base and forms a solid foundation for its future development. In July 2016, the Group has introduced Huarong Overseas Investment Holdings Co., as its controlling shareholder. The strong capability, extensive business network and abundant resources of Huarong Overseas Investment Holdings Co., can assist the Group to expand into the energy-related business. In December 2016, the Group announced the potential acquisition of 16% equity interest in 福建新捷天然氣有限公司(“福建新捷”). The potential acquisition has given us the opportunity to cooperate with Kunlun Energy Company Limited, a subsidiary of PetroChina Company Limited, which would be conducive to the Group's expansion in the energy-related sector.

Looking ahead, the rising consumption of natural gas in China and the strong support from the Chinese government in promoting the development of the clean energy market have created huge potential demand. Heeding these trends, the Group continues to focus on the energy-related business with higher development potential and streamline its business structure in order to drive business growth. Capitalising on the cooperation with industry leaders, the energy-related business is expected to bring a considerable profit contribution to the Group in the near future. At the same time, the Group continues to explore suitable opportunities with high growth potential to enhance its overall profitability and generate higher return for shareholders.

I would like to take this opportunity to extend my heartfelt gratitude to the shareholders of the Company (the "**Shareholders**"), investors and business partners for their trust and support. I also wish to thank our Board members, management team and staff for their dedicated efforts in making contributions to the Group.

Chen Jianbao
Chairman

31 March 2017

BUSINESS REVIEW

In view of the persistently weak retail market, the Group continues to closely monitor its business segments with a low profit or even a loss. It does not rule out the possibility of decreasing or even disposing the holdings when appropriate and will actively develop the energy business with exciting growth potential to enhance our overall and long-term market competitiveness.

Weak retail spending and rapid development of e-commerce have brought keen competition and challenges to brick-and-mortar shops. Revenue from the Group's footwear business decreased by RMB161.0 million to RMB122.6 million from the previous year. During the year, the Group further optimised its retail store network and tightened the cost control measures and capex plan of its footwear business.

In the year under review, the Group has strategically allocated more resources into the energy business as it has stronger potential for development. Towards that end it acquired a company in the first half of the year which develops the gas station business in China contributing a revenue of RMB103.8 million to the Group. As the gas and energy-related business enjoys strong support from national policies for its long-term development, the Group has expanded its shareholder base. In July 2016, Huarong Overseas Investment Holdings Co., Limited has become our controlling shareholder to further accelerate business transformation, and through its extensive business and rich resources, we can more proactively explore opportunities to further expand our energy-related business.

To facilitate this expansion, the Group issued convertible bonds which can be converted to up to 312,500,000 convertible shares at the initial conversion price of HK$0.48 per conversion share to six subscribers in December 2016, with Central China International Investment Company Limited as the largest subscriber.

In the same month, the Group signed an agreement to acquire Wealthy Fortress Investment Corporation, through which it would hold 16% equity interests indirectly in 福建新捷. 福建新捷 has nine gas stations in operation, and has entered into a strategic cooperation agreement with a subsidiary of PetroChina Company Limited pursuant to which the parties would cooperate to set up 100 gas stations. To seize business opportunities arising from the West to East Natural Gas Transmission Project, 福建新捷 is to be engaged in the sales and transportation of pipeline gas in Fujian Province with target sales of 1.3 billion cubic meters of gas in 2017. As a natural gas distributor of Kunlun Energy Company Limited in Fujian Province, 福建新捷 is to be responsible for the sales of pipeline gas from West Line No.3.

Upon the completion of acquisition, it would immediately benefit the Group financially, as 福建新捷's profit is expected to increase notably in 2017. Besides, the acquisition provides an opportunity to work with Kunlun Energy Company Limited, a subsidiary of PetroChina Company Limited, one of the leaders in the natural gas industry in China, so it will facilitate our further expansion of our energy-related business. Through this acquisition, the Group would solidify its foundation to become a leader in the industry and capture the development opportunities in the energy market by adhering to its development strategy of focusing on higher margin businesses.

FINANCIAL ANALYSIS

Revenue

The total revenue of the Group for the year ended 31 December 2016 was approximately RMB226.4 million, representing a decrease of 22.1% as compared to that of 2015. The decrease in revenue was mainly as a result of the decline of revenue of footwear apparel and related accessories business caused by the rapid development of online shopping, the consistent deterioration of the market conditions, and the continuous sluggish retail environment which is partly offset by the contribution from newly acquired operation of gas station business.

GROSS PROFIT AND GROSS PROFIT MARGIN

The decline in revenue of footwear business, combined with the rising raw material costs, continued to pose challenges to the Group and weakened its profitability of footwear business. This is partly offset by the good profit contribution from newly acquired operation of gas station business. The gross loss of the Group for the year ended 31 December 2016 was RMB22.0 million, as compared with the gross profit of RMB24.8 million for the year ended 31 December 2015. The gross loss margin of the Group for the year ended 31 December 2016 was 9.7% (2015: gross profit margin of 8.5%).

DISTRIBUTION AND SELLING EXPENSES

The Group's distribution and selling expenses primarily consisted of advertising and promotional expenses, royalties for licensed brands, salaries for the sales and marketing staff, and other costs related to sales and distribution. Distribution and selling expenses was RMB7.2 million, accounted for approximately 3.2% of revenue for the year ended 31 December 2016 (2015: 3.3%). The distribution and selling expenses decreased from RMB9.7 million for the year ended 31 December 2015 to RMB7.2 million for the year ended 31 December 2016, primarily as a result of the decrease in revenue of footwear business and cost control effort of the Group.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by RMB284.1 million to RMB210.4 million for the year ended 31 December 2016 from RMB494.5 million for the year ended 31 December 2015, which was mainly attributable to decreased in impairment loss of trade receivables by RMB171.6 million to RMB13.4 million for the year ended 31 December 2016 (2015: RMB185 million) and have a turnaround effect in impairment loss of trade prepayments by RMB214 million to RMB21.7 million of reversal of impairment of trade prepayments for the year ended 31 December 2016 (2015: RMB192.3 million of impairment loss of trade prepayments), and the overall effect was partly offset by equity-settled share-based payment expenses in current year amounting to RMB30.1 million (2015: Nil) and equity-settled share-based payment on issuance of convertible bonds amounting to RMB81.8 million (2015: Nil).

OTHER INCOME

The increase in other income from RMB2.6 million for the year ended 31 December 2015 to RMB10.2 million for the year ended 31 December 2016 was mainly due to gain on fair value changes on derivative financial instrument and net foreign exchange gain amounting to RMB3.5 million and RMB1.8 million respectively for the year ended 31 December 2016 while no such items in 2015.

FINANCE COSTS

Finance costs represented interest expenses on interest-bearing short-term bank loans, debentures, promissory notes and convertible bonds. Interest expenses increased by approximately 67.0% from approximately RMB54.8 million for the year ended 31 December 2015 to approximately RMB91.5 million for the year ended 31 December 2016, primarily due to increase in issuance of debentures, promissory notes and convertible bonds during the current year.

INCOME TAX

Income tax recorded for the year ended 31 December 2016 mainly represented provision of PRC corporate income tax for approximately RMB3.7 million.

LOSS FOR THE YEAR

Loss for the year was approximately RMB324.4 million, as compared to a loss of approximately RMB542.7 million during the corresponding period in 2015. The significant decrease in loss was mainly due to the decrease in impairment loss for the year which was explained in administrative expenses above.

LIQUIDITY AND CAPITAL RESOURCES

In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB. As at 31 December 2016, the Group had net current assets of approximately RMB879.0 million (31 December 2015: approximately RMB895.8 million), of which bank and cash balances and pledged deposits were RMB594.5 million (2015: RMB340.3 million). The Group has always been pursuing a prudent treasury management policy and is in a strong liquidity position. The gearing ratio, calculated as total borrowings (including bank loans, debentures, promissory notes and convertible bonds) divided by total assets, increased from 60.7% as at 31 December 2015 to 85.7% as at 31 December 2016.

The Group primarily met its funding requirement by cash flows from operations and financing activities. During the year ended 31 December 2016, the net cash generated from operating activities and net cash generated from financing activities were RMB69.7 million (2015: used in operating activities of RMB286.8 million) and RMB300.3 million (2015: net cash generated from financial activities of RMB562.3 million) respectively. The total bank borrowings increased to RMB302.4 million (2015: RMB198.6 million). The bank loans were repayable within one year. The Group's bank borrowings were mainly denominated in RMB with the remaining denominated in HK$.

During the year ended 31 December 2016, the Group newly issued unlisted debentures of RMB230.2 million (2015: RMB478.0 million) and made a settlements of RMB295.4 million (2015: Nil). As at 31 December 2016, the outstanding unlisted debentures amounted to RMB895.2 million (31 December 2015: RMB864.1 million). The debentures are repayable from February 2017 to August 2024.

The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2016.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in RMB. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars.

During the year, the Group did not hedge any foreign exchange exposure against foreign currency risk. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

PLEDGE OF ASSETS

As at 31 December 2016, the Group secured its bank loans and bills payables by a charge over land use rights with an aggregate carrying amount of approximately RMB5.2 million (2015: approximately RMB5.3 million), buildings with net book value of approximately RMB35.5 million (2015: approximately RMB37.9 million) and pledged deposits with an aggregate carrying amount of approximately RMB7.7 million (2015: approximately RMB78.1 million).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 22 January 2016, Sino Africa Energy Holdings Company Limited, a wholly-owned subsidiary of the Company completed the acquisition of the 100 shares in Peak Business Asia Limited, a company incorporated under the laws of British Virgin Islands with limited liability (the "**Target Company**"), representing 100% equity interest in the Target Company, at the consideration of HK$215,000,000. The consideration was satisfied by the issue of the promissory notes by the Company. The Target Company and its subsidiary was principally engaged in the business of operating the gas stations in the PRC. The acquisition was detailed in the announcements of the Company dated 5 November 2015 and 22 January 2016.

On 23 December 2016, Sino Africa Energy Holdings Company Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), and the Company entered into the acquisition agreement with Hyper Venture Group Limited (the "**Vendor**"), pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the 100% equity interest in Wealthy Fortress Investment Corporation (the "**Target Company 2**"), at the initial consideration of HK$300 million, which will be satisfied in cash.

Upon the completion, the Target Company 2 will become an indirect wholly-owned subsidiary of the Company and 福建新捷 will be indirectly owned by the Company as to 16%.

As at the date of this report, the abovementioned acquisition is in the progress.

Save as disclosed above, there was no significant investment, material acquisitions and disposal of subsidiaries, associates and joint ventures by the Company during the year ended 31 December 2016.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2016, the Group employed a total of 514 full-time employees in the PRC and Hong Kong, which included management staff, product designers, technicians, salespersons and workers. Remuneration for the entire full-time workforce amounted to approximately RMB36.7 million for the reporting year, which is equivalent to 16.2% of the Group's revenue. The Group's emolument policies are formulated based on the performance of individual employees, whose performance are reviewed and evaluated periodically. Apart from contributions to the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) and social security fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses are also awarded to employees according to individual performance. In addition, the Company adopted the share option scheme on 4 September 2011 for the purpose of providing incentives to directors and eligible employees.

PROSPECTS

Looking ahead, the Group remains optimistic about the prospects of the natural gas industry despite the slowing economic growth in China and a global economy continuously clouded by uncertainty. The national energy policy provides strong support for the development of natural gas and the government has stepped up controls on air pollution in the country, which will present a huge demand for highly efficient and clean-burning natural gas. Under the "Energy Development under the 13th Five Year Plan" directive published by the National Development and Reform Commission and the National Energy Administration, the consumption proportion of natural gas is expected to reach 10% during the period of the 13th Five Year Plan. The International Energy Agency also believes that the CAGR of demand for natural gas in China will be around 10% annually in the next five years and reach 315 billion cubic meters by 2020.

As such, the Group has adjusted its strategy to aggressively and continuously shift its business focus, and pave the way for development of the energy business, so as to tap the huge business opportunities stemming from policies favorable to the development of the gas industry. In the meantime, the Group is streamlining its operations as it implements cost control measures. The management believes that the cooperation with the leader in the gas industry and the abundant cash flow and extensive business network and rich resources brought by the quality shareholders will accelerate our business transformation, facilitate the exploration of chances to further expand the energy-related business as the Group actively searches for diverse business opportunities with high growth potential, and subsequently increases the returns for shareholders.

The Group is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from time to time.

Pursuant to a resolution passed by the Board on 4 September 2011, the Company has adopted all the requirements of the code provisions of the Corporate Governance Code. During the Year, the Company has complied with all the code provisions of the Corporate Governance Code except for deviation from Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders; while code provision E.1.2, which stipulates that the chairman of the board should attend the annual general meeting. Mr. Chen Jianbao (the chairman of the Board), Mr. Chen Yonghua and Mr. Gu Renliang (independent non-executive Directors) were unable to attend the Company's annual general meeting held on 28 June 2016 due to other business engagement. Mr. Chen Jianbao (the chairman of the Board) and Mr. Gu Renliang (independent non-executive Director) were unable to attend the Company's extraordinary general meeting held on 9 November 2016 due to other business engagement.

THE BOARD

The Board oversees the management of the business and affairs of the Company. The Directors are accountable for making decisions objectively in the best interest of the Shareholders as a whole.

The Board is responsible for making decisions on all major aspects of the Company's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, risk management and internal control systems, material transactions, major capital expenditure, appointment of Directors and other significant financial and operational matters.

The Board may delegate aspects of its management and administration functions to the management. In particular, the day-to-day management of the Company is delegated to the joint chief executive officers of the Group, Mr. Chen Jianbao and Mr. Zhang Wenbin, and their management team.

The Company has throughout the Year met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, accounting or related financial management expertise. Save as the time that the Board was endeavouring to identify suitable candidate(s) to fill the vacancy as a result of Mr. Chen Yonghua's resignation on 22 September 2016, the Board meets with the requirement under Rule 3.10A of the Listing Rules following with the appointment of Mr. Wang Xianzhang on 12 January 2017. At all times during the Year, the independent non-executive Directors represent at least one-third of the Board. All independent non-executive Directors meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Company has received from all of its independent non-executive Directors confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Throughout the Year and up to the date of this report, the composition of the Board was as follows:

Executive Directors:

Mr. Chen Jianbao *(Chairman and Joint chief executive officer)*
Mr. Wang Wei *(Vice-chairman)*
Ms. Cai Xiuman
Mr. Zhang Wenbin *(Joint chief executive officer)*
Mr. Wang Qing Shan (appointed on 14 April 2016)
Mr. Huang Jianren *(Chief operation officer)* (resigned on 14 April 2016)
Mr. Chen Yuanjian *(Chief financial controller)* (resigned on 11 November 2016)
Mr. Sun Hui Ding (resigned on 14 January 2017)

Non-executive Director:

Mr. Song Pengcheng (appointed on 11 November 2016)

Independent non-executive Directors:

Mr. Chen Jinzhong, Roy (appointed on 14 April 2016)
Mr. Lee Ho Yiu Thomas
Mr. Gu Renliang
Mr. Wang Xianzhang (appointed on 12 January 2017)
Mr. Chen Yonghua (appointed on 14 April 2016 and resigned on 22 September 2016)
Mr. Wu Xiaoqiu (resigned on 14 April 2016)
Mr. Ye Lin (resigned on 14 April 2016)

A description of the Directors is set out in the section headed "Board of Directors and Senior Management" in this annual report.

The roles of the chairman and chief executive officer of the Group are separate. Mr. Chen Jianbao, the chairmen of the Group and an executive Director, is responsible for overall strategic business development, management and operations.

Mr. Chen Jianbao and Mr. Zhang Wenbin, the joint chief executive officers of the Group and executive Directors, are responsible for leading the business operations of the Group to achieve the business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board. Mr. Zhang Wenbin is the husband of Ms. Cai Xiuman, who is another executive Director.

The Board is expected to meet regularly and at least four times a year. The Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors.

With respect to regular meetings of the Board, the Directors will be given written notice of the meeting at least 14 days in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances.

The Board held 4 regular board meetings during the Year and the attendance of the Directors are set out on page 15.

APPOINTMENTS, RE-ELECTION AND ROTATION OF DIRECTORS

All Directors are appointed for specific terms. Mr. Song Pengcheng has been appointed for a term of 1 year commencing from 11 November 2016. Mr. Lee Ho Yiu Thomas has been appointed for a term of 3 years commencing from 4 September 2014, which may be terminated by not less than one month's notice in writing served by either party on the other. Mr. Chen Jinzhong, Roy and Mr. Gu Renliang have been appointed for a term of 1 year commencing from 28 June 2016, which may be terminated by not less than three months' notice in writing served by either party on the other. Mr. Wang Xianzhang has been appointed for a term of 1 year commencing from 12 January 2017. None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with the articles of association of the Company (the "**Articles**"), at each annual general meeting of the Company (the "**AGM**"), one third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Ms. Cai Xiuman, Mr. Zhang Wenbin and Mr. Wang Wei will retire at the AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the same meeting.

In accordance with the Articles, Mr. Song Pengcheng and Mr. Wang Xianzhang will hold office only until the forthcoming AGM and, being eligible, offer themselves for re-election at the same meeting.

Where vacancies arise at the Board, candidates will be proposed and put forward to the Board by the Nomination Committee (as defined below) as set out below under the section on Nomination Committee.

CORPORATE GOVERNANCE

The Board has carried out its duties and responsibilities as set out in D.3 in Appendix 14 to the Listing Rules including the development of policies and practices on corporate governance, monitoring the training and continuous professional development of Directors and senior management, reviewing the compliance with the Code, disclosure in this Corporate Governance Report and legal and regulatory requirements of the Company.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors attended training programmes on commercial, legal and regulatory requirements in relation to a listed company in Hong Kong and/or the industry in which the Group conducts its businesses.

A summary of training received by the Directors for the year ended 31 December 2016 according to the records provided by the Directors is as follows:

Names of Directors	Training organised by professional organizations	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Chen Jianbao *(Chairman and Joint chief executive officer)*	✓	✓
Mr. Wang Wei *(Vice-chairman)*	✓	✓
Ms. Cai Xiuman	✓	✓
Mr. Zhang Wenbin *(Joint chief executive officer)*	✓	✓
Mr. Sun Hui Ding (resigned on 14 January 2017)	✓	✓
Mr. Wang Qingshan (appointed on 14 April 2016)	✓	✓
Mr. Huang Jianren (resigned on 14 April 2016)	✓	✓
Mr. Chen Yuanjian *(Chief operation officer)* (resigned on 11 November 2016)	✓	✓
Non-executive Director		
Mr. Song Pengcheng (appointed on 11 November 2016)	✓	✓
Independent non-executive Directors		
Mr. Chen Jinzhong, Roy (appointed on 14 April 2016)	✓	✓
Mr. Lee Ho Yiu Thomas	✓	✓
Mr. Gu Renliang	✓	✓
Mr. Chen Yonghua (appointed on 14 April 2016 and resigned on 22 September 2016)	✓	✓
Mr. Wu Xiaoqiu (resigned on 14 April 2016)	✓	✓
Mr. Ye Lin (resigned on 14 April 2016)	✓	✓

SECURITIES TRANSACTIONS

Pursuant to a resolution passed by the Board on 4 September 2011, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the Year.

BOARD COMMITTEES

The Company established an audit committee (the "**Audit Committee**"), a remuneration committee (the "**Remuneration Committee**"), and a nomination committee (the "**Nomination Committee**") on 4 September 2011.

Audit Committee

The Audit Committee comprises all independent non-executive Directors, namely, Mr. Lee Ho Yiu Thomas, Mr. Chen Jinzhong, Roy and Mr. Gu Renliang. Mr. Lee Ho Yiu Thomas is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and approve the Group's financial reporting system, risk management and internal control systems. In addition, the major duties of the Audit Committee are as follows:

Relationship with the Group's auditor

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(d) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Group's financial information

(e) to review and monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from audit;

  (iv) going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(f) Regarding (e) above:

  (i) members of the Audit Committee should liaise with the Board and the senior management, and the Audit Committee must meet, at least twice a year, with the Group's auditor; and

  (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts it should give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer, external auditor or internal control officer;

Oversight of the Group's financial reporting system, risk management and internal control systems

(g) to review the Company's financial controls, and unless expressly addressed by the Board, to review the Company's risk management and internal control systems;

(h) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(i) to consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(j) where an internal audit function exists, to review the internal audit programme, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(k) to review the Group's financial and accounting policies and practices;

(l) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;

(m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(n) to act as the key representative body for overseeing the Company's relations with the external auditor;

(o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(p) to report to the Board on the matters set out in these terms of reference; and

(q) to consider other topics, as defined by the Board.

Two meetings of the Audit Committee were held during the Year to consider and review the audited financial statements of the Group for the year ended 31 December 2015 and the unaudited financial statements of the Group for the six months ended 30 June 2016 and the attendance of the Audit Committee members of such meetings is set out on page 15.

A recent meeting of the Audit Committee was held on 31 March 2017 to consider and review the audited financial statements of the Group for the year ended 31 December 2016, risk management and internal control related matters. Members of the Audit Committee have reviewed the draft auditor's report.

Remuneration Committee

The Remuneration Committee comprises all independent non-executive Directors, namely, Mr. Lee Ho Yiu Thomas, Mr. Chen Jinzhong, Roy and Mr. Gu Renliang. Mr. Lee Ho Yiu Thomas is the chairman of the Remuneration Committee.

The major duties of the Remuneration Committee are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(c) to make recommendations to the Board of the remuneration of non-executive Directors;

(d) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(e) to review and approve management's remuneration proposals by reference to the Board's corporate goals and objectives;

(f) to review and approve compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(i) to report to the Board on the matters set out in these terms of reference; and

(j) to consider other topics, as defined by the Board.

The Remuneration Committee held three meetings during the Year to review and approve the remuneration packages of Directors and senior management of the Group.

Nomination Committee

The Nomination Committee comprises all independent non-executive Directors, namely, Mr. Chen Jinzhong, Roy, Mr. Lee Ho Yiu Thomas and Mr. Gu Renliang. Mr. Chen Jinzhong, Roy is the chairman of the Nomination Committee.

The major duties of the Nomination Committee are as follows:

(a) to review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive Directors;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Group; and

(e) to give due regard to the benefits of diversity on the Board against objective criteria in reference to the board diversity policy when performing its duties.

Where vacancy on the Board exists, the Nomination Committee will carry out a selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations, and select or make recommendations to the Board on the selection of candidates for directorship.

The Nomination Committee held four meetings during the Year to nominate the members of Board for retirement and re-election at the Meeting, and to review the structure, size, diversity of the Board. The Nomination Committee has also adopted the following diversity policy on the Board:

We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, veteran status, and other characteristics that make our directors unique.

MEETING ATTENDANCE

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. The attendance of individual Directors at these meetings during the Year is set out below:

	Attendance			
	Board meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)
Executive Directors				
Mr. Chen Jianbao *(Chairman and Joint chief executive officer)*	7/7	–	–	–
Mr. Wang Wei *(Vice-chairman)*	7/7	–	–	–
Ms. Cai Xiuman	7/7	–	–	–
Mr. Zhang Wenbin *(Joint chief executive officer)*	7/7	–	–	–
Mr. Sun Hui Ding (resigned on 14 January 2017)	7/7	–	–	–
Mr. Wang Qingshan (appointed on 14 April 2016)	5/5	–	–	–
Mr. Huang Jianren (resigned on 14 April 2016)	1/2	–	–	–
Mr. Chen Yuanjian *(Chief operation officer)* (resigned on 11 November 2016)	6/6	–	–	–
Non-executive Director				
Mr. Song Pengcheng (appointed on 11 November 2016)	N/A	–	–	–
Independent non-executive Directors				
Mr. Chen Jinzhong, Roy (appointed on 14 April 2016)	5/5	1/1	1/1	2/2
Mr. Lee Ho Yiu Thomas	7/7	2/2	3/3	4/4
Mr. Gu Renliang	7/7	N/A	1/1	1/1
Mr. Chen Yonghua (appointed on 14 April 2016 and resigned on 22 September 2016)	3/4	1/1	N/A	N/A
Mr. Wu Xiaoqiu (resigned on 14 April 2016)	1/2	1/1	1/1	1/1
Mr. Ye Lin (resigned on 14 April 2016)	1/2	1/1	1/1	1/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group to ensure that these financial statements give a true and fair presentation in accordance with the International Financial Reporting Standards.

The statement by the auditor about their reporting responsibilities is set out in the independent auditor's report on pages 39 to 42.

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

INDEPENDENT AUDITOR

The Audit Committee reviews and monitors the independent auditor's independence, objectivity and effectiveness of the audit process. It receives each year letter from the independent auditor confirming their independence and objectivity and holds meetings with representatives of the independent auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it.

The remuneration payable to the independent auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2016 amounted to approximately HK$1.5 million and HK$0.17 million respectively. Non-audit services include tax review and agreed-upon procedures regarding preliminary announcement of results for the Year.

COMPANY SECRETARY

Mr. Yip Hing Fai, was appointed as the company secretary of the Company (the "**Company Secretary**") on 6 June 2016. Mr. Yip is responsible for facilitating the Board process, as well as communications among Board members, with Shareholders and management. According to rule 3.29 of the Listing Rules, Mr. Yip has taken no less than 15 hours of relevant professional training for the Year.

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The management believes that effective communication with the investment community in a timely manner through various media is essential. The Company held regular briefings, attended investor conferences and participated in roadshows to meet institutional investors and financial analysts in the People's Republic of China (the "**PRC**"), Hong Kong and overseas countries to keep them abreast of the Company's business and development.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, Shareholders can contact Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, if they have any enquiries about their shares and dividends. The contact details of the Company are set out in the section entitled "Corporate Information" in this report.

The AGM allows the Directors to meet and communicate with Shareholders. The Company ensures that Shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. The members of the Audit, Remuneration and Nomination Committees and the external auditor will also attend the AGM to answer questions from Shareholders.

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of the AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his/her power under the Articles to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Voting results are posted on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

Shareholder(s) holding not less than one-tenth of the paid up capital of the Company can make a written requisition to the Board or the Company Secretary to require an extraordinary general meeting ("**EGM**") to be called pursuant to article 58 of the Articles. The written requisition shall specify the business to be transacted in the meeting, must be signed by the requisitionist and shall be deposited at the principal place of business of the Company in Hong Kong, which is presently situated at Flat 4201, 42/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders or investors can make enquiry or to provide suggestions to the Company via the postal address: Flat 4201, 42/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

To put forward proposals at a general meeting, the Shareholders should submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's principal place of business in Hong Kong stated above.

During the Year under review, the Company convened two general meetings including an AGM held on 28 June 2016 and one EGM held on 9 November 2016. The attendance record of the Directors at the meetings is set out below:

	Attendance at general meetings
Executive Directors	
Mr. Chen Jianbao *(Chairman and Joint chief executive officer)*	0/2
Mr. Wang Wei *(Vice-chairman)*	0/2
Ms. Cai Xiuman	1/2
Mr. Zhang Wenbin *(Joint chief executive officer)*	1/2
Mr. Sun Hui Ding (resigned on 14 January 2017)	0/2
Mr. Wang Qingshan (appointed on 14 April 2016)	1/2
Mr. Huang Jianren (resigned on 14 April 2016)	N/A
Mr. Chen Yuanjian *(Chief operation officer)* (resigned on 11 November 2016)	0/2
Non-executive Director	
Mr. Song Pengcheng (appointed on 11 November 2016)	N/A
Independent non-executive Directors	
Mr. Chen Jinzhong, Roy (appointed on 14 April 2016)	2/2
Mr. Lee Ho Yiu Thomas	2/2
Mr. Gu Renliang	0/2
Mr. Chen Yonghua (appointed on 14 April 2016 and resigned on 22 September 2016)	0/1
Mr. Wu Xiaoqiu (resigned on 14 April 2016)	N/A
Mr. Ye Lin (resigned on 14 April 2016)	N/A

During the Year, there were no changes in any of the Company's constitutional documents.

RISK MANAGEMENT AND INTERNAL CONTROL

During the Year, the Board complied with the code provisions on risk management and internal control as set out in the Corporate Governance Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. Self-assessment and comprehensive risk assessment surveys have been conducted during the review. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

The Board is also vested with the responsibility to disseminate to the Shareholders and the public and inside information in the form of announcements and circulars, in accordance with the Listing Rules.

QUALIFIED OPINION

The management of the Company have discussed with auditors and expected only one qualification, namely the comparative impairment figures for trade receivables and advance to suppliers in the section headed “Basis for Qualified Opinion” of the Independent Auditor’s Report. The qualification will be carried forward in the financial statement for the year ending 31 December 2017.

The Audit Committee regularly and critically review with any judgmental areas. For the year ended 31 December 2016, there are no disagreements between the Audit Committee and the management of the Company concerning the qualified opinion.

1. GENERAL

1.1 The Group's Principal Activities and Scope of this Report

The Group's principal business during the reporting period was manufacturing and sale of casual footwear, apparel and related accessories, and operating gas stations in the People's Republic of China (the "**PRC**"). Further information about the Group's principal business is available in Management Discussion and Analysis of the Group's 2016 Annual Report.

During the reporting period, the Group employed 514 full-time staff.

This report covers the Group's material environmental and social impacts during the period from 1 January to 31 December 2016.

This report covers operations of all the Group's principal subsidiaries set out in Note 40 of the Group's consolidated financial statements for the year ended 31 December 2016 included in the Group's 2016 Annual Report.

1.2 The Group's Stakeholders and Stakeholder Engagement

The Group's stakeholders are entities or individuals that can reasonably be expected to be significantly affected by the Group's activities, or whose actions can reasonably be expected to affect the ability of the Group to implement its strategies or achieve its objectives.

The Group's principal stakeholders include shareholders, loan and debt holders, customers, employees and suppliers. The Group's other stakeholders include government agencies, regulatory bodies, trade associations, public medias and local communities etc.

When making decisions about the content of this report, as well as our approach to a topic with material environmental and social impacts, the Group's management considered the reasonable expectations and interests of the Group's stakeholders, an understanding of which was obtained through engaging our stakeholders.

Our engagements with the principal stakeholder include our annual general meeting of the shareholders, interactive web page for investor relations, regular meetings with our loans and debts providers, on-going customer satisfactory surveys, standing customer feedback and complaint channels, regular employee interviews and job satisfaction surveys, and regular meetings and communications with our suppliers. Our understanding of the reasonable expectations and interests of other stakeholders of the Group is mainly obtained through ad hoc communications with them and monitoring of the public media.

1.3 Dispute resolution

In is our policy to resolve disputes with stakeholders through informal means of negotiation first, aiming at reaching a legally binding agreement of mutual interests. Had informal grievance procedures fail, we will seek assistance from independent arbitrators. For example, in the case of disputes with customers or consumers, had informal grievance procedures fail, we will seek assistance from relevant Economic and Trade Arbitration Commission or consumer rights agencies to reach a settlement with the customers or consumers.

2. ENVIRONMENTAL ASPECTS

2.1 Emissions

Greenhouse gases (GHG) include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O) and fluorinated gases, including hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). GHG emissions are a major contributor to climate change.

According to a 2014 report of Intergovernmental Panel on Climate Change (IPCC), 76% of the global GHG emissions was CO_2, 16% was CH4, 6% was N_2O and the remaining 2% was fluorinated gases. The principal sources of CO_2 emissions are burning of fossil fuels (coal, natural gas, and oil), solid waste, trees and wood products, and also as a result of certain chemical reactions (e.g., manufacture of cement). The principal sources of CH4 emissions are agricultural activities, waste management and biomass burning. The principal sources of N_2O emissions are agricultural activities and biomass burning. The principal sources of fluorinated gases emissions are industrial processes and refrigeration.

According to the 2014 IPCC report, the electricity and heat production and other energy related sector accounted for 35% of the global GHG emission; agriculture, forestry and other land use accounted for 24%; industries that involving burning fossil fuels on site, involving chemical, metallurgical, and mineral transformation processes, and involving waste management activities accounted for 21%; the transportation sector accounted for 14%; and the remaining 6% came from onsite energy generation and burning fuels for heat in buildings or cooking in homes.

Other air pollutants mainly include gaseous sulfur oxides (SOx) and nitrogen oxides (NOx), which have adverse effects on climate, ecosystems, air quality, habitats, agriculture, and human and animal health. Sulfur dioxide (SO_2) and nitrogen dioxide (NO_2) are normally used as the indicators for the larger groups of sulfur oxides and nitrogen oxides respectively. The principal sources of SO_2 emissions are from fossil fuel combustion at power plants and industrial facilities, and by cars, trucks, buses and other transportation means. The principal sources of N_2O emissions are agricultural activities and biomass burning.

The Group's footwear manufacturing business emits GHG as a result of the use of solvent-based adhesives in the production process. Solvent-based adhesives are volatile organic compound (VOC), which is one of the sources of fluorinated gases. The Group's GHG emission through fuel consumption of vehicles is not material. The Group's principal business operations do not involve activities that directly emit other air pollutants. The Group indirectly emits GHG and other air pollutants principally through its electricity and heat consumptions and transportation activities during its business processes to produce and deliver products to customers and in the Group's general administration. The Group's use of lower global warming potential adhesives and VOC control and abatement technology, and efficient use of electricity, heat and transportation would contribute to combating global climate change through reducing GHG emission, improving health conditions for workers and local communities through reducing emission of air pollutants.

To mitigate the impact of Group's environmental footprint, it is the Group's policy to minimize its direct emission of VOC through the use of lower global warming potential adhesives and VOC control and abatement technology, its indirect emission of GHG and other air pollutants through controlling the electricity and heat consumptions, as well as local and long distance travelling of business executives, so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's use of adhesives and VOC control and abatement technology, and the Group's efficiency of electricity, heat and fuel consumptions, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with environmental laws and regulations in respect of emissions.

2.2 Discharge of Wastes

Wastes are considered hazardous if they may pose a substantial harm to human health or the environment when improperly treated, stored, transported. They are usually toxic, corrosive or persistent in the environment. Examples include wastes with a high content of chemicals or heavy metals, such as discarded vehicle batteries, plating wastes, pesticides, paints, solvents, fluorescent bulbs, lubricant oil, lead, mercury or zine etc.; biological waste such as microbiological, animal, human blood and blood products; and radioactive wastes.

The Group does not discharge hazardous wastes and does not have leather tanning activities. The Group discharges non-hazardous wastes in the forms of leathers, papers, packaging, plastics and sewage water etc., during its business processes to produce and deliver products to customers and in the Group's general administration. The Group's efficiency in reduction of waste discharge and opting for disposal methods that reuse or recycle the discharged wastes would contribute to conservation of the environment.

To mitigate the Group's environmental impacts, it is the Group's policy to minimize the generation of wastes and to select disposal methods or contractors that reuse or recycle the Group's non-hazardous wastes, so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's efficiency in waste reduction and the method of waste disposal, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with environmental laws and regulations in respect of waste disposals.

2.3 Use of Energy, Water and Other Natural Resources

2.3.1 Use of Energy

The Group consumes energy in the forms of electricity consumed and fuels purchased from external suppliers, mainly during its business processes to produce and deliver products to customers and in the Group's general administration. The Group's efficient use of energy and opting for renewable energy sources would contribute to combating global climate change.

To mitigate the impact of Group's environmental footprint, it is the Group's policy to minimize consumption of electricity and fuels during its business processes, and to select electricity suppliers which use renewable sources of solar, wind or hydro energy etc., so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's efficiency in the consumption of energy and the use of renewable energy, and considers the existing policy appropriate.

2.3.2 Use of Water

The Group obtains water from public utilities, and consumes water mainly during its business processes to produce and deliver products to customers and in the Group's general administration. The Group does not withdraw water directly from the ecosystem and has no operation in water-stressed area. The Group's efficient use of water would contribute to preserving local communities or indigenous peoples' access to fresh water.

To mitigate the Group's impact on fresh water resources, it is the Group's policy to minimize water consumption and maximize the use of recycled water during its business processes, and to avoid select water suppliers which withdraw water from sources that have high biodiversity value, have been proclaimed as conservation areas, or of great important to local communities or indigenous people, so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's efficiency in the consumption of water and the use of re-cycled water, and considers the existing policy appropriate.

2.3.3 Use of Other Natural Resources

Natural resources are considered renewable if they are replenished by the environment over relatively short periods of time or are almost of unlimited supply. Examples include solar, wind, forests, biomass and most plants and animals. Natural resources are considered non-renewable resources if cannot be easily replenished by the environment or of limited supply. Examples include most minerals, metal ores, fossil fuels, natural gas and groundwater.

The Group consumes renewable natural resources mainly in the forms of leather and paper and non-renewable natural resources in the forms of plastic and metal purchased from external suppliers, mainly during its business processes to produce and deliver products to customers and in the Group's general administration. The Group's efficient use of natural resources and opting for recycling, reusing or reclaiming materials, products, and packaging would contribute to the conservation of natural resources.

To mitigate the impact of Group's operations to natural resources, it is the Group's policy to minimize wastage in consumption of natural resources during its business processes, to select suppliers which use recycled or reused materials, and to reclaim packaging from customers for recycling or reuse, so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's efficiency in the consumption of natural resources and the practices of recycling/reuse of materials, and considers the existing policy appropriate.

2.4 Impact on Biosphere

Biodiversity is important for ensuring the survival of plant and animal species, genetic diversity, and natural ecosystems, which in turn contributes directly to local livelihoods and sustainable development.

The Group does not have operations located in or adjacent to protected areas or areas of high biodiversity value, and the Group is not engaged in activities that have significant adverse biodiversity impacts, such as species reduction or habitat conversion.

3. SOCIAL ASPECTS

3.1 Customer Health and Safety

The consumers' right to safety is defined by Consumers International, a world federation of consumer groups, as the right to be protected against products, production processes and services that are hazardous to health or life. The Guideline for Consumer Protection issued by United Nation also recognizes the right of access to non-hazardous products as one of the core consumer rights. Various laws and regulations administered by government agencies and voluntary standards advocated by non-government organizations are in place to ensure product safety.

The Group has the duty to respect customers' right for product safety. The Group's competence and adherence to relevant laws, regulations and standards would contribute to the protection of customers' right for product safety.

To mitigate the Group's exposure to product safety issue, it is the Group's policy to require staff at all levels to always be alert of product safety issues, report and communicate all product safety concerns on a timely basis, and adhere to all applicable product safety laws, regulations and standards.

The Board is responsible to monitor and evaluate the Group's effectiveness in protecting customers' right for produce safety, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of product safety.

3.2 Marketing and labelling

Customers have right to access to accurate and adequate information of the products and services they obtained from the Group, mainly through marketing communications and product labeling. Fair and responsible marketing communications, as well as access to accurate and adequate information about the composition of products, and their proper use and disposal, can help customers to make informed choices.

The Group has the duty to respect customers' right to be informed. The Group's competence and adherence to relevant laws, regulations and standards would contribute to the protection of customers' right to be informed.

To mitigate the Group's exposure to marketing and labelling issues, it is the Group's policy that all marketing materials should not overstate products' performance or make unsubstantiated claims, and all product labels or services descriptions should adhere to all applicable laws, regulations and standards.

The Board is responsible to monitor and evaluate the Group's effectiveness in protecting customers' right to be informed, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of product marketing and labelling.

3.3 Customer privacy

Various laws and regulations administered by government agencies and voluntary standards advocated by non-government organizations are in place to protect personal information and promote individuals' right to privacy.

To mitigate the Group's exposure to customer privacy issue, it is the Group's policy to require staff at all levels to always be alert of customer privacy issues, report and communicate all customer privacy concerns on a timely basis, and adhere to all applicable product safety laws, regulations and standards.

The Board is responsible to monitor and evaluate the Group's effectiveness in protecting customers' right for privacy, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of customer privacy.

3.4 Employment

The Group's relationship with employees is a legal relationship which confers rights and obligations to both parties, and is subject to applicable labor or employment laws and regulations. Conditions of work specified in an employment contract normally include compensation, working time, rest periods, holidays, disciplinary and dismissal practices, maternity protection, the workplace environment, and occupational health and safety etc.

The Group has the duty to respect employees' rights set out in the employment contracts as well as in relevant labour and employment laws and regulations. The Group's competence and adherence to contractual obligations, relevant laws, regulations and standards would contribute to the protection of employees' rights.

To mitigate the Group's exposure to labor issues, it is the Group's policy that all the employees' rights set out in the employment contracts as well as in relevant labour and employment laws and regulations should be upheld, and to ensure that all the employees are adequately remunerated, in the sense that their remunerations are sufficient to meet their basic needs, and to provide them with some discretionary income.

The Board is responsible to monitor and evaluate the Group's effectiveness in protecting workers' employment rights, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of labor and employment.

3.5 Employee Health and Safety

Employees' right to a healthy and safe workplace is widely recognized and various laws and regulations administered by government agencies and voluntary standards advocated by non-government organizations are in place to protect employee health and safety. Employee health and safety impacts can arise over the use of unsafe equipment, machinery, processes, and practices. They can also arise with the use of dangerous substances, such as chemical, physical and biological agents.

The Group is exposed to employee health and safety issues mainly in its production processes. The Group's competence and adherence to relevant laws, regulations and standards would contribute to the protection of employees against health and safety impacts.

To prevent employee health and safety impacts, it is the Group's policy to require staff at all levels to always be alert of health and safety concerns in the workplace, report and communicate all health and safety concerns in the workplace on a timely basis, and adhere to all applicable safety laws, regulations and standards.

The Board is responsible to monitor and evaluate the Group's effectiveness in ensuring employees' health and safety, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of employees' health and safety.

3.6 Employee Training and Development

Employee training and development refer to programs aiming at upgrading employee skills to equip employees in a fast changing work environment. More skilled and well trained employees enhance the Group's human capital and contribute to employee satisfaction, which correlates strongly with improved performance.

The Group has the duty to assist employees in their career advancement. The Group's investment in training and development contribute to employee satisfaction and career advancement.

To promote employee satisfaction, it is the Group's policy to provide employees with sufficient in-house or external training hours, and require that all employees are regularly appraised through performance and career development reviews.

The Board is responsible to monitor and evaluate the Group's effectiveness in ensuring employees' training and development, and considers the existing policy appropriate.

3.7 Child and Forced Labor

Child labor is work that deprives children of their childhood, their potential and their dignity and that is harmful to their physical or mental development, including by interfering with their education. Organizations are normally not allowed to hire children below the age of 15 for full-time work, and children under the age of 18 for works which are likely to harm the health, safety or morals of children.

Forced labor refers to all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily. Indicators of forced labor can include withholding identity papers, requiring compulsory deposits, and compelling workers, under threat of firing, to work extra hours to which they have not previously agreed. Debts can also be used as a means of maintaining workers in a state of forced labor.

The Group has the duty to eliminate child and forced labour since they are serious violations of fundamental human rights. The Group's avoidance in engaging child or forced labor is to meet a legitimate expectation of the society.

To avoid violation of fundamental human rights, it is the Group's policy to strictly prohibit all forms of child labor and forced labor, and no employees should be required to work extra hours involuntarily.

The Board is responsible to monitor and evaluate the Group's effectiveness in eliminating child and forced labour, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of child and forced labor.

3.8 Supplier Assessment

The Group might be indirectly involved with environmental or social impacts as a result of its business relationships with its suppliers.

The Group not only has the duty not to be involved in negative environmental and social impacts directly in the Group's own activities, but also a duty not to indirectly induce or encourage negative environmental and social impacts in the Group's supply chain. The Group's assessment of suppliers' actual or potential environmental and social impacts contributes to minimum those impacts in the supply chain.

To prevent negative environmental and social impact in the Group's supply chain, it is the Group's policy that a supplier's record of non-compliance with environmental and social laws, regulations and standard is one of the key considerations for accepting or continuing business relationship with the supplier.

The Board is responsible to monitor and evaluate the Group's effectiveness in preventing negative environmental and social impacts in Group's supply chain, and considers the existing policy appropriate.

3.9 Anti-corruption

Corruption refers to practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. Corruption is broadly linked to negative environmental and social impacts, such as damage to the environment, abuse of democracy, misallocation of government investments, and undermining the rule of law.

The Group is expected by the marketplace, international norms, and stakeholders to demonstrate its adherence to integrity, governance, and responsible business practices. The Group's resistance to corruption contributes to minimum those negative environmental and social impacts linked to corruptions.

To prevent negative environmental and social impacts linked to corruption, it is the Group's policy that all forms of corruption such as bribery, extortion, illegal inducement, offering or accepting disallowed gifts, kickbacks or other advantages etc. and money laundering are strictly prohibited, and all employees of the Group must comply with all applicable anti-corruption laws and regulations.

The Board is responsible to monitor and evaluate the Group's effectiveness in preventing corruption, and considers the existing policy appropriate.

During the reporting period, the Group did not have any non-compliance with laws and regulations in respect of anti-corruption.

3.10 Local Community

Local communities refer to persons or groups of persons living and/or working in any areas that are economically, socially or environmentally impacted (positively or negatively) by the Group's operations. The local community can range from persons living adjacent to the Group's operations, to those living at a distance who are still likely to be impacted by these operations. Due to the heterogeneous nature of local communities, vulnerabilities of local communities with differentiated nature to the Group's operations are specific and distinct.

The Group is expected by the society to anticipate and avoid negative impacts on local communities. The Group's timely and effective stakeholder identification and engagement process is important to help the Group understand the vulnerability of local communities to the Group's activities.

To prevent negative environmental and social impacts to local communities, it is the Group's policy that staff at all levels to always be alert of potential impacts of the Group's activities to the local communities, report and communicate all concerns or complaints over the impacts of Group's activities to the local communities on a timely basis.

The Board is responsible to monitor and evaluate the Group's effectiveness in preventing negative environmental and social impacts to local communities, and considers the existing policy appropriate.

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of Company is investment holding and the principal activities of its subsidiaries are set out in note 40 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections of Chairman's Letter to Shareholders, Management Discussion and Analysis, Environment, Social and Governance Report, Five-Year Financial Summary and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "**SFO**") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. Important events affecting the Group occurred since the end of the Year are mentioned under "Events after the reporting period".

Key Risk Factors

The following lists out the key risks and uncertainties facing the Group:

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

Key Relationships with Employees, Customers and Suppliers

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the Year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

RESULTS & DIVIDENDS

Results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 43. Other movements in reserves are set out in the consolidated statement of changes in equity on page 46.

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 90 of this report.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company has no reserves available for distribution to the shareholders (2015: approximately RMB77,341,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or applicable laws of the Cayman Islands where the Company was incorporated.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 15 to the financial statements.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in note 27 to the financial statements. Bank borrowings repayable within one year or on demand are classified as current liabilities in the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the Group's five largest customers accounted for approximately 47% of the Group's total revenue and the Group's largest customer for the year accounted for approximately 15% of the Group's total revenue. The Group's five largest suppliers accounted for approximately 80% of the Group's total purchases, while the largest supplier for the year accounted for approximately 42% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors or their respective close associates or any of the Shareholders who owns more than 5% of the Company's number of issued shares has any interest in any of the Group's five largest customers or suppliers.

MANAGEMENT CONTRACTS

Save as disclosed herein, no contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the Year.

DIRECTORS

The Directors during the Year and up to the date of this report are as follows:

Executive Directors

Mr. Chen Jianbao *(Chairman and Joint chief executive officer)*
Mr. Wang Wei *(Vice-chairman)*
Ms. Cai Xiuman
Mr. Zhang Wenbin *(Joint chief executive officer)*
Mr. Wang Qingshan (appointed on 14 April 2016)
Mr. Huang Jianren *(Chief operation officer)* (resigned on 14 April 2016)
Mr. Chen Yuanjian *(Chief financial controller)* (resigned on 11 November 2016)
Mr. Sun Hui Ding (resigned on 14 January 2017)

Non-executive Director

Mr. Song Pengcheng (appointed on 11 November 2016)

Independent Non-executive Directors

Mr. Chen Jinzhong, Roy (appointed on 14 April 2016)
Mr. Lee Ho Yiu Thomas
Mr. Gu Renliang
Mr. Wang Xianzhang (appointed on 12 January 2017)
Mr. Chen Yonghua (appointed on 14 April 2016 and resigned on 22 September 2016)
Mr. Wu Xiaoqiu (resigned on 14 April 2016)
Mr. Ye Lin (resigned on 14 April 2016)

In accordance with the Articles, at each AGM, one third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Ms. Cai Xiuman, Mr. Zhang Wenbin and Mr. Wang Wei will retire at the AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the same meeting. Mr. Song Pengcheng and Mr. Wang Xianzhang will hold office only until the forthcoming AGM and, being eligible, offer themselves for re-election at the same meeting.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the requirement of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

On 14 April 2016, Mr. Huang Jianren, Mr, Wu Xiaoqiu and Mr. Ye Lin have resigned as an executive Director and independent non-executive Directors respectively due to other business commitments. On 22 September 2016, Mr. Chen Yonghua has resigned as an independent non-executive Director due to other business commitments. On 11 November 2016, Mr. Chen Yuanjian has resigned as an executive Director due to other business commitments. On 14 January 2017, Mr. Sun Hui Ding has resigned as an executive Director due to other business commitments.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 36 to 38 of this report.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year.

EMPLOYEES

As at 31 December 2016, the Group had 514 employees in total.

Total staff costs for the year amounted to approximately RMB36.7 million and the details are set out in note 11 to the financial statements. The Group determined the remuneration packages of all employees (include the Directors) with reference to their qualification, experience, job nature, performance and market condition.

The Group has established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the rules and regulations of the PRC and the existing policy requirements of the local government. The Group also maintains the employee short-term health insurance and unforeseen injury insurance. In addition, the Group provides staff quarters to its employees.

Directors and qualified employees of the Company may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the Share Option Scheme (as defined below).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF EQUITY DERIVATIVES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (as defined by Part XV of the SFO) as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under Section 352 of SFO are as follows:

(A) Long position in shares of the Company:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Chen Jianbao (Note 1)	Interest of controlled corporation	722,267,408	44.96%
Ms. Cai Xiuman (Note 2)	Interest of controlled corporation	150,000,000	9.34%
	Beneficial owner	20,950,000	1.30%
Mr. Zhang Wenbin (Note 3)	Interest of spouse	170,950,000	10.64%

Notes:

1. Mr. Chen Jianbao is deemed to be interested in the 722,267,408 shares as he directly holds 34.57% of Huarong Energy Investment Company Limited.

2. Ms. Cai Xiuman is the beneficial owner of the entire issued share capital of Festive Boom Limited which holds 150,000,000 shares. Ms. Cai Xiuman is also the director of Festive Boom Limited.

3. Mr. Zhang Wenbin is deemed to be interested in the 170,950,000 shares beneficially held by his spouse Ms. Cai Xiuman.

(B) Long position in the underlying shares of the Company:

Holders	Grant date	Exercise from	Exercise until	Number of share options held: Balance as at 1 January 2016	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Balance as at 31 December 2016	Exercise price (HK$)	Approximate percentage of shareholding in the Company
Mr. Lee Ho Yiu Thomas	17 October 2014	17 October 2014	17 October 2024	500,000	–	–	–	–	500,000	0.72	0.03%
Total:				500,000	–	–	–	–	500,000		

(C) Long position in shares of the Company's associated corporation(s):

Name of Director	Name of associated corporation	Number of share(s)	Percentage of shareholding in the company
Ms. Cai Xiuman	Festive Boom Limited	1	100%

As at 31 December 2016, save as disclosed herein, none of the Directors and chief executive of the Company had any interest or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO as recorded in the register of directors' and chief executive's interests and short positions required to be maintained under Section 352 of SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its 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 debt securities (including debentures) of the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or his connected entities had a material interest, either directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or their respective close associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

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

As at 31 December 2016, the following persons, other than the Directors and chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long position in shares and underlying shares

Name	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
廣東錦烽集團有限公司 (Note 1)	Interest of controlled corporations	932,409,025	58.04%
Sun Siu Kit (Note 2)	Interest of controlled corporations	932,409,025	58.04%
華融致遠投資管理有限責任公司(Note 3)	Interest of controlled corporations	932,409,025	58.04%
華融華僑資產管理股份有限公司(Note 4)	Interest of controlled corporations	932,409,025	58.04%
China Huarong Asset Management Co., Ltd. (Note 5)	Interest of controlled corporations	932,409,025	58.04%
Ministry of Finance of the People's Republic of China (Note 5)	Interest of controlled corporations	932,409,025	58.04%
Strait Energy Limited (Note 7)	Person having a security interest in shares	644,272,000	40.10%
Strait Energy Investment Company Limited (Note 6)	Interest of controlled corporation	644,272,000	40.10%
中國石油天然氣集團公司(Note 7)	Interest of controlled corporation	644,272,000	40.10%
Central China International Investment Company Limited (Note 8)	Beneficial owner	208,333,333	12.97%
Central China Securities Co. Ltd. (Note 8)	Interest of controlled corporations	208,333,333	12.97%
Central China International Financial Holdings Company Limited (Note 9)	Interest of controlled corporations	208,333,333	12.97%
Festive Boom Limited	Beneficial owner	150,000,000	9.34%

Notes:

1. 廣東錦烽集團有限公司 is deemed to be interested in the 932,409,025 shares as it holds 40% of the issued share capital of 華融華僑資產管理股份有限公司 which indirectly holds 100% of the issued share capital of Infinity Growth Capital Limited, which holds 210,141,617 convertible shares and also holds 65.43% of the issued share capital of Huarong Energy Investment Company Limited, which holds 465,884,543 shares and 256,382,865 convertible shares.

2. Mr. Sun Siu Kit is deemed to be interested in the 932,409,025 shares as he indirectly holds 100% of the issued share capital of 廣東錦烽集團有限公司.

3. 華融致遠投資管理有限責任公司 is deemed to be interested in the 932,409,025 shares as it holds 51% of the issued share capital of 華融華僑資產管理股份有限公司 which indirectly holds 100% of the issued share capital of Infinity Growth Capital Limited, which holds 210,141,617 convertible shares and also holds 65.43% of the issued share capital of Huarong Energy Investment Company Limited, which holds 465,884,543 shares and 256,382,865 convertible shares.

4. 華融華僑資產管理股份有限公司 is deemed to be interested in the 932,409,025 shares as it holds 100% of the issued share capital of Huarong Overseas Investment Holdings Co., Limited, which directly holds 100% of the issued share capital of Infinity Growth Capital Limited, which holds 210,141,617 convertible shares and also holds 65.43% of the issued share capital of Huarong Energy Investment Company Limited, which holds 465,884,543 shares and 256,382,865 convertible shares.

5. Ministry of Finance of the People's Republic of China is deemed to be interested in the 932,409,025 shares as it holds 67.75% of issued share capital of China Huarong Asset Management Co., Ltd. which directly holds 100% of the issued share capital of 華融致遠投資管理有限責任公司.

6. Strait Energy Investment Company Limited is deemed to be interested in the 644,272,000 shares as it holds 50% of the issued share capital of Strait Energy Limited.

7. 中國石油天然氣集團公司 is deemed to be interested in the 644,272,000 shares as it indirectly holds 50% of the issued share capital of Strait Energy Limited and the entire issued share capital of Strait Energy Investment Company Limited.

8. Central China Securities Co. Ltd. is deemed to be interested in the 208,333,333 shares as it directly holds 100% of the issued share capital of the Central China International Financial Holdings Company Limited, and indirectly holds 100% of the issued share capital of Central China International Investment Company Limited.

9. Central China International Financial Holdings Company Limited is deemed to be interested in the 208,333,333 shares as it directly holds 100% of the issued share capital of the Central China International Investment Company Limited.

Save as disclosed above, the Directors are not aware of any person, other than the Directors whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares of equity derivatives and debentures" above, who had an interest or short positions in the Shares or underlying Shares that were required to be recorded pursuant to Section 336 of Part XV of the SFO as of 31 December 2016.

EQUITY-LINKED AGREEMENTS

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

Share Option Scheme

Pursuant to a resolution passed by all the Shareholders on 4 September 2011, the Company has conditionally adopted the share option scheme (the "**Share Option Scheme**") for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors were authorised to grant options to subscribe for the Shares and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (as defined in the prospectus of the Company dated 16 September 2011 (the "**Prospectus**")), being 120,000,000 Shares, excluding any options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. On 28 June 2016, a resolution was passed by the Shareholders to refresh the limit of Share Option Scheme, being 160,649,842 Shares, representing 10% of Shares in issue as at the date of that general meeting.

In views of the increase in the Shares in issue since the passing of the refreshment of Shares Option Scheme, the Directors propose to refresh the existing scheme limit for approval by the Shareholders at the forthcoming AGM. If the refreshment of the existing scheme limit is approved at the AGM, based on the 1,606,498,422 Shares in issue as at the date of this report and assuming that the issued share capital of the Company remains unchanged on the date of the AGM, the Company will be allowed under the "refreshed limit" to grant options carrying the rights to subscribe for up to a total of 160,649,842 Shares, representing 10% of the issued share capital of the Company as at the AGM.

Unless otherwise approved by the Shareholders in general meeting, the number of Shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the Shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors. Unless otherwise approved by the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules, the number of Shares that may be granted to a substantial Shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the Shares in issue, having an aggregate value in excess of HK$5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted.

The subscription price of a Share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share. Each grantee shall pay HK$1.00 to the Company at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date. The remaining life of the Share Option Scheme is 4 years.

Further details of the Share Option Scheme are set out in note 33 to the financial statements and the announcements of the Company dated 17 October 2014, 6 July 2015 and 29 April 2016. Details of movements in the options granted under the Share Option Scheme of the eligible participants during the year ended 31 December 2016 are as follows:

				Number of share options held							
Holders	**Grant date**	**Exercise from**	**Exercise until**	**Balance as at 1 January 2016**	**Granted during the Year**	**Exercised during the Year**	**Cancelled during the Year**	**Lapsed during the Year**	**Balance as at 31 December 2016**	**Exercise price (HK$)**	**Approximate percentage of shareholding in the Company**
Mr. Lee Ho Yiu Thomas	17 October 2014	17 October 2014	17 October 2024	500,000	–	–	–	–	500,000	0.72	0.03%
Mr. Huang Jianren (resigned on 14 April 2016) *(Note 1)*	17 October 2014	17 October 2014	17 October 2024	1,000,000	–	–	–	–	1,000,000	0.72	0.06%
Mr. Wu Xiaoqiu (resigned on 14 April 2016) *(Note 1)*	17 October 2014	17 October 2014	17 October 2024	500,000	–	–	–	–	500,000	0.72	0.03%
Mr. Ye Lin (resigned on 14 April 2016) *(Note 1)*	17 October 2014	17 October 2014	17 October 2024	500,000	–	–	–	–	500,000	0.72	0.03%
Employees of the Group	17 October 2014	17 October 2014	17 October 2024	11,000,000	–	–	–	–	11,000,000	0.72	0.68%
	29 April 2016	29 April 2016	29 April 2026	–	80,500,000 *(Note 2)*	–	–	–	80,500,000	0.46	5.01%
Business partners and consultants of the Group	29 April 2016	29 April 2016	29 April 2026	–	55,500,000 *(Note 2)*	–	–	–	55,500,000	0.46	3.45%
				13,500,000	136,000,000	–	–	–	149,500,000		

Notes:

1. Mr. Huang Jianren, who was an executive Director, Mr. Wu Xiaoqiu and Mr. Ye Lin, who were the independent non-executive Directors, resigned on 14 April 2016. Their share options are still valid for one year.

2. Closing price of the shares on the last trading day prior to the date of grant has HK$0.46 per share.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 310,149,842, representing approximately 19.31% of the issued share capital of the Company.

CONNECTED TRANSACTIONS

On 23 June 2016, the Company and Infinity Growth Capital Limited (the "**First Subscriber**") entered into the subscription agreement (the "**First Subscription Agreement**") that the convertible bonds of aggregate principal amount of HK$92,000,000 would be issued at the conversion price of HK$0.4378 (the "**First Subscription**").

Following the completion of disposal of shares by Festive Boom Limited on 8 July 2016, Huarong Energy Investment Company Limited ("**Huarong Energy**") became a substantial shareholder of the Company. The First Subscriber and Huarong Energy are both wholly-owned subsidiaries of Huarong Overseas Investment Holdings Co., Limited ("**Huarong Overseas**"). The First Subscriber, being an associate of Huarong Energy, is a connected person of the Company and the First Subscription accordingly became a connected transaction of the Company.

On 31 August 2016, the Company and Huarong Energy (the "**Second Subscriber**") entered into the subscription agreement (the "**Second Subscription Agreement**") that the convertible bonds of aggregate principal amount of HK$120,000,000 would be issued at the conversion price of HK$0.46805 (the "**Second Subscription**").

The Second Subscriber is directly held by Huarong Overseas and Mr. Chen Jianbao, the joint chairman, joint chief executive officer and an executive Director, as to approximately 65.43% and 34.57% respectively. The Second Subscriber, being the substantial shareholder of the Company and an associate of Mr. Chen Jianbao, is a connected person of the Company and the Second Subscription accordingly became a connected transaction of the Company.

The convertible bonds of the First and Second Subscription shall have a term commencing from (and including) the completion date and expiring on the date falling on the second anniversary of the completion date or if such date is not a business day, the business day immediately following such date.

The net proceeds from the First Subscription and the Second Subscription were estimated to be approximately HK$204 million. The Company intended to use the net proceeds in (i) the development of gas station business through Peak Business Asia Limited; (ii) repayment of debt; and (iii) general working capital of the Group.

The Directors considered that the terms of the First and Second Subscription Agreements (collectively, the "**Subscription Agreements**") were on normal commercial terms and were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for the Second Subscriber, Ms. Cai Xiuman, Mr. Zhang Wenbin, Festive Boom Limited and their respective associates, no other parties had any material interest which was different from other Shareholders in relation to the First Subscription and the Second Subscription.

The Subscription Agreements and the transactions contemplated thereunder were approved by an extraordinary general meeting held on 9 November 2016.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in the note 30 to the financial statements.

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

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

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 22 January 2016, Sino Africa Energy Holdings Company Limited, a wholly-owned subsidiary of the Company completed the acquisition of the 100 shares in Peak Business Asia Limited, a company incorporated under the laws of British Virgin Islands with limited liability (the "**Target Company**"), representing 100% equity interest in the Target Company, at the consideration of HK$215,000,000. The consideration was satisfied by the issue of the promissory notes by the Company. The Target Company and its subsidiary was principally engaged in the business of operating the gas stations in the PRC. The acquisition was detailed in the announcements of the Company dated 5 November 2015 and 22 January 2016.

As at 31 December 2016, save as disclosed herein, there was no significant investment, material acquisitions and disposal of subsidiaries by the Company.

PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficiency of public float at all times during the year ended 31 December 2016 and at any time up to the date of this report.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken in the normal course of business are provided under note 39 to the financial statements, and none of which constitutes a connected transaction as defined under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2014 was audited by KPMG and the consolidated financial statements for the years ended 31 December 2015 and 2016 were audited by ZHONGHUI ANDA CPA Limited ("**Zhonghui**").

During the year ended 31 December 2015, KPMG retired as auditors of the Company on 5 June 2015 and Zhonghui was appointed as auditors of the Company on 25 June 2015. Saved as disclosed above, there were no other changes of auditor of the Company in the preceding three years.

Zhonghui will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Zhonghui as auditor of the Company is to be proposed at the AGM.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend the AGM, the register of members of the Company will be closed from 25 May 2017 to 1 June 2017 (both days inclusive), during which period no transfer of Shares can be registered. The holders of shares whose names appear on the register of members of the Company on 1 June 2017 will be entitled to attend and vote at the AGM. In order to qualify for attending the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration by not later than 4:30 p.m. on 24 May 2017.

On behalf of the Board

Chen Jianbao
Chairman

Hong Kong, 31 March 2017

Board of Directors and Senior Management

Biographies of each member of the Directors and senior management team are set out below:

EXECUTIVE DIRECTORS

Mr. Chen Jianbao（陳建寶）, aged 42, is the chairman and Joint chief executive officer of the Group and an executive Director. Mr. Chen graduated from Xian Politics Institute, China where he majored in Economics and Management and holds a master degree from the School of Economics and Management of Tsinghua University, China. Since 2011, Mr. Chen has been the managing director of Beijing Bai Na Sheng Shi International Culture Company Limited. Mr. Chen has also been the managing director of Beijing Ideva Energy Management Company Limited since 2013. Before that, Mr. Chen was an officer of the media project team of News and Information Centre of Xinhua News Agency. Mr. Chen was appointed as an executive director of North Mining Shares Company Limited（北方礦業股份有限公司）, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 433), from April 2015 to August 2015. Mr. Chen was also appointed as an executive director of the Company from July 2015 to September 2015. Mr. Chen has extensive experience in corporate management.

Mr. Wang Wei（王煒）, aged 60, is the Vice-chairman of the Group and an executive Director. Mr. Wang graduated from Xi'an University of Architecture and Technology of China with a bachelor degree in civil engineering and a master degree in building economics. Mr. Wang has worked at the Shaanxi Provincial Construction Corporation as the project leader, the director of the Agency and the company manager. Mr. Wang has won the National Labor Medal and the title of outstanding business managers. He was also appointed as the general manager of the South African Golden Nest international Group, the chairman of the board and the president of Africa and China Engineering Association. With more than twenty years of experience in the construction business in Africa, Mr. Wang is committed to China-Africa economic and trade exchanges with no spare effort.

Ms. Cai Xiuman（蔡秀滿）, aged 46, is an executive Director. Ms. Cai was appointed as a Director on 12 February 2010. She is a founder of the Group and primarily responsible for overall strategic business development, management and operation. Ms. Cai joined the Group in 1995 and served as a general manager in Shishi Haomai responsible for strategic planning and sales management. She established Jinmaiwang Fujian in 2003 and served as a deputy manager, responsible for overall finance and administration. She further established Luotuo Quanzhou in 2005. Ms. Cai has over 20 years of experience in sales and marketing in shoe manufacturing industry. Prior to joining the Group, Ms. Cai worked in a shoe manufacturing company, namely Shishi City De Shili Shoes Industry Company Limited（石獅市德士利鞋業有限公司）, and was responsible for financial management. Ms. Cai is the wife of Mr. Zhang Wenbin, another executive Director.

Mr. Zhang Wenbin（張文彬）, aged 50, is the Joint chief executive officer of the Group and an executive Director. Mr. Zhang was appointed as a Director on 2 February 2011. He is a founder of the Group and has over 20 years of experience in shoes manufacturing industry. Mr. Zhang established Shishi Haomai in 1995 and served as a deputy general manager. He has been appointed as the chief executive director and general manager of Jinmaiwang Fujian since 2003. In 2007, Mr. Zhang was appointed as the deputy council chairman of the 3rd Bao Gai Business Association of Shishi City（石獅市寶蓋商會）and was a representative of the 4th National People's Congress of the People's Republic of Congress of Shishi City from 2003 to 2006. Prior to joining the Group, Mr. Zhang worked in a shoe manufacturing company, namely Shishi City De Shili Shoes Industry Company Limited（石獅市德士利鞋業有限公司）, and was responsible for sales management. Mr. Zhang is currently a committee member of Shishi Industrial and Commercial Commission（石獅市工商業聯合會）and Shishi Association for Quality and Technical Supervision（石獅市質量技術監督協會）. Mr. Zhang is the husband of Ms. Cai Xiuman, another executive Director.

Mr. Wang Qingshan（王慶三）, aged 77, is an executive Director. Mr. Wang obtained a degree in Refinery and Chemical Engineering from Xi'an Shiyou Institute (now known as Xi'an Shiyou University). Following graduation, Mr. Wang joined Fushun Petroleum Institute under the Ministry of Petroleum Industry（石油工業部撫順石油學院）which is currently subordinated to Petro Factory I of PetroChina Fushun Petrochemical Company（中石油撫順石化公司石油一廠）and had taken up positions of factory director and chief engineer. Later, he joined Shenzhen Nanyou (Holdings) Ltd.（深圳南油集團公司）in 1989 and had served as chairman and general manager of Nanyou Petroleum & Chemicals Co., Ltd.（南油石化公司）. From 2001 to 2005, Mr. Wang worked in Geomaxima Holdings Company Limited, a company listed in the Stock Exchange as vice general manager. During 2006, Mr. Wang was chief engineer and consultant of Dongguan Yelian Petroleum Bitumen Co., Ltd（東莞市曄聯改性道路瀝青有限公司）. Mr. Wang has gained extensive experience in aspect of operation and management within petrochemical enterprises (including production, storage and transportation), early stage preparation and construction for petrochemical engineering (refinery, petrochemical and storage), as well as construction and management for railway lines and petrochemical terminals dedicated for transportation of hazardous articles.

NON-EXECUTIVE DIRECTOR

Mr. Song Pengcheng（宋鵬程）, aged 30, was appointed as a non-executive Director. He is a member of the CFA Institute. Mr. Song obtained a bachelor degree in Economics from Renmin University of China（中國人民大學）and doctoral degree in Finance from University of Hong Kong in 2012. Mr. Song was an investment manager of VantagePoint, a senior investment manager of Arbor Ventures and head of M&A department of China Huarong Overseas Investment Holdings Co., Limited. He has profound expertise and insight in fields of financial technology, asset-backed securitization and cross-border transactions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Jinzhong, Roy（陳錦忠）, aged 45, is an independent non-executive Director. Mr. Chen graduated from the Finance Institute of Nankai University and majored in International Finance. He also obtained a master's degree in Business and Administration from the University of South Australia. Mr. Roy Chen joined Fujian Huaxing Trust and Investment Company Limited（福建華興信託投資公司）in 1993. Later, in 1997, he took up the position of general manager of Securities Operation Department in Golden Sino (Holdings) Limited（香港華財集團控股有限公司）, responsible for conducting analysis and research into economic situation, selection of equity investment, research into listed companies and the company's equity investment. From 2004 to 2011, Mr. Roy Chen worked in China Packaging Group Company Limited, a company listed in Hong Kong (stock code: 572), as general manager assistant, responsible for the company's financial investment and conducting timely in-depth research into investing sectors, bank and investor relations coordination, and assisting the company in capital market activities such as merger and acquisition, assets restructuring and business reorganization. From 2011 and 2013, Mr. Roy Chen worked for Huafeng Group Holdings Limited (now known as Ping Shan Tea Group Limited), a company listed in Hong Kong (stock code: 364), as general manager assistant, responsible for bank and investor relations coordination.

Mr. Lee Ho Yiu Thomas（李浩堯）, aged 39, was appointed as an independent non-executive Director on 4 September 2011. Mr. Lee has 14 years of experience in auditing, accounting and financial management. He is now the partner of Lee, Au & Co. Certified Public Accountant. Mr. Lee previously worked as an assistant financial controller in The Beauty Group and also worked at KPMG from 2000 to 2005. Mr. Lee is a fellow of the Association Chartered Certified Accountants, a practising member of the Hong Kong Institute of Certified Public Accountants, a certified tax adviser and a member of the Hong Kong Taxation Institute, a certified internal auditor and a member of the Institute of Internal Auditors, a certified information systems auditor and a member of the ISACA. Mr. Lee holds a bachelor's degree of science in accounting and finance from University of Warwick and a second bachelor's degree in Law from the Tsinghua University. Mr. Lee served as an independent non-executive director of ABC Communications (Holdings) Limited (stock code: 0030), a company listed on the Main Board of the Stock Exchange between January 2011 to February 2013. Mr. Lee is currently an independent non-executive director of Suncorp Technologies Limited (stock code: 1063) and Dongwu Cement International Limited (stock code: 695), both companies are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Inno-Tech Holdings Limited (stock code: 8202), a company listed on the GEM Board of the Stock Exchange. Save as disclosed above, Mr. Lee did not hold any directorship in any other listed companies in the past three years.

Mr. Gu Renliang（顧人樑）, aged 60, was appointed as an independent non-executive Director. He graduated from the Shanghai University with a bachelor degree in engineering in 1981, the California State University, Northridge with a master degree in mathematics in 1984 and the Drexel University with a master degree in computer science in 1986. In 1991, Mr. Gu worked in the headquarters of the World Bank in Washington, D.C. and in 1993, he was promoted as a consultant to the Ministry of Finance, the Government of Saudi Arabia in Riyadh. In 1999, he established Palm International in Dubai, which assisted various Chinese corporations and government entities to develop projects in the Gulf Country. In 2006, Mr. Gu was appointed as the Chief Representative of Al Obayya Group in Beijing. From 2006 to 2007, Mr. Gu was also appointed as a consultant to SAMA Dubai. In March 2015, Mr. Gu was appointed as the Director's Assistant for Middle East and Africa of Renewable Energy Center of China Investment Association.

Mr. Wang Xianzhang （王憲章）, aged 74, was appointed as an independent non-executive Director. He is a member of the 10th National People's Political Consultative Conference (NPPCC) Committee. He was appointed as a party representative of the 16th National Congress of Chinese Communist Party, the dean and honorary dean of the insurance department of the Central University of Finance and Economics as well as the director of the Insurance Association of China. Mr. Wang also served as the deputy general manager of People's Insurance Company of China (Dalian Branch)*（中國人民保險公司大連分公司）, the general manager of People's Insurance Company of Liaoning Province*（遼寧省人民保險公司）, and held various positions at China Life Insurance Company Limited, including the deputy general manager, vice chairman of the board, secretary of party committee and general manager. In addition, Mr. Wang was appointed as directors of a number of listed companies in Hong Kong, including serving as the chairman of the board of China Life Insurance Co. Ltd. (stock code: 2628), the executive director of Pacific Century Insurance Holdings Limited and the independent non-executive director of Beijing Enterprises Holdings Limited (stock code: 392). Currently, he serves as the independent non-executive director of Eagle Ride Investments Limited (stock code: 901).

SENIOR MANAGEMENT

Mr. Wu Shulin（吳樹林）, aged 51, joined the Group in 2003 and was appointed as a sales and marketing director（營銷總監）. He is responsible for strategic planning, sales and management of the Group. Mr. Wu is also a general manager of Luotuo Quanzhou since 2005. He has over 20 years of experience in sales and marketing. Prior to joining the Group, Mr. Wu served as business manager of a commodity factory Shishi Xinhu Commodity Factory（石獅新湖日用品廠）from 1984 to 1990. Between 1991 to 2002, he served as a deputy general manager of Shishi Dexiang Food Company Limited（石獅德祥食品有限公司）. Mr. Wu is the husband of Mr. Zhang Wenbin's younger sister.

Mr. Zhang Zuqiao（張祖僑）, aged 42, joined the Group in 1998 and was appointed as the technical director（技術總監）of the Group since 2001. Mr. Zhang is responsible for the development of new products and management of production technology of the Group. Mr. Zhang has over 12 years of experience in shoe manufacturing.

中汇
ZHONGHUI

Independent Auditor's Report to the Shareholders Of
Sino Energy International Holdings Group Limited
(Incorporated in Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Sino Energy International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 89, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR QUALIFIED OPINION

1. Trade receivables and advances to suppliers

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the recoverability of trade receivables of RMB12,004,000 as at 31 December 2015; (ii) the recoverability of advances to suppliers of RMB9,649,000 as at 31 December 2015; and (iii) whether the allowance for non-recovery for the trade receivables and advances to suppliers amounting to RMB12,004,000 and RMB9,649,000 respectively for the year ended 31 December 2016 and the allowance for non-recovery for the trade receivables and advances to suppliers amounting to RMB184,988,000 and RMB192,283,000 respectively for the year ended 31 December 2015 are properly recorded in that year or the previous years.

2. Prepayments for development of online marketplace

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to whether the impairment provision of RMB79,554,000 for the year ended 31 December 2015 is properly recorded in 2015 or the previous years.

3. Construction in progress

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to whether the reversal of impairment provision of RMB48,151,000 for the year ended 31 December 2015 is properly recorded in 2015 or the previous years.

Any adjustments to the figures as described from points 1 to 3 above might have a consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2016 and 2015 and the financial positions of the Group as at 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (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 qualified 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. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Property, plant and equipment

Refer to Note 15 to the consolidated financial statements

The Group tested certain amount of property, plant and equipment for impairment. This impairment test is significant to our audit because the subject balance of property, plant and equipment of RMB142,928,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

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

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

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

– Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for property, plant and equipment is supported by the available evidence.

2. Inventories

Refer to Note 21 to the consolidated financial statements

The Group tested the amount of inventories for impairment. This impairment test is significant to our audit because the balance of inventories of RMB125,546,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on ordering and holding of inventory;
- Evaluating the Group's impairment assessment;
- Assessing the marketability of the inventory;
- Assessing the aging of the inventory;
- Assessing the net realisable values of the inventory; and
- Checking subsequent sales and usage of the inventory.

We consider that the Group's impairment test for inventory is supported by the available evidence.

3. Trade and other receivables and amount due from a director

Refer to Note 22 and 23 to the consolidated financial statements

The Group tested the trade and other receivables and amount due from a director for impairment. This impairment test is significant to our audit because the balance of trade and other receivables of RMB653,025,000 and amount due from a director of RMB170,709,000 as at 31 December 2016 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;
- Assessing the Group's relationship and transaction history with customers and debtors;
- Evaluating the Group's impairment assessment;
- Assessing the aging of the debts;
- Checking subsequent settlements from customers and debtors;
- Checking the repayment schedules of customers and debtors;
- Assessing the credit worthiness of customers and debtors; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and other receivables and amount due from a director is supported by the available evidence.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of 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.

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, 31 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	6	**226,440**	290,545
Cost of sales		**(248,406)**	(265,705)
Gross (loss)/profit		**(21,966)**	24,840
Other income	7	**10,234**	2,607
Distribution and selling expenses		**(7,158)**	(9,652)
Administrative expenses		**(210,365)**	(494,503)
Loss from operation		**(229,255)**	(476,708)
Finance costs	9	**(91,504)**	(54,845)
Loss before tax		**(320,759)**	(531,553)
Income tax	10	**(3,655)**	(11,115)
Loss for the year	11	**(324,414)**	(542,668)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(20,544)**	5,465
Total comprehensive loss for the year		**(344,958)**	(537,203)
Loss for the year attributable to:			
Owners of the Company		**(324,196)**	(544,403)
Non-controlling interests		**(218)**	1,735
		(324,414)	(542,668)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(344,740)**	(538,938)
Non-controlling interests		**(218)**	1,735
		(344,958)	(537,203)
Loss per share	14		
Basic and diluted (RMB)		**(0.20)**	(0.37)

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	15	**148,969**	144,876
Intangible assets	16	**–**	1,645
Prepaid land lease payments	17	**5,093**	5,174
Other assets	18	**96,692**	31,692
Prepayment for new subsidiaries	19	**119,872**	83,780
Goodwill	20	**68,898**	49,363
		439,524	316,530
Current assets			
Inventories	21	**125,546**	171,731
Trade and other receivables	22	**653,025**	887,146
Prepaid land lease payments	17	**105**	129
Amount due from a director	23	**170,709**	174,449
Pledged deposits	24	**7,654**	78,083
Bank and cash balances	25	**586,834**	262,202
		1,543,873	1,573,740
Current liabilities			
Trade and other payables	26	**230,136**	454,234
Tax payables		**24,725**	23,436
Bank loans	27	**302,440**	198,627
Debentures	28	**24,294**	1,676
Promissory notes	29	**83,301**	–
		664,896	677,973
Net current assets		**878,977**	895,767
Total assets less current liabilities		**1,318,501**	1,212,297
Non-current liabilities			
Debentures	28	**870,887**	862,436
Promissory notes	29	**97,859**	83,780
Convertible bonds	30	**320,173**	–
		1,288,919	946,216
NET ASSETS		**29,582**	266,081

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Capital and reserves			
Share capital	31	**130,258**	130,258
Reserves	32(a)	**(103,218)**	133,063
Equity attributable to owners of the Company		**27,040**	263,321
Non-controlling interests		**2,542**	2,760
TOTAL EQUITY		**29,582**	266,081

The consolidated financial statements on pages 43 to 89 were approved and authorised for issue by the board of directors on 31 March 2017 and are signed on its behalf by:

Approved by:

Chen Jianbao
Director

Cai Xiuman
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Convertible bonds equity reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profits/ (accumulated loss) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	104,381	215,334	2,268	27,935	–	11,024	830	252,656	614,428	–	614,428
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	5,465	(544,403)	(538,938)	1,735	(537,203)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	1,025	1,025
Shares issued under share option scheme	1,973	19,334	–	–	–	(7,135)	–	–	14,172	–	14,172
Issue of consideration shares	5,141	45,238	–	–	–	–	–	–	50,379	–	50,379
Placing of new shares under general mandate	18,763	104,517	–	–	–	–	–	–	123,280	–	123,280
At 31 December 2015	130,258	384,423	2,268	27,935	–	3,889	6,295	(291,747)	263,321	2,760	266,081
At 1 January 2016	**130,258**	**384,423**	**2,268**	**27,935**	**–**	**3,889**	**6,295**	**(291,747)**	**263,321**	**2,760**	**266,081**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(20,544)**	**(324,196)**	**(344,740)**	**(218)**	**(344,958)**
Recognition of equity-settled share based-payment	**–**	**–**	**–**	**–**	**–**	**30,144**	**–**	**–**	**30,144**	**–**	**30,144**
Issue of convertible bonds (note 30)	**–**	**–**	**–**	**–**	**78,315**	**–**	**–**	**–**	**78,315**	**–**	**78,315**
Transfer to statutory reserve	**–**	**–**	**–**	**1,085**	**–**	**–**	**–**	**(1,085)**	**–**	**–**	**–**
At 31 December 2016	**130,258**	**384,423**	**2,268**	**29,020**	**78,315**	**34,033**	**(14,249)**	**(617,028)**	**27,040**	**2,542**	**29,582**

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Cash flows from operating activities		
Loss before tax	**(320,759)**	(531,553)
Adjustments for:		
Finance costs	**91,504**	54,845
Interest income	**(4,280)**	(2,470)
Depreciation	**3,852**	3,931
Amortisation of prepaid land lease payments	**105**	107
Amortisation of intangible assets	**1,645**	2,539
Equity-settled share-based payment on issuance of convertible bonds	**81,758**	–
Impairment loss on goodwill	**28,033**	–
Impairment loss on trade receivables	**13,412**	184,988
(Reversal of impairment)/impairment loss on trade prepayments	**(21,674)**	192,283
Impairment loss on other receivables	**202**	–
Impairment loss of intangible assets	**–**	2,798
Impairment loss of prepayments	**–**	79,554
Impairment loss of other assets	**–**	–
Reversal of impairment loss of other receivables	**–**	(880)
Reversal of impairment loss of construction in progress	**–**	(48,151)
Impairment loss of inventories	**28,014**	34,507
Loss on disposal of property, plant and equipment	**–**	95
Loss on fair value changes on modification of debentures	**9,415**	–
Gain on fair value changes on derivative financial instrument	**(3,456)**	–
Equity settled share-based payment for employees	**17,842**	–
Equity settled share-based payment for business partners and consultants	**12,302**	–
Operating cash flows before working capital changes	**(62,085)**	(27,407)
Change in inventories	**18,171**	(99,042)
Change in trade and other receivables	**354,924**	(260,957)
Change in trade and other payables	**(237,823)**	104,114
Cash generated from/(used in) operations	**73,187**	(283,292)
Tax paid	**(3,523)**	(3,539)
Net cash generated from/(used in) in operating activities	**69,664**	(286,831)
Cash flows from investing activities		
Acquisition of subsidiary	**784**	(10)
Prepayment for new subsidiaries	**(113,662)**	–
Purchase of property, plant and equipment	**(1,342)**	(48)
Prepayment of other assets	**(65,000)**	(520)
Refund of the deposit for acquisition of property, plant and equipment	**–**	2,000
Interests received	**4,280**	2,470
Advance to a director	**(62,662)**	(511,019)
Repayment from a director	**95,939**	342,084
Changes in pledged deposits	**70,429**	38,957
Net cash used in investing activities	**(71,234)**	(126,086)

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Cash flows from financing activities		
New bank loans raised	**301,622**	178,998
Repayment of bank loans	**(198,689)**	(199,610)
Net proceeds from issuing debentures	**230,175**	478,021
Repayment of debentures	**(295,439)**	–
Convertible bonds	**300,421**	–
Interests paid	**(37,764)**	(39,690)
Proceeds from issue of shares under general mandate	**–**	123,280
Proceeds from issue of shares under share option	**–**	21,307
Net cash generated from financing activities	**300,326**	562,306
Net increase in cash and cash equivalents	**298,756**	149,389
Cash and cash equivalents at beginning of year	**262,202**	104,047
Effect of changes in foreign exchange rate	**25,876**	8,766
Cash and cash equivalents at end of year	**586,834**	262,202
Analysis of cash and cash equivalents		
Bank and cash balances	**586,834**	262,202

1. GENERAL INFORMATION

Sino Energy International Holdings Group Limited (the“ Company”) was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Flat 4201, 42/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong, respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively "the Group") were principally engaged in manufacturing and sale of casual footwear, apparel and related accessories and operating gas station in the People's Republic of China (the "PRC"). The principal activities of the Company's subsidiaries are set out in note 40 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

These consolidated financial statements have been prepared under the historical cost convention, as modified by certain financial instruments which are carried at their fair value.

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

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

Consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidation *(continued)*

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

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

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

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

Business combination and goodwill

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

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

(c) Translation on consolidation

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

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

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

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

Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

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

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

Buildings	The shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion
Plant and Machinery	5-10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5-10 years

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Trademarks	5-10 years
Patent	2 years

Both the period and method of amortisation are reviewed annually.

Operating leases

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

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

Trade and other receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Trade and other receivables *(continued)*

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible bonds and the fair values assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds equity reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible bonds issued, the Group measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible bonds issued and that of the identifiable consideration received, and the difference is recognised in the profit or loss immediately unless qualified for capitalisation.

Trade and other payables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity instruments

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

Revenue recognition

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

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the provision of services is recognised when the services are rendered.

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

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

(c) Termination benefits

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

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

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

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

Taxation

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

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

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

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.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

Segment reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

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

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

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

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

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

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

(b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise.

(c) Impairment loss for bad and doubtful debts

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

(d) Allowance for slow-moving inventories and net value of inventories

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

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the impairment test of goodwill are explained in note 20 to consolidated financial statements.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the management review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the management consider that the Group's credit risk is significantly reduced.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 9.3% (2015: 19%) and 34% (2015: 44%) of the Group's trade and other receivables were due from the Group's largest customer and the five largest customers, respectively.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

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

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

	Carrying amounts	Total contractual undiscounted cash flow			
		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2016					
Trade and other payables	**219,854**	**219,854**	**–**	**–**	**–**
Borrowings	**302,440**	**319,131**	**–**	**–**	**–**
Debentures	**895,181**	**44,000**	**45,997**	**178,232**	**999,289**
Promissory notes	**181,160**	**99,147**	**108,099**	**–**	**–**
Convertible bonds	**320,173**	**24,306**	**380,554**	**–**	**–**
	1,918,808	**706,438**	**534,650**	**178,232**	**999,289**
31 December 2015					
Trade and other payables	437,151	437,151	–	–	–
Borrowings	198,627	190,722	15,521	–	–
Debentures	864,112	61,050	22,284	278,446	1,120,797
Promissory note	83,780	–	92,158	–	–
	1,583,670	688,923	129,963	278,446	1,120,797

5. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings, debentures, promissory notes and convertible bonds which were mainly issued at fixed rates. As the Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

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

(f) Financial instruments by category

The carrying amounts of each of the category of the Group's financial instruments at the end of the reporting period are as follows:

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,187,945**	901,173
Financial liabilities		
Financial liabilities at amortised cost	**1,918,808**	1,583,670

6. REVENUE

The Group's revenue recognised during the year represents manufacturing and sale of casual footwear, apparel and related accessories; and operating of gas station for the year. An analysis of the Group's revenue for the year is as follows:

	2016 RMB'000	2015 RMB'000
Footwear, apparel and related accessories	**122,631**	283,615
Online mobile game	**–**	6,930
Operating of gas station	**103,809**	–
	226,440	290,545

7. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Interest income on bank deposits	**4,280**	2,470
Net foreign exchange gain	**1,821**	–
Government subsidies	**111**	–
Gain on fair value changes on derivative financial instrument (note 35)	**3,456**	–
Sundry income	**566**	137
	10,234	2,607

8. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has two reportable segments: Manufacturing and sale of casual footwear, apparel and related accessories and operating of gas station.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include unallocated corporate income and expenses.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

	Operation of gas station RMB'000	**Manufacturing and sale of casual footwear, apparel and related accessories and others** RMB'000	**Total** RMB'000
Year ended 31 December 2016:			
Reportable segment revenue derived from the group's external customer	**103,809**	**122,631**	**226,440**
Inter-segment revenue	**–**	**4,827**	**4,827**
Reportable segment revenue	**103,809**	**127,458**	**231,267**
Reportable segment (loss)/profit	**8,932**	**(104,944)**	**(96,012)**
Other material non-cash items:			
Impairment loss of goodwill	**–**	**28,033**	**28,033**
Reversal of impairment loss of trade and other receivables	**–**	**(8,060)**	**(8,060)**
Impairment loss of inventories	**–**	**28,014**	**28,014**
Year ended 31 December 2015:			
Reportable segment revenue derived from the group's external customer	–	290,545	290,545
Inter-segment revenue	–	15,090	15,090
Reportable segment revenue	–	305,635	305,635
Reportable segment loss	–	(490,248)	(490,248)
Other material non-cash items:			
Reversal impairment of other receivables	–	(880)	(880)
Reversal impairment of construction in progress	–	(48,151)	(48,151)
Impairment loss of trade and other receivables	–	456,825	456,825
Impairment loss of intangible assets	–	2,798	2,798
Impairment loss of inventories	–	34,507	34,507

8. SEGMENT INFORMATION *(continued)*

Reconciliations of reportable segment revenue and profit or loss:

	2016 RMB'000	2015 RMB'000
Revenue:		
Reportable segment revenue	**231,267**	305,635
Elimination of inter-segment revenue	**(4,827)**	(15,090)
Consolidated revenue	**226,440**	290,545
Loss		
Reportable segment loss	**(96,012)**	(490,248)
Elimination of inter-segment revenue	**721**	2,195
Reportable segment loss derived from the Group's external customers	**(95,291)**	(488,053)
Other revenue and other net income	**6,781**	1
Unallocated head office and corporate expenses	**(235,904)**	(54,616)
Consolidated loss for the year	**(324,414)**	(542,668)

Geographical information:

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods delivered.

	2016 RMB'000	2015 RMB'000
The PRC (place of domicile)	**223,654**	236,161
Korea	**2,786**	48,245
Other counties	**–**	6,139
Consolidated revenue	**226,440**	290,545

9. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest expenses on		
– Interests on bank loans	**16,194**	14,055
– Interests on debentures (note 28)	**50,434**	40,790
– Interests on promissory notes (note 29)	**21,993**	–
– Interests on convertible bonds (note 30)	**2,883**	–
	91,504	54,845

10. INCOME TAX

	2016 RMB'000	2015 RMB'000
Current tax:		
– Hong Kong Profits Tax for the year	**–**	–
– PRC Enterprise Income Tax for the year	**3,655**	1,181
	3,655	1,181
Deferred tax	**–**	9,934
	3,655	11,115

No provision for Hong Kong Profits Tax is required since the Group did not generate any assessable profit's raising in Hong Kong during for the year (2015:Nil).

According to the Law of the People's Republic of China on Enterprise Income Tax, the tax rate for all PRC subsidiaries of the Company is 25% from 1 January 2008 onwards.

At the end of the reporting period the Group has unused tax losses of RMB92,782,000 (2015: RMB34,146,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

The reconciliation between the income tax and the loss before tax are as follows:

	2016 RMB'000	2015 RMB'000
Loss before tax	**(320,759)**	(531,553)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**(62,794)**	(127,908)
Tax effect of non-taxable income	**(8,304)**	(12,994)
Tax effect of non-deductible expenses	**53,837**	133,797
Tax effect of tax losses not recognised	**20,916**	8,286
Tax effect of temporary differences not recognized	**–**	9,934
Income tax for the year	**3,655**	11,115

11. LOSS FOR THE YEAR

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

	2016 RMB'000	2015 RMB'000
Auditor's remuneration	**1,287**	1,448
Cost of inventories sold	**248,406**	265,705
Depreciation	**3,852**	3,931
Amortisation of intangible assets	**1,645**	2,539
Amortisation of prepaid land lease payments	**105**	107
Loss on disposal of property, plant and equipment	**–**	95
Equity-settled share-based payment on issuance of convertible bonds	**81,758**	–
Loss on fair value changes on modification of debentures (note 28)	**9,415**	–
Gain on fair value changes on derivative financial instrument	**(3,456)**	–
Minimum lease payments under operating leases in respect of office premises	**2,627**	1,836
Impairment loss of goodwill	**28,033**	–
Impairment loss of trade receivables	**13,412**	184,988
Impairment loss of trade prepayments	**–**	192,283
Reversal of impairment loss of trade prepayments	**(21,674)**	–
Impairment loss of prepayments	**–**	79,554
Impairment loss of intangible assets	**–**	2,798
Impairment loss of inventories	**28,014**	34,507
Impairment loss of other receivables	**202**	–
Reversal of impairment loss of other receivables	**–**	(880)
Reversal of impairment loss of construction in progress	**–**	(48,151)
Equity-settled share-based payment expense for business partners and consultants	**12,302**	–
Staff costs (including directors' remuneration – note 12):		
Salaries, bonus and allowances	**17,587**	43,397
Equity-settled share-based payment expenses	**17,842**	–
Contributions to defined contribution retirement schemes	**1,287**	1,213

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each director were as follows:

	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Total RMB'000
Executive Directors				
Ms. Cai Xiuman		215	177	392
Mr. Wang Wei		107	–	107
Mr. Zhang Wenbin		215	264	479
Mr. Huang Jianren	1	31	46	77
Mr. Chen Yuanjian	2	93	35	128
Mr. Sun Hui Ding	6	107	–	107
Mr. Chen Jianbao		895	–	895
Mr. Wang Qingshan	3	76	–	76
Non Executive Directors				
Mr. Song Pengcheng	4	–	–	–
Independent Non Executive Directors				
Mr. Wu Xiaoqiu	1	45	–	45
Mr. Ye Lin	1	45	–	45
Mr. Lee Ho Yiu Thomas		161	–	161
Mr. Gu Renliang		107	–	107
Mr. Chen Yonghua	5	47	–	47
Mr. Chen Jinzhong, Roy	3	76	–	76
Total for the year ended 31 December 2016		2,220	522	2,742

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

	Fees RMB'000	Salaries and other benefits RMB'000	Total RMB'000
Executive Directors			
Ms. Cai Xiuman	195	240	435
Mr. Wang Wei	28	–	28
Mr. Zhang Wenbin	195	264	459
Mr. Huang Jianren	98	141	239
Mr. Chen Yuanjian	98	141	239
Mr. Sun Hui Ding	28	–	28
Mr. Chen Jianbao	16	–	16
Non Executive Directors			
Mr. Elul Rafael	12	–	12
Independent Non-executive Directors			
Mr. Wu Xiaoqiu	146	–	146
Mr. Ye Lin	146	–	146
Mr. Lee Ho Yiu Thomas	146	–	146
Mr. Gu Renliang	41	–	41
Total for the year ended 31 December 2015	1,149	786	1,935

Notes:

1 Resigned as a director on 14 April 2016

2 Resigned as a director on 11 November 2016

3 Appointed as a director on 14 April 2016

4 Appointed as a director on 11 November 2016

5 Appointed as a director on 14 April 2016 and resigned as a director on 22 September 2016

6 Resigned as a director on 14 January 2017

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

The five highest paid employees during the year included nil (2015: four) directors, details of whose remuneration are set out in information above. Details of the remuneration of the remaining five (2015: one) non-director, highest paid employee for the year are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other benefits	1,410	327
Retirement benefits scheme contributions	34	18
Equity-settled share-based payments	7,061	–
	8,505	345

The number of non-director, highest paid employee whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Emolument band:		
HK$nil – HK$1,000,000	3	1
HK$2,500,001 – HK$3,000,000	2	–

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join the Group or as compensation for loss of office other than those disclosed above. In addition, during the years ended 31 December, 2016 and 2015, no directors waived any emoluments.

13. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

14. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB324,196,000 (2015: RMB544,403,000) and the weighted average of 1,606,498,000 ordinary shares (2015: 1,462,093,000) in issue during the year.

Diluted loss per share

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2015	60,312	10,068	5,275	4,279	126,247	206,181
Additions	–	30	–	–	18	48
Disposals	–	–	–	(1,049)	–	(1,049)
Reclassification	–	–	–	–	(19,768)	(19,768)
At 31 December 2015 and 1 January 2016	60,312	10,098	5,275	3,230	106,497	185,412
Additions	–	1,339	3	–	–	1,342
Acquisition of subsidiaries (note 35)	3,017	3,552	34	–	–	6,603
At 31 December 2016	63,329	14,989	5,312	3,230	106,497	193,357
Accumulated depreciation and impairment						
At 1 January 2015	19,925	6,590	4,224	3,423	51,548	85,710
Charge for the year	2,375	1,001	283	272	–	3,931
Disposals	–	–	–	(954)	–	(954)
Reversal of impairment	–	–	–	–	(48,151)	(48,151)
At 31 December 2015 and 1 January 2016	22,300	7,591	4,507	2,741	3,397	40,536
Charge for the year	2,525	883	245	199	–	3,852
At 31 December 2016	24,825	8,474	4,752	2,940	3,397	44,388
Carrying amounts						
At 31 December 2016	38,504	6,515	560	290	103,100	148,969
At 31 December 2015	38,012	2,507	768	489	103,100	144,876

Buildings which are held for own use are situated in the PRC. At 31 December 2016, buildings with carrying amount of RMB35,465,000 (2015: RMB37,881,000) were mortgaged to banks for certain banking facilities granted to the Group (see note 26 and 27).

The Group has carried out a review of the recoverable amount of its property, plant and equipment of RMB142,928,000 (2015: RMB144,876,000) as at 31 December 2016 with reference to the independent valuation performed by an independent valuer, BMI Appraisals Limited. The recoverable amount is assessed based on fair value less cost of disposal by using replacement cost basis under level 3 fair value measurement. No impairment loss is recognised for the year ended 31 December 2016 as the recoverable amount of the subject property, plant and equipment is larger than and close to its carrying amount as at 31 December 2016.

For the year ended 31 December 2015, a reversal of impairment provision of RMB48,151,000 was recognised to reflect the carrying amount of the construction in progress to its recoverable amount as at 31 December 2015.

16. INTANGIBLE ASSETS

	Patent RMB'000	Trademarks RMB'000	Total RMB'000
Cost			
At 1 January 2015	–	5,000	5,000
Acquisition of a subsidiary	2,930	–	2,930
Addition	520	–	520
At 31 December 2015, 1 January 2016 and 31 December 2016	3,450	5,000	8,450
Accumulated amortisation and impairment			
At 1 January 2015	–	1,468	1,468
Charge for the year	1,805	734	2,539
Impairment	–	2,798	2,798
At 31 December 2015 and 1 January 2016	1,805	5,000	6,805
Charge for the year	1,645	–	1,645
At 31 December 2016	3,450	5,000	8,450
Carrying amounts			
At 31 December 2016	–	–	–
At 31 December 2015	1,645	–	1,645

The patent represented the costs in relation to the mobile game of Ah Huo being held by subsidiary of the Company during the year. It is stated at costs less accumulated amortization and impairment loss. The amortization is charged on straight line basis over its estimated useful life of 2 years. The cost is fully amortised as at 31 December 2016.

Trademarks are licensed for the branded products of the Group's of manufacture and sales of casual footwaer, apparel and related accessories segment. They are stated at costs less accumulated amortization over their estimate useful lives of 5-10 years and impairment losses. The balance was fully impaired as at 31 December 2015 in view of dramatic fall in sales of the branded products and deterioration of the market segment of the related target customers.

17. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
At 1 January	**5,303**	5,410
Amortisation for the year	**(105)**	(107)
At 31 December	**5,198**	5,303
Current portion	**(105)**	(129)
Non-current portion	**5,093**	5,174

As at 31 December 2016, the Group has pledged its prepaid lease payments with a carrying amount of approximately RMB5,198,000 (2015: RMB5,303,000) to secure for general banking facilities granted to the Group (see note 27).

18. OTHER ASSETS

	Notes	2016 RMB'000	2015 RMB'000
Deposits paid for construction in progress		**31,692**	31,692
Investments			
– Agricultural cooperation project in Fujian	(a)	**40,000**	–
– Investment products	(b)	**25,000**	–
		96,692	31,692

Notes:

(a) The amount represents an investment amount in relation to an agricultural cooperation agreement entered into between a subsidiary of the Company and a local partner who has an agricultural land of approximately 20,000 acre in Fujian. According to the cooperation agreement, the amount is mainly for expansion of agricultural infrastructure and development of green houses which are under construction and in healthy progress in align with the expectation of the Company.

(b) The amount represented the money placed with a local capital investment and fund management company for investing into real-estate related projects and or some other short-term financial products with good potential of profits growth/yield.

19. PREPAYMENT FOR NEW SUBSIDIARIES

Balance as at 31 December 2016 represented (i) a payment of HK$90,000,000 (equivalent to RMB80,572,000) in relation to acquisition of a target group in accordance with the terms of the acquisition agreement (note 41); and (ii) an advance payment of RMB39,300,000 as capital investment and operating funds for a new subsidiary which is newly incorporated subsequent to the balance sheet date.

Balance as at 31 December 2015 represented a prepayment for acquisition of subsidiaries upon singing of the sales and purchase agreement and issuance of the Promissory Note A with a principal amount of HK$100,000,000 (equivalent to RMB83,780,000) (note 29). The acquisition was completed on 22 January 2016 (note 35) upon fulfilment of the terms and conditions of the sales and purchase agreement.

20. GOODWILL

	RMB'000
Cost	
At 1 January 2015	–
Acquisition of a subsidiary	49,363
At 31 December 2015 and 1 January 2016	49,363
Acquisition of subsidiaries (note 35)	47,568
At 31 December 2016	96,931
Accumulated impairment losses	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Impairment loss recognised in the current year	28,033
At 31 December 2016	28,033
Carrying amount	
At 31 December 2016	68,898
At 31 December 2015	49,363

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the cash generating units as follows:

	2016 RMB'000	2015 RMB'000
Online mobile game business	**21,330**	49,363
Operating of gas station	**47,568**	–
	68,898	49,363

Impairment testing of goodwill

Online mobile game cash-generating unit

Goodwill is tested for impairment for this cash-generating unit by the management by estimating the recoverable amount of the cash-generating unit based on the fair value less costs of disposal with reference to the consideration amount as stated in the acquisition agreement signed by the Group and the acquirer, resulting in an impairment loss on goodwill of RMB28,033,000 being recognised for the year ended 31 December 2016.

Gas station cash-generating unit

Goodwill is tested for impairment for this cash-generating unit by the management by estimating the recoverable amount of the cash-generating unit based on value in use calculations.

As at 31 December 2016, the value in use calculation uses cash flow projections based on the financial budgets approved by the management covering a 5 year period with the residual period using the growth rate of 5% and with reference to an independent valuation performed by BMI Appraisals Limited. Key assumptions used by the management in the value in use calculation of the cash-generating unit include budgeted revenue and profit margins. The pre-tax discount rate used for estimating the value in use is 12.89%.

20. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Gas station cash-generating unit *(continued)*

The assumptions have been determined based on past performance and management's expectations in respect of the operating of gas station in the PRC.

No impairment loss has been recognised on gas station for the year ended 31 December 2016 as a result of the impairment test.

21. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**112,379**	65,068
Work in progress	**1,056**	3,024
Finished goods	**12,111**	103,639
	125,546	171,731

22. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**448,571**	511,468
Less: allowance for trade receivables	**(236,500)**	(223,088)
	212,071	288,380
Bills receivables	**53,469**	15,240
Deposit, prepayment and other receivables	**387,485**	583,526
	653,025	887,146

Included in deposits, prepayments and other receivables are mainly (i) advances to suppliers for purchases of raw materials and finished goods amounting to RMB230,277,000 net of impairment provision of RBM188,568,000 (2015: RMB517,635,000 net of impairment provision of RBM210,242,000); (ii) other loans receivable of RMB52,739,000 (2015: Nil) to independent third parties which were secured over respective personal guarantees; and (iii) the amount receivable from the vendor in relation to the acquisition of gas station amounting to RMB89,523,000 (2015: Nil) as determined in accordance with the terms of the profit guarantee arrangement (note 35).

The Group allows an average credit period of 90 to 180 days to its trade customers. The following is an aged analysis of trade and bills receivables, net of allowance for trade receivable and bills receivable, presented based on the invoice date at the end of the reporting period.

22. TRADE AND OTHER RECEIVABLES *(continued)*

	2016 RMB'000	2015 RMB'000
Within 90 days	**86,683**	82,359
91 – 180 days	**4,917**	44,442
181 – 360 days	**31,473**	49,644
Over 361 days	**142,467**	127,175
	265,540	303,620

Trade receivables and bills receivables are normally due within 90 – 180 days (2015: 90 – 180 days) from the date of billing. The Group also offers revolving credit to its customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on factors such as the customers' credit history and current ability to pay. The funding need of a customer for the purpose of expanding its sales network is also taken into consideration.

Allowance for trade receivables

The movements in allowance for trade receivables are as follows:

	2016 RMB'000	2015 RMB'000
At beginning of the reporting period	**223,088**	38,100
Allowance for the year	**13,412**	184,988
At the end of the reporting period	**236,500**	223,088

The allowance for trade receivables represents individual impaired trade receivables with a total of approximately RMB236,500,000 (2015: RMB223,088,000) which are past due/or in default of payments. The Group does not hold any collateral over these balances. Impaired amounts were directly written off against trade receivables when there was no expectation of recovering any amount.

Trade receivables and bills receivables that are not impaired

The aging analysis of trade debtors and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**91,600**	126,801
Less than 60 days past due	**12,374**	14,216
61 days – 180 days past due	**19,099**	35,428
181 days – 360 days past due	**111,732**	50,748
Over 361 days past due	**30,735**	76,427
	265,540	303,620

Trade receivables and bills receivables that were not past due relate to a wide range of customers who has no recent history of default. The Group does not hold any collateral over these balances.

23. AMOUNT DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance are as follows:

Name	Terms of cash advances made by the Group	Maximum amount outstanding during the year RMB'000	2016 RMB'000	2015 RMB'000
Amount due from a director				
Ms. Cai Xiu Man	Unsecured, repayable on demand and interest-free	237,111	**170,709**	174,449

24. PLEDGED DEPOSITS

Pledged deposits with banks have been placed as security for bills payable issued by the Group (see note 26) and bank loans (see note 27).

25. BANK AND CASH BALANCES

At the end of reporting period, the bank and cash balances of Group denominated in RMB amounted to RMB319,984,000 (2015: RMB692,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

26. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**66,004**	111,829
Bills payable	**88,154**	267,770
Advance payments from customers	**10,282**	17,083
Other payables and accruals	**65,696**	57,552
	230,136	454,234

(a) An aging analysis of the trade payables and bills payable at the end of the reporting period, based on invoice dates, is as follows:

	2016 RMB'000	2015 RMB'000
Within 2 months	**44,258**	61,085
More than 2 months but within 3 months	**13,661**	89,311
More than 3 months but within 12 months	**46,648**	176,822
More than 12 months	**49,591**	52,381
	154,158	379,599

26. TRADE AND OTHER PAYABLES *(continued)*

(b) Bills payable are normally issued with a maturity of not more than six months.

(c) At 31 December 2016, bills payable totalling RMB38,140,000 (2015: RMB186,540,000) were secured by pledged deposits of RMB7,654,000 (2015: RMB78,083,000).

(d) At 31 December 2016, bills payable totalling RMB1,560,000 (2015: RMB48,930,000) were secured by certain assets of the Group, details of which are set out on note 15.

27. BANK LOANS

	2016 RMB'000	2015 RMB'000
Analysed as:		
Secured	**123,310**	98,139
Unsecured	**179,130**	100,488
	302,440	198,627

At 31 December 2016 and 2015, all of the Group's banking facilities were subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. If the Group breached the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 5.

At 31 December 2016, a number of covenants in relation to the financial ratios and target turnover of the Group for the Company and a number of its subsidiaries in respect of the bank loans totalling RMB14,641,000 (2015: RMB44,900,000) were breached. As such, the loans have become repayable on demand as at 31 December 2016.

Bank loans of RMB38,440,000 (2015: RMB68,239,000) are secured by a charge over the Group's prepaid land lease and buildings and pledged deposit.

Bank loans of RMB84,870,000 (2015: RMB29,900,000) are secured by a director personal guarantee.

The effective interest rates per annum at the end of the reporting period were as follows:

	2016	2015
Short-term bank loans:		
Variable-rate	**N/A**	4.85% – 7.47%
Fixed-rate	**4.44% – 7.12%**	2.67% – 10.03%

28. DEBENTURES

(a) The debentures are repayable as follows:

	2016 RMB'000	2015 RMB'000
As 1 January	**864,112**	373,214
Addition	**230,175**	478,021
Repayment	**(295,439)**	–
Loss on fair value changes on modification of debentures	**9,415**	–
Interests charge	**50,434**	40,790
Interests paid	**(21,570)**	(40,790)
Exchange difference	**58,054**	12,877
At 31 December	**895,181**	864,112
Current portion	**(24,294)**	(1,676)
Non-current portion	**870,887**	862,436

During the year, the Company has repaid a total amount of RMB295,439,000 which included an early repayment of coupon interests of approximately RMB257,272,000 in accordance with modification of the terms for certain debentures, resulting in a loss on fair value changes on modification of the debentures amounting to approximately RMB9,415,000 recognised for the year ended 31 December 2016.

(b) Significant terms and repayment schedule of debentures:

As at 31 December 2016, the Company issued a number of HKD denominated debentures with an aggregate principal of approximately HK$1,257,470,000 (2015: HK$1,031,405,000). The debentures are unsecured, bearing interest rate at a range of 3.4% – 10.5% per annum (2015: 3.3% – 9% per annum), and repayable during the period from February 2017 to August 2024. The interest expenses are calculated using the effective interest method by applying the effective rates at a range of 3.4% – 10.5%. The aging of the carrying amount of the debentures is analysed as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**24,294**	1,676
In the second year	**24,750**	17,451
In the third to fifth years, inclusive	**121,597**	41,639
After five years	**724,540**	803,346
	895,181	864,112

At 31 December 2016, interest expenses totalling RMB21,570,000 (2015: RMB40,790,000) were paid to debenture holders.

29. PROMISSORY NOTES

In relation to the acquisition of the subsidiaries (note 35), the Promissory Note A ("PN-A") with a principal amount of HK$100,000,000 and the Promissory Note B ("PN-B") with a principal amount of HK$115,000,000 was issued on 5 November 2015 and 22 January 2016, respectively. PN-A and PN-B bear interest at 5% per annum. PN-A is mature on 5 November 2017 while PN-B is mature on 22 January 2018.

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

	2016 RMB'000
Fair value of the promissory notes on acquisition completion date (note 35)#	**153,583**
Interests charged calculated at an effective interest rate	**21,993**
Accrued coupon interest	**(4,288)**
Exchange difference	**9,872**
At the end of reporting period	**181,160**
Current portion	**(83,301)**
Non-current portion	**97,859**

\# The fair value was assessed by the directors of the Company with reference to the independent valuation as performed by independent valuer, BMI Appraisals Limited.

30. CONVERTIBLE BONDS

(a) Convertible Bonds CB-A and CB-B

On 21 November 2016, the Company issued CB-A and CB-B with a principal amount of HK$92,000,000 and HK$120,000,000, respectively. Both CB-A and CB-B have a maturity period of two years from the date of completion to 20 November 2018 and entitle the holders to convert the bonds into new ordinary shares of the Company at an initial conversion price of HK$0.4378 and HK$0.46805 per share, respectively, subject to adjustments as stipulated in the terms and conditions of the convertible bonds subscription agreement. The Company shall not redeem the convertible bonds at its option prior to the maturity date. Interest of 7.5% per annual on the principal amount of the convertible bonds will be paid half-yearly in arrears. The maturity redemption value shall be repaid as 127% of the principal amount and deduct the interest paid or payable in respect of the convertible bond.

(b) Convertible Bonds CB-C

On 28 December 2016, the Company issued CB-C with a principal amount of HK$150,000,000. The CB-C has a maturity period of 22th month from the date of completion and entitles the holders to convert the bonds into new ordinary shares of the Company at an initial conversion price of HK$0.48 per share, subject to adjustments in accordance with the terms and conditions of the convertible bonds subscription agreement. The Company shall not redeem the convertible bonds at its option prior to the maturity date. Interest of 7.5% per annual on the principal amount of the convertible bonds will be paid half-yearly in arrears. The maturity redemption value shall be repaid as 122% of the principal amount and deduct the interest paid or payable in respect of the convertible bond.

30. CONVERTIBLE BONDS *(continued)*

(b) Convertible Bonds CB-C *(continued)*

The net proceeds received from the issue of the convertible bonds have been split between the liability element and an equity component, as follows:

	CB-A RMB'000	**CB-B** RMB'000	**CB-C** RMB'000	**Total** RMB'000
Nominal value of convertible bonds issued	78,908	102,923	128,654	310,485
Less: transaction cost	(2,573)	(3,088)	(4,404)	(10,065)
Equity-settled share-based payments	22,478	25,722	33,558	81,758
Equity component#	(20,763)	(23,577)	(33,975)	(78,315)
Liability component at date of issue#	78,050	101,980	123,833	303,863
Interests charged	1,173	1,523	187	2,883
Exchange difference	3,460	4,486	5,481	13,427
Liability component at 31 December 2016	82,683	107,989	129,501	320,173

The interest charged for the year is calculated by applying an effective interest rate of 12.51%-12.73% to the liability component for the 20-24 month period since the bonds were issued.

The directors estimate the fair value of the equity and liability components of the convertible bonds at the issuance date with reference to the independent valuation performed by an independent valuer, BMI Appraisals Limited by discounting the future cash flows at the specific discount rate under level 2 fair value measurement.

31. SHARE CAPITAL

	Number of share	Amount HK$,000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	1,000,000

	Notes	2016 Number of share	2016 Amount HK$'000	2015 Number of share	2015 Amount HK$'000
Issued and fully paid:					
Ordinary shares of HK$0.10 each at beginning of reporting period		**1,606,498,422**	**160,650**	1,281,500,000	128,150
Shares issued under share option scheme		**–**	**–**	25,000,000	2,500
Issue of consideration shares		**–**	**–**	64,998,422	6,500
Placing of new shares		**–**	**–**	175,000,000	17,500
Placing of new shares		**–**	**–**	60,000,000	6,000
At 31 December 2016		**1,606,498,422**	**160,650**	1,606,498,422	160,650
Equivalent to (RMB,000)			**130,258**		130,258

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to maximise the returns to shareholders through the optimisation of the debt and equity balance and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions affecting the Group.

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

An increase in the debt-to-adjusted capital ratio for the year was mainly due to the issue of the Company's promissory notes and convertible bonds during the year.

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in note 27, neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements in either current or prior year.

32. RESERVES

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

(b) Reserves of the Company

	Share premium RMB'000	Other reserve RMB'000	Convertible bonds equity reserve RMB'000	Capital reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	215,334	164,969	–	10,984	(8,178)	(52,825)	330,284
Total comprehensive loss	–	–	–	–	11,226	(426,123)	(414,897)
Shares issued under share option scheme	19,334	–	–	(7,135)	–	–	12,199
Issue of consideration shares	45,238	–	–	–	–	–	45,238
Placing of new shares under general mandate	104,517	–	–	–	–	–	104,517
At 31 December 2015	384,423	164,969	–	3,849	3,048	(478,948)	77,341
At 1 January 2016	384,423	164,969	–	3,849	3,048	(478,948)	77,341
Total comprehensive loss	–	–	–	–	36,974	(330,637)	(293,663)
Recognition of equity-settled share based-payment	–	–	–	30,144	–	–	30,144
Issued convertible bonds (note 30)	–	–	78,315	–	–	–	78,315
At 31 December 2016	384,423	164,969	78,315	33,993	40,022	(809,585)	(107,863)

(c) Nature and purpose of reserves of the Group

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Other reserve

Other reserve represents the difference between the Group's interest in the historical carrying value of an entity under common control of the same group of equity shareholders and the acquisition consideration paid for that entity; and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange under the reorganisation of the Group completed on 2 February 2011.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in note 3.

32. RESERVES *(continued)*

(c) Nature and purpose of reserves of the Group *(continued)*

(iv) Statutory reserve

Transfers from retained profits to PRC statutory reserve are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve can be used to make good prior years' losses, if any, and may be converted into paid-up capital provided that the balance after such conversion is not less than 25% of the registered capital.

(v) Capital reserve

The capital reserve comprises the portion of the grant date rate value of unexercised share options granted to employees of the Group and other parties that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3.

(vi) Convertible bonds equity reserve

The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 3 to the consolidated financial statements.

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 4 September 2011 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, business partners and consultants of the Group to take up options at HK$1 consideration to subscribe for shares of the Company. The options vest immediately from the date of grant and are then exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Contractual life of options
Options granted to directors on 17 October 2014	15,500,000	10 years
Options granted to employees on 17 October 2014	35,000,000	10 years
Options granted to business partners and consultants on 17 October 2014	69,500,000	10 years
Options granted to business partners, consultants and employees on 29 April 2016	136,000,000	10 years
Total share options granted	256,000,000	

All of the share options vesting conditions are immediate from the date of grant.

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	Number of options **2016**	2015
Outstanding at the beginning of the period	**13,500,000**	38,500,000
Granted during the period	**136,000,000**	–
Exercised during the period	**–**	(25,000,000)
Outstanding at the end of the period	**149,500,000**	13,500,000

No share options are exercised for the year ended 31 December 2016. The weighted average share price at the date of exercise of the shares options during the year of 2015 was HK$0.76.

The share options outstanding as at 31 December 2016 include (i) 13,500,000 options brought down from last year with an exercise price of HKD$0.72 and a weighted average remaining contractual life of 7.29 years; and (ii) 136,000,000 options granted during the year ended 31 December 2016 with an exercise price of HKD$0.46 and a weighted average remaining contractual life of 9.33 years.

Upon exercising the share options during the year, the premium on the exercise of the share options amounting to approximately HK$Nil (2015: HK$24,500,000 (equivalent to approximately RMB19,334,000)) was credited to the Company's share premium account.

(c) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	**Exercise price**	Number **2016**	2015
17 October 2014 to 17 October 2024	HK$0.72	**13,500,000**	13,500,000
29 April 2016 to 29 April 2026	HK$0.46	**136,000,000**	–
		149,500,000	13,500,000

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(d) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	2016
Fair value of assumptions for share options granted on 29 April 2016	
Measurement date	**29 April 2016**
Share price	**HK$0.46**
Exercise price	**HK$0.46**
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	**80%**
Option life	**10 years**
Expected dividends	**Nil**
Risk-free interest rate	**1.36%**

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

34. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-current assets		
Investments in subsidiaries	**1,096,328**	1,013,100
Prepayment for acquisition of a subsidiary	**119,872**	83,780
	1,216,200	1,096,880
Current assets		
Other receivables, deposits and prepayments	**200**	379
Bank balances and cash	**216,979**	103,773
	217,179	104,152
Current liabilities		
Accruals and other payables	**14,471**	14,393
Amount due to a director	**–**	24,651
Debentures	**24,294**	1,676
Promissory notes	**83,301**	–
Borrowings	**–**	6,497
	122,066	47,217
Net current assets	**95,113**	56,935
Non-current liabilities		
Debentures	**870,887**	862,436
Promissory notes	**97,859**	83,780
Convertible bonds	**320,173**	–
	1,288,919	946,216
NET ASSETS	**22,394**	207,599
Capital and reserves		
Share capital	**130,257**	130,258
Reserves	**(107,863)**	77,341
TOTAL EQUITY	**22,394**	207,599

35. ACQUISITION OF SUBSIDIARIES

On 22 January 2016, the Group acquired 100% of the issued share capital of Peak Business Asia Limited and its subsidiaries (collectively referred to as the "Acquired Group") for a total consideration of approximately HK$215,000,000 which was fully settled by issuance of promissory notes (note 29). The Acquired Group is principally engaged in operating gas stations in the PRC. In the opinions of the directors, the acquisition is for the purpose to diversify the Group's business into the energy sector, which is an area of high growth potential in the future.

The fair value of the identifiable assets and liabilities of Acquired Group as at its date of acquisition is as follows:

	2016 RMB'000
Cash and cash equivalents	784
Property, plant and equipment	6,603
Inventories	5
Trade and other receivable	23,222
Trade and other payable	(9,504)
Income tax payable	(1,162)
Total identifiable net assets at fair value	19,948
Goodwill (note 20)	47,568
	67,516
Satisfied by:	
Promissory notes (note 29)	153,583
Profit guarantee	(86,067)
	67,516
Net cash outflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	784
	784

Profits guarantee arrangement

According to the sales and purchase agreement dated 5 November 2015, there was an arrangement of profits guarantee whereas the vendor irrevocably and unconditionally warrants and guarantees to the Group that the audited net profit after tax of the Acquired Group for the financial year ended 31 December 2016 shall be at least HK$22,000,000 (the "Guaranteed Profit"). In the event that the actual audited profit shall be less than the Guaranteed Profit, the vendor shall compensate the Group for the sum being calculated as the shortfall of the actual profits (i.e. the Guaranteed Profit less actual audited profit) multiplied by 11.

The fair value of the profits guarantee arrangement at the completion date of the acquisition was assessed by the directors of the Company with reference to the independent valuation as performed by an independent valuer, BMI Appraisals Limited, based on the probabilistic flow method with respective different scenario probabilities. The fair value of the profits guarantee arrangement was amounted to for RMB86,067,000 being offset against the fair value of the total consideration.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

Profits guarantee arrangement *(continued)*
Upon expiry of the profits guarantee arrangement, with reference to the actual audited profit of the Acquired Group for the year ended 31 December 2016, there was a shortfall in the Guaranteed Profit and accordingly a compensating amount of HK$100,000,000 (equivalent to RMB89,523,000), being calculated in accordance with the terms of profits guarantee arrangement, is payable by the vendor (note 22) with a gain on fair value changes on the derivative financial instrument amounting to RMB3,456,000 being recognized for the year ended 31 December 2016.

If the acquisition had been completed on 1 January 2016, total Group revenue for the year would have been approximately RMB242,525,000, and loss for the year would have been approximately RMB251,371,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results. The cost in relation to this acquisition is approximately RMB110,000.

36. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2015: Nil).

37. LEASE COMMITMENTS

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

	2016 RMB'000	2015 RMB'000
Within one year	**271**	911
In the second to fifth year inclusive	**60**	–
	331	911

(b) At 31 December 2016, the Group committed to pay royalties for the usage of several trademarks for manufacturing and sales of footwear, apparel and related accessories products. The minimum guaranteed royalty payments were payable as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**3,876**	3,264
In the second to fifth year inclusive	**9,888**	13,764
	13,764	17,028

The Group licenses a number of trademarks from independent third parties and a related party ("the Licensors"). The licensing agreements for the trademarks typically run for an initial period of one to five years respectively, at the end of which period all terms are renegotiated. Royalties payable to the Licensors are pre-determined in the licensing agreements or calculated based on a percentage of sales revenue with an annual minimum guaranteed royalty payment. Further details of the licensing agreement with the related party are disclosed in note 39.

38. CAPITAL COMMITMENTS

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

	2016 **RMB'000**	2015 RMB'000
Property, plant and equipment Contracted but not provided for	**45,040**	45,040

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

	2016 **RMB'000**	2015 RMB'000
Rental expenses	**911**	911

The rental expenses is paid to Cai Xiu Man

(b) During the year ended 31 December 2009, UK Greiff (beneficially owned by Ms. Cai Xiu Man) granted a license to Greiff Xiamen for the use of the trademark "Greiff" for an initial period of ten years for a royalty of RMB80,000 per annum, at the end of initial period all terms are renegotiated. The licensing agreement was subsequently terminated and replaced by a revised licensing agreement signed on 10 February 2011 for granting Greiff Xiamen a sole and exclusive license to use the trademark "Greiff" for a term from 10 February 2011 to 27 January 2019. Pursuant to the revised licensing agreement, no charge will be payable on the use of the trademark by the Group.

(c) Key management personnel remuneration

The emoluments of the Company's directors, who are also identified as members of key management of the Group, are set out in note 12.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

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

Name	Place of incorporation/ registration	Issued/paid-up capital	Percentage of the Company's direct ownership interest	Percentage of the Company's indirect ownership interest	Principal activities
Chuang Wei Limited	British Virgin Islands	US$10,000.00	100%	–	Investment holding
Jinmaiwang Group Limited 金邁王控股有限公司	Hong Kong	10,000 shares HK$1 per share	–	100%	Investment holding
Fujian Jinmaiwang (note i, ii) 福建金邁王鞋服製品有限公司	The PRC	Registered capital of HK$120,000,000	–	100%	Manufacturing and sales of casual footwear

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name	Place of incorporation/ registration	Issued/paid-up capital	Percentage of the Company's direct ownership interest	Percentage of the Company's indirect ownership interest	Principal activities
Shishi Haoma (note ii) 石獅市豪邁鞋業有限公司	The PRC	Registered capital of RMB1,500,000	–	100%	Manufacturing and sales of casual footwear
Luotuo Quanzhou (note i, ii) 駱駝(泉州)鞋服有限公司	The PRC	Registered capital of USD10,000,000	–	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
Greiff Xiamen (note i, ii) 哥雷夫(廈門)國際貿易有限公司	The PRC	Registered capital of RMB8,000,000	–	100%	Trading of casual footwear, apparel and related accessories
"Jiangsu Active (note i, ii) 江蘇動感鞋業有限公司"	The PRC	Registered capital of RMB110,000,000	–	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
Guangzhou Greiff Shoes and Garments Co., Ltd ("Guangzhou Greiff") (note ii) 廣州哥雷夫鞋服有限公司	The PRC	Registered capital of RMB500,000	–	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
Jinmaiwang (Xiamen) Clothing Trading Co., Ltd ("Jinmaiwang (Xiamen)") (note ii, iii) 金邁王(廈門)服飾貿易有限公司	The PRC	Registered capital of RMB180,000,000	–	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
Beijing Ah Huo System Networks Co., Limited ("Ah Huo") (note ii) 北京阿火網絡科技有限公司	The PRC	Registered capital of RMB100,000	–	51%	Mobile game products development
Peak Business Asia Limited 峰業亞洲有限公司	British Virgin Islands	US$100.00	–	100%	Investment holding
Shangqiu Shi Yuan Sheng New Energy Co., Limited (note ii) 商丘市元盛新能源有限公司	The PRC	Registered capital of RMB10,000,000	–	100%	Investment holding
Shangqiu Shi Wuzhou New Energy Co., Limited (note ii) 商丘市五洲新能源有限公司	The PRC	Registered capital of RMB10,000,000	–	100%	Operating gas stations

(i) These entities are wholly foreign-owned enterprises established in the PRC.

(ii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(iii) Jinmaiwang (Xiamen) was established on 3 July 2014 and no capital was paid up as at 31 December 2015 and 2016. Jinmaiwang Hong Kong, a wholly owned subsidiary of the Company is committed to contribute the unpaid registered capital of RMB180,000,000 of Jinmaiwang (Xiamen) on or before 2 July 2019.

41. EVENTS AFTER THE REPORTING PERIOD

On 23 December 2016, the Group entered into the acquisition agreement with the Hyper Venture Group Limited (the "Vendor"), pursuant to which the Group has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the shares, representing 100% equity interest in the Wealthy Fortress Investment Corporation, at the initial consideration of HK$300,000,000, which will be satisfied by in cash. As at 31 December 2016, a prepayment of HK$90,000,000 (equivalent to RMB80,572,000) was made as in accordance with the acquisition agreement (note 19). Further details are described in the Company's announcement dated 23 December 2016.

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2017.

Financial Summary

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

	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
RESULTS					
Revenue	679,498	792,572	584,270	290,545	**226,440**
Profit/(loss) before tax	104,791	102,710	(135,788)	(531,553)	**(320,759)**
Income tax	(31,979)	(30,734)	5,447	(11,115)	**(3,655)**
Profit/(loss) for the year	72,812	71,976	(130,341)	(542,668)	**(324,414)**
Attributable to:					
Owners of the Company	72,812	71,976	(130,341)	(544,403)	**(324,196)**
Non-controlling interests	-	-	-	1,735	**(218)**
	72,812	71,976	(130,341)	(542,668)	**(324,414)**

	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
ASSETS AND LIABILITIES					
Non-current assets	178,148	201,436	215,139	316,530	**439,524**
Current assets	976,824	1,137,925	1,368,373	1,573,740	**1,543,873**
Current liabilities	(551,161)	(671,034)	(589,428)	(677,973)	**(664,896)**
Non-current liabilities	(3,131)	(3,997)	(379,656)	(946,216)	**(1,288,919)**
Net Assets	600,680	664,330	614,428	266,081	**29,582**
Attributable to:					
Owners of the Company	600,680	664,330	614,428	263,321	**27,040**
Non-controlling interests	-	-	-	2,760	**2,542**
	600,680	664,330	614,428	266,081	**29,582**