高富集團控股有限公司

GT GROUP HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 263)

2016 Annual Report

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Li Dong *(Chairman)*
Ng Shin Kwan, Christine
Lee Jalen
Chan Ah Fei
Liang Shan
Suen Yick Lun, Philip

Independent Non-executive Directors

Wong Yun Kuen
Wong Shun Loy
Hu Chao

AUDIT COMMITTEE

Wong Shun Loy *(Chairman)*
Wong Yun Kuen
Hu Chao

NOMINATION COMMITTEE

Wong Yun Kuen *(Chairman)*
Wong Shun Loy
Hu Chao
Ng Shin Kwan, Christine

REMUNERATION COMMITTEE

Hu Chao *(Chairman)*
Wong Yun Kuen
Wong Shun Loy

COMPANY SECRETARY

Leung Ka Wai

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock code: 263)

REGISTERED OFFICE

Units 2502–5, 25th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Industrial Bank Company Limited, Hong Kong Branch

PRINCIPAL LEGAL ADVISERS

Reed Smith Richards Butler
P.C. Woo & Co.
Tsang, Chan & Wong

AUDITORS

Pan-China (H.K.) CPA Limited
Certified Public Accountants

SHARE REGISTRARS AND TRANSFER OFFICE

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

WEBSITE

www.gtghl.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

BUSINESS REVIEW

The global economy in 2016 started off in a bearish atmosphere. However, with emergence of some strong economic figures in U.S. and Europe, coupled with the deployment of expansionary fiscal policy in China, the global market had experienced a turnaround in the second half of 2016. Furthermore, a number of significant events that occurred in 2016, including the BREXIT, the impeachment and removal of the Brazilian President, the election of Donald Trump as U.S. president, had all posted continued uncertainties to the global economy and international relationships in the years to come.

For the year ended 31 December 2016, the Group recorded a loss attributable to equity holders of the Company of approximately HK$993,106,000 (2015: profit attributable to equity holders of the Company of approximately HK$446,179,000). The loss was mainly due to the recognition of an impairment loss on available-for-sale financial assets of approximately HK$256,946,000 (2015: Nil), net realised loss from securities trading and unrealised loss on financial assets at fair value through profit or loss of approximately HK$263,832,000 and HK$423,938,000 respectively (2015: net realised gain from securities trading of approximately HK$146,592,000 and unrealised gain on financial assets at fair value through profit or loss of approximately HK$409,045,000).

During the year, the Group continued to focus on the financial services business, such as money lending. The interest income generated by the financing operation is approximately HK$10,388,000, representing a substantial year-on-year growth (2015: approximately HK$610,000). Such an improvement was mainly due to the higher average balance of loan advances to customers as compared with those of year 2015.

CHAIRMAN'S STATEMENT

PROSPECT AND FUTURE PLAN

Despite the strong economic figures recorded in the U.S. and European economics in the first quarter of 2017, the expected global economic growth may be hindered by the risk of protectionism in the U.S.. The border adjustment tax ("BAT"), being a key factor of protectionism employed by the U.S. government, if implemented, will likely pose a negative impact on U.S.'s key trading partners such as China and Germany, who will be expected to respond with retaliatory measures to the U.S..

Taking these views into consideration, the Group will adopt a more prudent approach in its investment strategy in the coming year. The Group will continue its strategy to concentrate in identifying suitable and/or attractive investment opportunities for possible acquisitions and further expansion of its financial services business, such as money lending, securities investment and margin loans financing.

APPRECIATION

I would like to take this opportunity to thank shareholders and investors of the Company for their continuous supports, as well as management and the staff of the Company for their commitment and dedication towards the Group in ensuring its growth and success. My heartfelt gratitude also goes to our customers, suppliers, bankers, business associates and all our stakeholders for their cooperation. Finally, I would also like to record my appreciation to my fellow directors on the Board for their invaluable contribution throughout the year.

Li Dong
Chairman

Hong Kong, 29 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the Group recorded a negative turnover of approximately HK$248,754,000 (2015: positive turnover of approximately HK$179,653,000), and a gross loss of approximately HK$250,511,000 (2015: gross profit of approximately HK$177,291,000). Such a negative turnover was primarily attributable to the recognition of a net realised loss from securities trading of approximately HK$263,832,000 (2015: net realised gain from securities trading of approximately HK$146,592,000).

For the year ended 31 December 2016, the Group recorded a loss attributable to equity holders of the Company of approximately HK$993,106,000 (2015: profit attributable to equity holders of the Company of approximately HK$446,179,000). The loss was mainly due to the recognition of an impairment loss on available-for-sale financial assets of approximately HK$256,946,000 (2015: Nil), net realised loss from securities trading and unrealised loss on financial assets at fair value through profit or loss of approximately HK$263,832,000 and HK$423,938,000 respectively (2015: net realised gain from securities trading of approximately HK$146,592,000 and unrealised gain on financial assets at fair value through profit or loss of approximately HK$409,045,000).

OPERATIONS REVIEW

Financing Operation

The interest income and operating profit generated by the financing operation were approximately HK$10,388,000 (2015: approximately HK$610,000) and approximately HK$8,451,000 (2015: operating loss of approximately HK$1,011,000). Such an improvement was primarily attributable to the higher average balance of loan advances to customers as compared to those of last year. It is the Group's policy to adopt a prudent approach and regularly review the composition of the loan portfolio and lending rates charged in order to maximise the return of the financing operation.

Brokerage and Securities Investment Operation

Taking into account the brokerage commission income and the net realised gains or losses from securities trading of the Group, the turnover of the brokerage and securities investment operation reported a negative turnover of approximately HK$259,142,000, as compared to a positive turnover of approximately HK$179,043,000 in 2015. The negative turnover was primarily attributable to the net realised loss from securities trading of approximately HK$263,832,000 (2015: net realised gain from securities trading of approximately HK$146,592,000) during the year.

The overall performance of the operation recorded a loss of approximately HK$696,841,000 for the year ended 31 December 2016 (2015: operating profit of approximately HK$576,409,000). The loss was primarily attributable to the unrealised loss on investment in securities which amounted to approximately HK$423,938,000 for the year ended 31 December 2016 (2015: unrealised gain on investment in securities of approximately HK$409,045,000) as a result of the decrease in the market prices of listed securities held by the Group for investment purpose. As at 31 December 2016, the market value of the Group's listed securities portfolio was approximately HK$1,363,918,000 (2015: approximately HK$1,496,563,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Board would like to inform shareholders of the Company that all financial assets at fair value through profit or loss held as at 31 December 2016 represented shares listed in Hong Kong and the relevant information of the Group's financial assets at fair value through profit or loss which amounted to approximately HK$1,363,918,000 as at 31 December 2016 is summarised below:

Name of Securities	% of shareholding in the listed securities held by the Group as at 31 December 2016	Unrealised gain/(loss) on financial assets at fair value through profit or loss for the year ended 31 December 2016 HK$'000	Fair value of the investment in listed securities as at 31 December 2016 HK$'000
HengTen Networks Group Limited (stock code: 136)	2.03%	(222,573)	590,228
China Innovative Finance Group Limited (stock code: 412)	3.37%	(180,736)	362,644
Freeman FinTech Corporation Limited (stock code: 279)	1.25%	8,345	89,760
Dragonite International Limited (stock code: 329)	4.72%	34,500	84,500
NetMind Financial Holdings Limited (stock code: 985)	3.04%	(36,478)	70,602
Others		(26,996)	166,184
Total		(423,938)	1,363,918

The Hong Kong stock market has been volatile during the year and the Board envisages that the performance of the equities (and thus their values) will be susceptible to external factors. In order to mitigate possible financial risks related to the equities, the Group will further review the Group's investment portfolio and closely monitor the performance of the listed securities from time to time.

Trading Operation

The Group's trading operation remained inactive and therefore no turnover was generated during the year under review (2015: Nil). Although the Group has been placing its focus in the development of its other businesses in the past, yet it will continue to explore suitable business opportunities on trading in the future.

Property Development

The Group's property development business consists of 40% of the entire issued share capital of China Sky Holdings Limited (the "China Sky" and together with its subsidiary, the "China Sky Group").

The China Sky Group is principally engaged in the development, construction and building management of the Development Project which is located in Chongqing, the PRC. The "Development Project" comprises a residential and commercial complex known as "Jintang New City Plaza*" (金唐新城市廣場) (the "Plaza") which is situated at Long Tower Street in the west southern part of the Yubei Zone, Chongqing City (重慶市渝北區龍塔街道) in the PRC with a site area of approximately 30,817 square meters. The total gross floor area designated for residential use is 53,883.20 square meters; for shopping mall (商鋪) is 36,012.85 square meters; for office premises is 40,865.48 square meters; for car parking areas and other uses is 56,512.26 square meters respectively. The terms for the grant of the land use right of the land are 52 years for the residential portion and 22 years for the commercial portion. After the completion of the Development Project, the Plaza is expected to be a new landmark area near the central business district of the Yubei Zone.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, China Sky Group has engaged into a new property development project located in Chongqing, the PRC. The development project comprises 5 parcels of land with a total site area of approximately 72,559 square meters. The project will be developed into several commercial and residential buildings with a total planned gross floor area of approximately 463,357 square meters. According to the China Sky Group, the new property development project is intended to be completed in year 2022.

The turnover of the China Sky Group reached approximately HK$894,127,000 for the year ended 31 December 2016 (2015: post-acquisition turnover of approximately HK$383,040,000) mainly as a result of the sales of property units of the Development Project by the China Sky Group. As the Group holds 40% of the entire issued share capital of China Sky, the portion of the post-acquisition profits of the China Sky Group shared by the Group was approximately HK$100,803,000 for the year ended 31 December 2016 (2015: approximately HK$11,761,000). It is expected that the China Sky Group will continue to make a positive contribution to the Group's results in the future.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2016, the Group had current assets of approximately HK$1,653,011,000 (2015: approximately HK$1,701,092,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling approximately HK$1,482,819,000 (excluding pledged bank balances held under segregated trust accounts) (2015: approximately HK$1,571,344,000). The decrease in the liquid assets was mainly due to the decrease in the market value of the Group's listed securities portfolio.

As at 31 December 2016, the Group's current ratio, calculated on the basis of current assets of approximately HK$1,653,011,000 (2015: approximately HK$1,701,092,000) over current liabilities of approximately HK$170,101,000 (2015: approximately HK$138,715,000) was at a strong level of approximately 9.72 (2015: 12.26). As at 31 December 2016, the Group had total loans payable of approximately HK$622,175,000 (2015: Nil) with the interest rate of between 8% to 12.75% per annum and no finance lease obligation (2015: Nil).

As at 31 December 2016, the Group had total liabilities of approximately HK$751,276,000 (2015: approximately HK$138,715,000). The gearing ratio (calculated as total liabilities divided by total equity) was approximately 52.85% as at 31 December 2016 (2015: approximately 6.22%).

At the end of the reporting period, the equity attributable to the Company's equity owners amounted to approximately HK$1,421,650,000 (2015: approximately HK$2,225,255,000), representing a decrease of approximately 36.11% as compared to 2015, which was equivalent to a consolidated net asset value of about approximately HK$1.01 per share of the Company (2015: HK$2.86 per share).

Capital Structure

(1) Reference is made to the announcements, circular and listing documents of the Company dated 18 August 2014, 24 September 2014, 24 October 2014, 28 November 2014, 23 December 2014, 24 December 2014, 5 February 2015, 9 February 2015, 24 February 2015, 13 March 2015 and 16 March 2015. Terms used hereinafter shall have the same meaning as defined in the above announcements, circular and listing documents.

    On 5 February 2015, all ordinary resolutions to approve the Acquisition, the Share Consolidation and the Rights Issue were duly passed by way of poll at the extraordinary general meeting of the Company and the Share Consolidation became effective on 6 February 2015.

On 16 March 2015, the Company issued a total of 700,958,385 Rights Shares. Out of the total of approximately HK$420,600,000 raised from the Rights Issue, HK$370,000,000 was used to pay the consideration for the Acquisition and the remaining amount of approximately HK$50,600,000 was used as the Group's general working capital.

(2) Reference is made to the announcements and circular of the Company dated 10 June 2016, 7 July 2016, 13 July 2016 and 28 July 2016. Terms used hereinafter shall have the same meaning as defined in the above announcements and circular.

On 28 July 2016, the ordinary resolution to approve the Rights Issue was not passed by the Independent Shareholders by way of poll at the extraordinary general meeting of the Company. As the Rights Issue was not approved by the Independent Shareholders at the extraordinary general meeting, the underwriting agreement did not become unconditional and the said Rights Issue was lapsed.

(3) Reference is made to the announcements of the Company dated 4 August 2016 and 15 August 2016. Terms used hereinafter shall have the same meaning as defined in the above announcements.

On 4 August 2016, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of 155,768,530 new Shares at a price of HK$0.25 per Placing Share. On 15 August 2016, the Placing was completed and 155,768,530 Shares was issued. The amount of net proceeds approximately HK$37,480,000 was used for partial repayment of the loans payable and interests.

(4) Reference is made to the announcements and listing documents of the Company dated 8 August 2016, 10 August 2016, 18 August 2016, 29 August 2016, 13 September 2016 and 5 October 2016. Terms used hereinafter shall have the same meaning as defined in the above announcements and listing documents.

On 5 August 2016, the Company entered into the Underwriting Agreement with the Underwriter in relation to the Rights Issue on the basis of one rights share for every two shares at the subscription price of HK$0.25 per rights share. On 5 October 2016, the Rights Issue was completed and 467,305,590 new shares was issued. The amount of net proceeds approximately HK$111,530,000 was used for partial repayment of the loans payable and interests.

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi (the "RMB"), US dollars and Australian dollars. The Group maintains a prudent strategy in its foreign currency risk management, and to a large extent, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken and considered necessary by the Group.

Pledge of Assets

As at 31 December 2016, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately HK$1,132,959,000 (2015: approximately HK$1,427,810,000) were pledged to a securities broker to secure certain margin financing granted to the Group. The equity interest of an associate with an aggregate carrying amount of approximately HK$496,474,000 (2015: approximately HK$395,671,000) was also pledged to secure loans from two financial institutions.

Capital Commitment

The Group had no capital commitment as at 31 December 2016 (2015: Nil).

Contingent Liability

A subsidiary of the Company principally engaged in securities brokerage business may be subject to a maximum penalty of HK$10,000,000 to the enforcement agency in relation to certain allegedly irregular transactions conducted by a former employee of the subsidiary. The matter is currently under investigation by the enforcement agency. As the ultimate outcome of the matter cannot be reasonably predicted, it is reasonable for the Group to assume that the contingent liability of this case will be the maximum penalty of HK$10,000,000.

In addition, the subsidiary of the Company may also found liable to certain third parties for an aggregate amount of approximately HK$8,000,000.

As at 31 December 2015, the provision of the possible claim regarding to the above incident was HK$8,000,000.

During the year ended 31 December 2016, the Group obtained legal opinion from law firms in Hong Kong and the PRC which considered that the causes of action of the individuals in the above matter are time-barred and the time limitation had lapsed by 31 December 2016.

In the opinion of the directors, it is not probable that the individuals will issue claims against the Group and they thus consider to reverse the HK$8,000,000 provision and to disclose it as contingent liabilities as at 31 December 2016.

As explained above, the Group is subject to possible claims of HK$8,000,000 and a possible maximum penalty of HK$10,000,000 in respect of allegedly irregular transactions conducted by the former employee in prior years.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal of any subsidiaries during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the information disclosed in other parts of this section, there was no other plan for material investments or capital assets as at 31 December 2016.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

1. On 27 January 2017, the Group entered into a subscription agreement and shareholders agreement whereby the Group subscribe for one additional share in the investee company for the subscription price of US$3,000,000 (equivalent to approximately HK$23,427,000). Details of which are set out in the announcement of the Company dated 27 January 2017.

2. On 27 January 2017, the Group entered into a supplemental deed to extend the maturity date of the loan facility to 26 January 2018. Details of which are set out in the announcement of the Company dated 27 January 2017.

3. On 3 March 2017, a loan agreement was entered into between the Group as lender and an individual third party as borrower, pursuant to which the Group has agreed to provide a secured loan facility in the principal amount of up to HK$85,000,000 to the borrower. Details of which are set out in the announcement of the Company dated 3 March 2017.

4. On 23 March 2017, the Group entered into an indemnity in favour of the personal guarantor and the corporate guarantor, whereby the Group irrevocably and unconditionally indemnifies each of the personal guarantor and the corporate guarantor from and against any and all claims under the personal guarantee and the corporate guarantee up to an aggregate amount which the personal guarantor and/or the corporate guarantor incur or suffer as a result of such claim multiplied by the percentage beneficial shareholding of the Group in the investee company as on the date of such claim or demand by the lending bank. Details of which are set out in the announcement of the Company dated 23 March 2017.

Save as disclosed above, there was no other significant event took place subsequent to the end of the reporting period.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2016, the Group had 66 (2015: 66) employees including all directors. Total staff costs incurred during the year (including directors' remuneration) amounted to approximately HK$27,420,000, an increase by approximately 7.53% when compared to approximately HK$25,501,000 in 2015. The increase in staff costs was mainly due to the increase in the number of staff members employed by the Hong Kong office while there was a reduction in the number of staff employed by the China office. The Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Benefits offered by the Group to its employees included discretionary bonus, mandatory provident fund scheme, share options, training subsidies as well as medical insurance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and sustainable business operations. The Group is committed to complying with the relevant environmental laws, standards and policies applicable in the PRC or other jurisdictions in which the Group principally operates.

Several measures have been implemented in order to reduce carbon emissions and increase energy efficiency, such as implementation of internal recycling program on a continuous basis for consumable goods, for example, toner cartridges and papers, to minimise the operation impact on the environment and natural resources; reducing electricity consumption by encouraging employees to switch off lights, computers, office equipment, electrical appliances and air-conditioning units etc.; reminding employees to do photocopying wisely and to use both sides of paper; and encouraging employees to shift to scanning documents instead of photocopying to reduce the use of paper.

Details of the environmental policies and performance of the Group are set out in the Environment, Social and Governance Report which will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.gtghl.com) in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in Hong Kong and the Company's itself is listed on the Stock Exchange. The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Group has allocating staff resources to ensure ongoing compliance with the rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the year, the Group has complied, to the best of our knowledge, with the Hong Kong Companies Ordinance, the Securities and Futures Ordinance, the Money Lenders Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Stock Exchange's Trading Rules and Clear House Rules, and other relevant rules and regulations.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group considers that maintaining a good relationship with its employees, customers, suppliers, business partners, bankers, regulators and shareholders are key elements to the long-term success of the Group's business.

The Group provides competitive remuneration package to motivate and retain quality staff and is committed to provide a safe and healthy working environment for its staff.

The Group has been closely monitoring its relationship with all of its business partners to ensure it maintains good communication with each one of them, the terms and agreements of all contracts are properly complied with and any discrepancies/issues are properly reviewed and followed up by the responsible staff members.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Li Dong, aged 56, has been Executive Director and Chairman of the Company since July 2015. Mr. Li also holds directorships in various subsidiaries of the Company. He graduated from the faculty of electric automation (電氣自動化系) of the Yuzhou University (渝州大學) in Chongqing. Mr. Li has worked as senior management for various banks in the PRC. He has extensive experience in banking, finance, risk management and treasury planning for over 20 years. Mr. Li was the governor of both Haikou Branch and Chengdu Branch of Shenzhen Development Bank, the deputy governor of Chongqing Branch of Industrial Bank, the deputy governor of Chongqing Branch of Evergrowing Bank and the governor of Chongqing Branch of Harbin Bank.

Ms. Ng Shin Kwan, Christine, aged 48, has been Executive Director of the Company since August 2007. Ms. Ng also holds directorships in various subsidiaries of the Company. She holds a Bachelor of Economics degree from University of Sydney in Australia and has over 20 years of experience in business development, corporate management and investment fields and held executive positions in various investment and securities companies. Ms. Ng was a director of Aurelia Metals Limited (a company whose shares are listed on the Australian Securities Exchange) from June 2008 to November 2013.

Mr. Lee Jalen, aged 53, has been Executive Director of the Company since January 2010. Mr. Lee also holds directorships in various subsidiaries of the Company. He has extensive experience in mineral trading and corporate management and development in the PRC and had worked as a consultant of a subsidiary of the Company for providing consultancy services for its mining business in the PRC.

Mr. Chan Ah Fei, aged 54, has been Executive Director of the Company since November 2010. Mr. Chan also holds directorships in various subsidiaries of the Company. He has more than 20 years of experience as key management in electric power supply, telecommunications, geological surveying and mining businesses. Mr. Chan received a geological surveying qualification from 甘肅蘭州礦業學院 (literally translated as Gansu Lanzhou Mining Academy). He has founded 青海創綠投資管理有限公司 (literally translated as Qinghai Chuanglu Investment Management Limited) since 2000, which is principally engaged in provision of consultancy service in relation to mining rights, including the mineral exploitation, extraction, processing and production at mines primarily located in the northwestern and southwestern regions of the PRC. Mr. Chan was a director of Great Wall Hong Kong Investment Co. Limited, which provides advisory services in relation to geological surveying and mining (a company dissolved on deregistration on 9 December 2016).

Mr. Liang Shan, aged 53, has been Executive Director of the Company since January 2014. Mr. Liang graduated from the Graduate School of Chinese Academy of Social Sciences with a master degree in monetary and banking studies (貨幣銀行學專業學習) of the Faculty of Finance and Economics (財貿經濟系). He has extensive experience in banking industry, iron ore trading and property development and has worked for various companies as director and general manager in the past.

Mr. Suen Yick Lun, Philip, aged 48, has been Executive Director of the Company since September 2016. Mr. Suen is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the CPA Australia. He is also a member of The Hong Kong Institute of Directors. Mr. Suen holds a Bachelor's degree in Accountancy from Queensland University of Technology and a Master's degree in Corporate Finance from The Hong Kong Polytechnic University. He has over 15 years of experience in corporate management and finance, accounting and company secretarial practice. Mr. Suen was an acting chairman, executive director and managing director of Skyway Securities Group Limited (Stock Code: 1141) from 2 July 2014 to 29 February 2016, an executive director of HengTen Networks Group Limited (Stock Code: 136) from 1 April 2011 to 1 July 2014 and its managing director and chief executive officer from 27 March 2014 to 1 July 2014, and an executive director of Imagi International Holdings Limited (Stock Code: 585) from 28 January 2016 to 16 August 2016 and its company secretary from 18 April 2016 to 16 August 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Wong Yun Kuen, aged 59, has been Independent Non-executive Director of the Company since September 2004. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. He has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in corporate finance, investment and derivative products. Dr. Wong is a member of Hong Kong Securities Institute. He is an executive director and chairman of UBA Investments Limited (Stock Code: 768), an executive director of Ngai Shun Holdings Limited (Stock Code: 1246), and an independent non-executive director of DeTai New Energy Group Limited (Stock Code: 559), Far East Holdings International Limited (Stock Code: 36), Kaisun Energy Group Limited (Stock Code: 8203), Kingston Financial Group Limited (Stock Code: 1031) and Sincere Watch (Hong Kong) Limited (Stock Code: 444). Dr. Wong has been re-designated from independent non-executive director to non-executive director of China Sandi Holdings Limited (Stock Code: 910) with effect from 15 September 2016. He was also an independent non-executive director of Bauhaus International (Holdings) Limited (Stock Code: 483) from October 2004 to December 2016, Huajun Holdings Limited (Stock Code: 377) from October 2010 to September 2014, Huge China Holdings Limited (Stock Code: 428) from September 2004 to January 2015, Kong Sun Holdings Limited (Stock Code: 295) from April 2007 to November 2014 and KuangChi Science Limited (Stock Code: 439) from June 2007 to August 2014.

Mr. Wong Shun Loy, aged 52, has been Independent Non-executive Director of the Company since March 2012. Mr. Wong is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained an Executive Master of Business Administration from Colorado University of Commerce in USA. Mr. Wong has extensive experience in banking, finance and accounting. He is the proprietor of S.L. Wong & Co. and appointed as an independent director of Dazhou City Commercial Bank with effect from July 2015. Mr. Wong is also an executive director of Chengdu Taihe Health Technology Group Inc., Ltd. (formerly known as Chengdu Huasun Group Inc., Ltd and a company whose shares are listed on Shenzhen Stock Exchange). He was an independent director of Nanchong City Commercial Bank from 2006 to April 2015.

Mr. Hu Chao, aged 33, has been Independent Non-executive Director of the Company since March 2012. Mr. Hu obtained a Bachelor Degree in Law from the Hunnan University of Technology (formerly known as Zhuzhou Institute of Technology). He has extensive experience in legal consultation and had been providing consultancy services for various businesses in the PRC. Mr. Hu is an executive director of Code Agriculture (Holdings) Limited (Stock Code: 8153).

SENIOR MANAGEMENT

Mr. Leung Ka Wai, aged 36, has joined the Group since June 2012 and currently holds the position of Financial Controller and the Company Secretary of the Company. Mr. Leung is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and holds a bachelor's degree in Economics and a postgraduate diploma in professional accountancy from the Chinese University of Hong Kong. Mr. Leung has over 10 years of experience in auditing, finance and accounting and corporate secretarial functions.

DIRECTORS' REPORT

The directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 40 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 33 of this annual report.

The Company had no distributable reserve at 31 December 2016 and the directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 37 of this annual report and in Note 40 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment approximately HK$1,489,000 (2015: approximately HK$827,000) for the purpose of expanding the Group's operation. Details of this and other movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 110 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's sales and less that 30% of the Group's purchases were attributable to the Group's five largest customers combined and five largest suppliers combined respectively.

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Li Dong *(Chairman)*
Ng Shin Kwan, Christine
Lee Jalen
Chan Ah Fei
Liang Shan
Suen Yick Lun, Philip (appointed on 1 September 2016)
Lee Yuk Fat* (resigned on 1 September 2016)

Independent Non-executive Directors:

Wong Yun Kuen
Wong Shun Loy
Hu Chao

* Mr. Lee Yuk Fat has resigned as executive director of the Company with effect from 1 September 2016 to dedicate more time to his other business commitments. Details were set out in the announcement of the Company dated 31 August 2016.

In accordance with Articles 96 and 105(A) of the Articles of Association of the Company, Mr. Chan Ah Fei, Mr. Suen Yick Lun, Philip, Dr. Wong Yun Kuen and Mr. Wong Shun Loy will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Dr. Wong Yun Kuen ("Dr. Wong") has served on the Company as an independent non-executive director of the Company for more than 9 years. He has never held any executive or management position in the Group nor has he throughout such period been under the employment of any member of the Group. Dr. Wong has contributed by providing an independent viewpoint, enquiry and advice to the Company in relation to its businesses, operations, future development and strategy. The board of the Company (the "Board") considers that Dr. Wong has the character, integrity, ability and experience to continue to fulfill his role as required effectively. Dr. Wong has given the annual confirmations of his independence pursuant to Rule 3.13 of the Listing Rules to the Company and the nomination committee of the Company has assessed and is satisfied of the independence of Dr. Wong. Hence, the Board considers that the long services of Dr. Wong would not affect his exercise of independent judgments and therefore considers Dr. Wong to be independent and recommends Dr. Wong to be re-elected.

Each of the executive directors and the Chairman has entered into a letter of appointment with the Company and he/she is not appointed for any specific length or proposed length of service and his/her term of service shall continue unless terminated by either party giving to the other a prior notice in writing. Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the directors and the Chairman are also subject to retirement by rotation and re- election at least once every three years at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

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

Directors of Subsidiaries

Other than the Directors named in the section headed "Biographical Details of Directors and Senior Management", the names of all directors who have served on the board of the subsidiaries of the Company during the year and up to the date of this report are as follows:

— Choi Sing Kay
— David Kenny
— Diu Chin Fai
— Fung Kwok Hung, Raymond
— Lee Cheuk Yue
— Leung Lap Chi
— Li Ying
— Lui Sheung Pan
— Ma Yuk Wah
— Moral Dragon Trading Limited
— Newton Group Investment Limited
— Prime Way Development Limited
— Wong Chi Keung, Sammy
— Yan King Tang
— Yau Yuet Yim, Rita

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance"), every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
Ng Shin Kwan, Christine	Beneficial owner	–	76,087 *(Note 1)*	76,087	0.01%
Wong Yun Kuen	Beneficial owner	1,800	235 *(Note 2)*	2,035	0.00%

Notes:

1. This represents the interest of Ms. Ng Shin Kwan, Christine in 76,087 underlying shares issuable under the share options granted by the Company to her on 3 December 2007 under the share option scheme of the Company adopted by the shareholders of the Company on 8 November 2006 ("Share Option Scheme"). The consideration paid by Ms. Ng Shin Kwan, Christine on acceptance of the share options granted was HK$1.00. The exercise price is HK$269.01 per share and the exercisable period is between 3 December 2007 and 2 December 2017.

2. This represents the interest of Dr. Wong Yun Kuen in 235 underlying shares issuable under the share options granted by the Company to him on 3 December 2007 under the Share Option Scheme. The consideration paid by Dr. Wong Yun Kuen on acceptance of the share options granted was HK$1.00. The exercise price is HK$269.01 per share and the exercisable period is between 3 December 2007 and 2 December 2017.

Save as disclosed above, as at 31 December 2016, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company and details of movements in the share options of the Company during the year are set out in Note 31 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the year was the 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; and none of the directors or their spouse or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2016, according to the register of interest kept by the Company under section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, there is no shareholder who has an interest in 5% or more of the total number of shares in issue of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2016 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

DIRECTORS' REPORT

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their respective responsibilities and contribution to the Group and by reference to market benchmark.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the directors of the Company confirm that the Company has maintained the amount of public float as required under the Listing Rules as at the date of this report.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$150,000 (2015: HK$338,000).

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in Note 41 to the consolidated financial statements.

AUDITORS

Pan-China (H.K.) CPA Limited ("Pan-China") retire and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Pan-China as auditors of the Company.

On behalf of the Board

Li Dong
Chairman

Hong Kong, 29 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain high standards of corporate governance. The board of directors (the "Board") believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

During the year, the Board and the Company has complied with the code provisions of Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code for the year ended 31 December 2016.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises six executive directors, namely Mr. Li Dong (Chairman), Ms. Ng Shin Kwan, Christine, Mr. Lee Jalen, Mr. Chan Ah Fei, Mr. Liang Shan and Mr. Suen Yick Lun, Philip (appointed on 1 September 2016); and three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao. The directors' biographical information is set out in Biographical Details of Directors and Senior Management on pages 12 to 13 of this annual report.

During the year, the Board has at all times met the requirements of rules 3.10(1) and (2) 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, or accounting or related financial management expertise.

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive directors are independent.

The independent non-executive directors represent one-third of the Board, which is required by Rule 3.10A of the Listing Rules. The Board believes there is sufficient independence element in the Board to safeguard the interest of shareholders.

A total of ten regular Board meetings and three general meetings of the Company was held during the year ended 31 December 2016 with individual attendance record of each of the directors as follows:

Directors	Attendance/ Number of meetings Board Meetings	General Meeting
Executive Directors:		
Li Dong	10/10	3/3
Ng Shin Kwan, Christine	9/10	1/3
Lee Jalen	10/10	0/3
Chan Ah Fei	10/10	3/3
Liang Shan	10/10	0/3
Suen Yick Lun, Philip (appointed on 1 September 2016)	1/2	1/1
Lee Yuk Fat (resigned on 1 September 2016)	7/8	0/2
Independent Non-Executive Directors:		
Wong Yun Kuen	10/10	2/3
Wong Shun Loy	10/10	3/3
Hu Chao	10/10	3/3

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is primarily responsible for the leadership and control of the Company and is committed to make decision in the interests of both the Company and its shareholders. With delegating authorities from the Board, management of the Company is responsible for daily operations of the Group including management of all aspects of the Group's principal activities.

The Board delegates appropriate aspects of its management and administration functions to management. It also gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board determines those functions reserved to the Board and those delegated to the management and these arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

Directors' Continuous Training and Development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Directors are committed to comply with the CG Code A.6.5 on Directors' training. All Directors are provided with training materials covering the topics of "Annual Regulatory Update 2016", "Anti-Money Laundering (AML)/Counter-Financing of Terrorism (CFT) — Be Our Gatekeepers", "Investor Relations and Shareholder Communications" and "Update on Regulation of Listed Issuers". All Directors have participated in continuous professional development and provided to the Company a record of training they received for the year ended 31 December 2016.

Relationship among Directors

There is no relative relationship among the directors of the Company.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, the Chairman is Mr. Li Dong and the Company does not have any individual with the title of Chief Executive Officer ("CEO"). The Chairman is responsible for overseeing all Board functions, while the role of CEO is performed collectively by the executive directors (excluding Mr. Li Dong) and senior management of the Company to overseeing the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

The Board considers that under the current arrangement, the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting operations of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the independent non-executive directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") has been established by the Board with terms of reference as set out in the CG Code. As at the date of this report, the Nomination Committee consists of three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao and one executive director, namely Ms. Ng Shin Kwan, Christine. The Chairman of the Nomination Committee is Dr. Wong Yun Kuen. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee held two meetings during the year ended 31 December 2016 to discuss the retirement and re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting with individual attendance record of each of the members as follows:

Members	**Attendance/ Number of meetings**
Wong Yun Kuen *(Chairman)*	2/2
Wong Shun Loy	2/2
Hu Chao	2/2
Ng Shin Kwan, Christine	2/2

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to identify suitably qualified individuals to become Board members. It is also responsible for assessing the independence of Independent non-executive directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with terms of reference as set out in the CG Code. As at the date of this report, the Remuneration Committee consists of three independent non-executive directors, namely Mr. Hu Chao, Dr. Wong Yun Kuen and Mr. Wong Sun Loy. The Chairman of the Remuneration Committee is Mr. Hu Chao. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee held two meetings during the year ended 31 December 2016 to discuss the remuneration packages of the directors of the Company with individual attendance record of each of the members as follows:

Members	Attendance/ Number of meetings
Hu Chao *(Chairman)*	2/2
Wong Yun Kuen	2/2
Wong Shun Loy	2/2

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company; to determine the specific remuneration packages including benefits in kind, pension rights and compensation payments (including any compensation payments for loss or termination of their office or appointment) of all executive directors and senior management of the Company as well as making recommendations to the Board of remuneration of independence non-executive directors of the Company.

During the year, the Remuneration Committee reviewed the remuneration packages of the directors of the Company. No director was involved in deciding his/her own remuneration.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with terms of reference as set out in the CG Code. As at the date of this report, the Audit Committee comprises three independent non-executive directors, namely Mr. Wong Shun Loy, Dr. Wong Yun Kuen and Mr. Hu Chao. The Chairman of the Audit Committee is Mr. Wong Shun Loy. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee held three meetings during the year ended 31 December 2016 with individual attendance record of each of the members as follows:

Members	Attendance/ Number of meetings
Wong Shun Loy *(Chairman)*	3/3
Wong Yun Kuen	3/3
Hu Chao	3/3

The main duties of the Audit Committee are to making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements of the Group before submission to the Board and (ii) the Company's financial control, internal control and risk management systems.

During the year ended 31 December 2016, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and audited annual results of the Group.

AUDITORS' REMUNERATION

For the year ended 31 December 2016, remuneration paid to the auditors of the Company for providing audit and non-audit services amounted to approximately HK$1,380,000 and approximately HK$876,000 respectively.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

(v) to review the Company's compliance with the code of corporate governance and disclosure in the Corporate Governance Report; and

(vi) to perform such other corporate governance duties and functions set out in the code of corporate governance (as amended from time to time) for which the Board are responsible.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by shareholders

In accordance with sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings, may request the directors of the Company to call a general meeting. The request must state the general nature of the business to be dealt with at the general meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting. The request may consist of several documents in like form and may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person(s) making it.

If the directors of the Company do not within 21 days from the date of the deposit of the written request proceed duly to call a general meeting for a day not more than 28 days after the date on which the notice convening the general meeting, the shareholder(s) who requested the meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, provided that the general meeting must be called for a date not more than 3 months after the date on which the directors of the Company become subject to the requirement to call the general meeting.

The general meeting convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Enquiries to the Board

Shareholders may at any time send their written enquiries and concerns to the Board of Directors either by post, by facsimiles or by email, for the attention of Chairman of the Board or Company Secretary at the following address or facsimiles number or via email:

GT GROUP HOLDINGS LIMITED
Units 2502–5, 25th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong
Email: info@gtghl.com
Fax No.: (852) 3926 1999

The Company Secretary will forward the shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions in writing.

Putting forward proposals at annual general meetings

In accordance with section 615 of the Companies Ordinance, the shareholders may request the Company to give, to shareholders entitled to receive notice of the annual general meeting, notice of a resolution that may properly be moved and is intended to be moved at that meeting. The request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given, be authenticated by the person or person(s) making it and be received by the Company not later than 6 weeks before the annual general meeting to which the requests relates; or if later, the time at which notice is given of that meeting.

The Company will give notice of a resolution of it has received the request form (a) shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the annual general meeting to which the request relate; or (b) at least 50 shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relate.

Proposing Directors for election at general meetings

Pursuant to Article 109 of the Company's Articles of Association, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as director at any general meeting unless a notice signed by a member (other than the person to be processed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the registered office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

INVESTOR RELATIONS

Constitutional documents

There are no changes in the Company's constitutional documents during the year. The latest set of constitutional documents are available on the websites of the Company and the Stock Exchange.

Shareholders Communication Policy

The Company adopted a Shareholders' Communication Policy which aims to promoting effective communication with the shareholders of the Company, encouraging the shareholders of the Company to engage actively with the Company and enabling the shareholders of the Company to exercise their rights as shareholders effectively. The information would be communicated to shareholders of the Company through various official channels (including Company's corporate communication, website and the shareholders' meeting) so that the shareholders of the Company can access the Company's public information equally in a timely manner. The Shareholders' Communication Policy is available on the website of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for preparing the financial statements of the Company for each financial period in accordance with statutory requirements and applicable accounting standards so as to give a true and fair view of the state of affairs of the Group.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 28 to 32.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and he has confirmed that he has taken no less than 15 hours of relevant professional training in complied with the requirement of Rule 3.29 of the Listing Rules. The biography of the Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its responsibilities 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. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The systems and internal controls can only provide reasonable and not absolute assurance against any material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group has not set up a special committee and/or department for an internal audit function due to the size of the Group and for cost effectiveness consideration. The effectiveness of the internal control system of the Group was reviewed by the Board and the Audit Committee. In order to attain high standards of corporate governance, the Group has engaged an independent professional firm to conduct a review to assess the effectiveness of the Group's risk management and internal control systems during the year. The review covered major financial, operational and compliance controls. The relevant review report has been considered by the Audit Committee for assessing the effectiveness of the Internal Control System. The Board, through the reviews made by the independent professional firm and the Audit Committee, concluded that the Internal Control System was effective.

The Board and the Audit Committee have also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting internal audit and financial reporting functions.

The Group will continue to review the need for an internal audit function annually.

The Group has also formulated an inside information policy by providing guideline on handling inside information to directors and employees of the Company. The Group regularly reminds the directors and employees of the Company about compliance with all policies adopted by the Group regarding the inside information.

INDEPENDENT AUDITORS' REPORT

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants

天健(香港)會計師事務所有限公司

TO THE MEMBERS OF GT GROUP HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of GT Group Holdings Limited and its subsidiaries (the "Group") set out on pages 33 to 109, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Interests in associates (Note 16)

Included in the Group's interests in associates as at 31 December 2016 was the Group's 40% equity investment in China Sky Holdings Limited ("China Sky") classified as an associate of the Group with the carrying amount of HK$496,474,000 as at 31 December 2016. China Sky and its subsidiaries ("China Sky Group") are mainly engaged in the property development of a development project, known as "Jintang New City Plaza" (the "Jintang Project"), which is located in Chongqing, the PRC. The management of the Company relied on the audited consolidated financial statements of China Sky for the year ended 31 December 2016 prepared by an independent auditor ("Another Auditor") to apply equity accounting on China Sky Group in preparing the consolidated financial statements of the Group in accordance with Hong Kong Accounting Standard ("HKAS") 28, Investments in Associates and Joint Ventures, and to assess the recoverable amount of China Sky Group.

The Jintang Project was classified as a part of properties under development for sale in the financial statements of China Sky Group and it represented a significant component of China Sky Group's assets. Management of the Company engaged an independent valuer to perform a valuation of the properties under development for sale for the purpose of determining its net realisable value. The assessment of the net realisable value of the properties under development for sale involved significant judgements.

How the scope of our audit responded to the risk:

- We discussed with the management of China Sky Group and the Group as to whether indicators of impairment exist for the properties under development for sale.
- We obtained the valuation report of the Jintang Project.
- We discussed with the valuer in relation to the reasonableness and appropriateness of the key assumptions applied in the valuation.
- We performed site visit to the Jintang Project.
- We obtained the list of construction cost of the properties under development for sale and reviewed the components.
- We obtained and reviewed some property sale contracts on a sampling basis, in order to evaluate the reasonableness of the valuation in relation to the entire Jintang Project.
- We discussed with the Another Auditor as to whether they have any concern on the issue of the properties under development for sale.
- We searched for the market information of the comparable properties in Chongqing, the PRC.

Available-for-sale financial assets (Note 17)

Included in the Group's available-for-sale financial assets as at 31 December 2016 was the Group's investment in unlisted securities in a private entity named Joint Global Limited ("Joint Global") with the carrying amount of HK$215,000,000 before impairment, which was fully impaired by the Group during the year ended 31 December 2016.

The assessment of the recoverable amount of the investment in Joint Global involved significant judgement.

How the scope of our audit responded to the risk:

- We obtained the management accounts of Joint Global as at 31 December 2016.
- We discussed with the management of the Company as to the reasons and judgements for the full impairment on the investment in Joint Global and we assessed the management's assessment of the recoverable amount based on the specific facts and circumstances.

Recoverability of loans receivable (Note 23)

During the year ended 31 December 2016, the Group advanced loans of HK$253,000,000 to customers and HK$198,000,000 was repaid during the year then ended. As at 31 December 2016, the Group had loan receivables with the aggregate carrying amount of 60,000,000 and none of which was impaired.

How the scope of our audit responded to the risk:

- We discussed with the management of the Company in order to understand the Group's loan advance policy and how the management of the Company assessed and mitigated credit risk in determining whether or not to lend monies to potential borrowers.

- We reviewed the ageing analysis of loans receivable and discussed with the management of the Company to determine whether or not the receivables are recoverable.

- We reviewed the loan agreements and credit files of some borrowers selected on a sample basis.

- We reviewed the historical and subsequent settlements records.

- We assessed the conditions of collaterals including their fair values, if any.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

AUDITORS' 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 auditors' report that includes our opinion. Our report is made solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors’ report is Lee Ping Kai.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Lee Ping Kai
Practising Certificate Number: P02976

11/F., Hong Kong Trade Centre,
161–167 Des Voeux Road Central, Hong Kong.

Hong Kong, 29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Continuing operations			
Turnover	6	**(248,754)**	179,653
Cost of sales		**(1,757)**	(2,362)
Gross (loss)/profit		**(250,511)**	177,291
Other income	8	**12,834**	4,007
Unrealised (loss)/gain on financial assets at fair value through profit or loss		**(423,938)**	409,045
Share of profit of associates	16	**122,330**	25,671
Gain on disposal of a subsidiary	33	**1,494**	–
Impairment loss on available-for-sale financial assets	17	**(256,946)**	–
Impairment loss on goodwill	21	**(4,500)**	–
Administrative expenses		**(93,406)**	(70,361)
Finance costs	9	**(98,410)**	(186)
(Loss)/profit before tax		**(991,053)**	545,467
Income tax expenses	12	**(2,053)**	(2,406)
(Loss)/profit for the year from continuing operations	10	**(993,106)**	543,061
Discontinued operation			
Loss for the year from discontinued operation	13	**–**	(96,877)
(Loss)/profit for the year		**(993,106)**	446,184
Attributable to:			
Owners of the Company		**(993,106)**	446,179
Non-controlling interests		**–**	5
		(993,106)	446,184

	Notes	**2016**	2015 (restated)
(Loss)/earnings per share			
From continuing and discontinued operations			
— Basic and diluted (HK$ per share)	14	**(0.96)**	0.61
From continuing operations			
— Basic and diluted (HK$ per share)	14	**(0.96)**	0.74

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
(Loss)/profit for the year	10	**(993,106)**	446,184
Other comprehensive income/(expense), net of income tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of overseas operations		**(36)**	(2,807)
Share of other comprehensive expense of associates		**(7,576)**	–
Fair value change in available-for-sale financial assets		**5,967**	(13,240)
Impairment loss on available-for-sale financial assets	17(i)	**41,946**	–
Other comprehensive income/(expense) for the year		**40,301**	(16,047)
Total comprehensive (expense)/income for the year		**(952,805)**	430,137
Attributable to:			
Owners of the Company		**(952,805)**	430,132
Non-controlling interests		**–**	5
		(952,805)	430,137

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	**5,164**	14,211
Interests in associates	16	**502,566**	395,671
Prepayment		**800**	–
Amount due from an associate	16	**–**	35,702
Available-for-sale financial assets	17	**9,155**	218,224
Other assets	18	**2,230**	2,460
Trading right	19	**–**	–
Mining right	20	**–**	–
Goodwill	21	**–**	–
		519,915	666,268
Current assets			
Trade and other receivables	22	**72,284**	23,303
Short-term loans receivable	23	**60,000**	5,000
Financial assets at fair value through profit or loss	24	**1,363,918**	1,496,563
Bank balances held under segregated trust accounts	25	**37,908**	101,445
Bank balances and cash	25	**118,901**	74,781
		1,653,011	1,701,092
Current liabilities			
Trade and other payables	26	**126,768**	128,049
Short-term loans payable	27	**41,000**	–
Tax liabilities		**2,333**	2,666
Provision	28	**–**	8,000
		170,101	138,715
Net current assets		**1,482,910**	1,562,377
Total assets less current liabilities		**2,002,825**	2,228,645

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Long-term loans payable	27	**581,175**	–
Deferred tax liabilities	29	**–**	–
		581,175	–
Net assets		**1,421,650**	2,228,645
Capital and reserves			
Share capital	30	**2,824,801**	2,674,001
Reserves		**(1,403,151)**	(448,746)
Equity attributable to owners of the Company		**1,421,650**	2,225,255
Non-controlling interests		**–**	3,390
Total equity		**1,421,650**	2,228,645

The consolidated financial statements on pages 33 to 109 were approved and authorised for issue by the Board of Directors on 29 March 2017 and are signed on its behalf by:

Li Dong	**Ng Shin Kwan, Christine**
Director	*Director*

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Special reserve *(Note a)* HK$'000	Other reserve *(Note b)* HK$'000	Translation reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	2,266,087	3,587	–	(9,984)	(34,673)	52,865	(890,673)	1,387,209	3,385	1,390,594
Profit for the year	–	–	–	–	–	–	446,179	446,179	5	446,184
Other comprehensive income/ (expense) for the year	–	–	–	(2,807)	(13,240)	–	–	(16,047)	–	(16,047)
Total comprehensive income/ (expense) for the year	–	–	–	(2,807)	(13,240)	–	446,179	430,132	5	430,137
Issue of shares	407,914	–	–	–	–	–	–	407,914	–	407,914
At 31 December 2015 and 1 January 2016	2,674,001	3,587	–	(12,791)	(47,913)	52,865	(444,494)	2,225,255	3,390	2,228,645
Loss for the year	–	–	–	–	–	–	(993,106)	(993,106)	–	(993,106)
Other comprehensive income/ (expense) for the year	–	–	(7,576)	(36)	47,913	–	–	40,301	–	40,301
Total comprehensive income/ (expense) for the year	–	–	(7,576)	(36)	47,913	–	(993,106)	(952,805)	–	(952,805)
Issue of shares	150,800	–	–	–	–	–	–	150,800	–	150,800
Consideration paid to acquire additional interest in a non-wholly owned subsidiary *(Note 40(a))*	–	–	(1,600)	–	–	–	–	(1,600)	(3,390)	(4,990)
At 31 December 2016	2,824,801	3,587	(9,176)	(12,827)	–	52,865	(1,437,600)	1,421,650	–	1,421,650

Note:

(a) Included in the special reserve, the amount of approximately HK$3,587,000 was reclassified as special reserve from share premium in preceding periods.

(b) Included in the other reserve, the amount of approximately HK$1,600,000 representing the difference between the consideration paid to acquire additional interest in a non-wholly owned subsidiary and the decrease in non-controlling interest of that subsidiary (Note 40(a)).

The remaining balance of approximately HK$7,576,000 represents the share of other comprehensive expense of associates.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
(Loss)/profit for the year		**(993,106)**	446,184
Adjustments for:			
Income tax expenses/(credit) recognised in profit or loss		**2,053**	(5,593)
Finance costs recognised in profit or loss		**98,410**	186
Interest income recognised in profit or loss		**(17)**	(22)
Depreciation of property, plant and equipment		**4,046**	4,915
Impairment loss recognised in respect of goodwill		**4,500**	–
Impairment loss recognised in respect of mining right		**–**	32,000
Impairment loss recognised in respect of available-for-sale financial assets		**256,946**	–
Unrealised loss/(gain) on financial assets at fair value through profit or loss		**423,938**	(409,045)
Share of profit of associates		**(122,330)**	(25,671)
Reversal of provision for claim		**(8,000)**	–
(Gain)/loss on disposal of a subsidiary		**(1,494)**	69,238
Operating cash flows before movements in working capital		**(335,054)**	112,192
Decrease/(increase) in other assets		**230**	(230)
Increase in short-term loans receivable		**(55,000)**	(5,000)
Increase in prepayment		**(800)**	–
Increase in financial assets at fair value through profit or loss		**(291,293)**	(410,825)
(Increase)/decrease in trade and other receivables		**(48,981)**	22,212
Decrease/(increase) in bank balances held under segregated trust accounts		**63,537**	(68,821)
(Decrease)/increase in trade and other payables		**(1,281)**	73,815
Cash used in operations		**(668,642)**	(276,657)
Interest paid		**(98,410)**	(186)
Income tax refunded		**–**	239
Income tax paid		**(2,386)**	–
Net cash used in operating activities		**(769,438)**	(276,604)
Cash flows from investing activities			
Dividend received		**7,859**	–
Loan repayment from/(to) an associate		**35,702**	(35,701)
Earnest money refunded		**–**	300,000
Acquisition of associates		**–**	(370,000)
Interest received		**17**	22
Acquisition of property, plant and equipment		**(1,489)**	(827)
Proceeds from disposal of property, plant and equipment		**–**	7
Net cash inflow on disposal of a subsidiary	*33(b)/33(c)*	**7,984**	18,885
Net cash outflow on acquisition of a subsidiary	*32*	**(4,500)**	–
Net cash generated from/(used in) investing activities		**45,573**	(87,614)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from financing activities			
Proceeds from issue of shares (net of share issue expenses paid)		**150,800**	407,914
Proceeds from loans		**1,111,175**	–
Repayment of loans		**(489,000)**	–
Acquisition of additional interest in a non-wholly owned subsidiary	*40(a)*	**(4,990)**	–
Net cash generated from financing activities		**767,985**	407,914
Net increase in cash and cash equivalents		**44,120**	43,696
Effect of foreign exchange rate changes		**–**	728
Cash and cash equivalents brought forward		**74,781**	30,357
Cash and cash equivalents carried forward		**118,901**	74,781

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office and the principal place of business of the Company are disclosed in the corporate information section of this annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 40.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively, the "Group") had applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impacts of these amendments are described below.

HKFRS 14	Regulatory deferral accounts
Amendments to HKAS (as defined below) 1	Presentation of financial statements: Disclosure initiative
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of these new amendments to HKFRSs in the current year has no material impact on the Group's financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from contracts with customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Statement of cash flows: Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under Hong Kong Accounting Standard ("HKAS") 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

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

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 "Leases" and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

The Group is still in the process of assessing the impact of HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

Except as described above, the directors of the Company consider that the application of the other new and revised HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below:

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this financial information is determined on such a basis, except for share-based payments transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are within the scope of HKAS 17 "*Leases*" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

- Level 2 inputs are inputs, other than quoted prices included Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries and non-controlling interests

Investments in subsidiaries are stated on the statement of financial position of the Company (Note 40) at cost less accumulated impairment loss.

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

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "*Income Taxes*" and HKAS 19 "*Employee Benefits*" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "*Share-based Payment*" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Mining right

Mining right acquired separately and with finite useful lives is carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for mining right with finite useful lives is provided on units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining right continuously till all proven reserves have been mined.

Any gain or loss arising from derecognition of mining right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment held for use in the production and supply of goods and services, or for administrative purposes, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the term of the leases
Furniture and fixtures	20%–33%
Motor vehicles and yacht	20%
Plant and machinery	5%–33%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Trading right

Trading right represents the right of trading on the Stock Exchange. Trading right is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation for trading right is provided to write off the relevant cost on a straight-line basis over the estimated useful lives.

Any gain or loss arising from derecognition of trading right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of the inventories are determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value represents the estimated selling price in the ordinary course of business less all the estimated cost of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate the exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses. Fair value is determined in manner described in Note 5(b) to the consolidated financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, earnest money, bank balances held under segregated trust accounts and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are initially classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of the ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted to the employees at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees *(Continued)*

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

Share options granted to other participants

For share options granted to parties other than employees in exchange for services, they are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve), and when the counterparties render services, unless the services qualify for recognition as assets.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 the impairment losses, if any. When 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 had no impairment losses been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Revenue from sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Net income from sale of investments held for trading are recognised on the transaction date for realised profit or loss whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period.

Commission and brokerage income are recognised on an accrual basis when the relevant services are provided in accordance with the terms of the underlying agreements.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established provided that it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets 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.

Current or deferred tax are recognised in profit or loss, except when it relates to items that are 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 respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Discontinued operations

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

Payments to state-managed retirement benefits schemes/Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the People's Republic of China ("PRC") and Hong Kong. Significant judgement is required in determining the provision for income taxes in these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the management of the Company determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(b) Impairment of assets

The carrying amounts of assets are reviewed annually and adjusted for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to exercise judgment in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

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

Critical accounting estimates and assumptions *(Continued)*

(c) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant management judgement. During the year, the management of the Group reviewed the carrying amount of the investment in Joint Global Limited ("Joint Global") with reference to the unaudited management accounts of Joint Global for the year ended 31 December 2016 and other relevant factors.

The management of the Company considers the investment in Joint Global contributes no significant value to the Group and accordingly, the investment cost should be fully impaired and an impairment loss of HK$215,000,000 (2015: Nil) has been recognised to the consolidated statement of profit or loss for the year (Note 17).

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill has been allocated. However, as the subsidiary acquired had not yet commenced business during the year ended 31 December 2016, the management of the Company considers that it was not practicable to make a reasonable estimation on the recoverable amount of the cash-generating unit for which the goodwill was allocated. Goodwill of HK$4,500,000 was fully impaired during the year ended 31 December 2016 (2015: Nil).

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2016 ***HK$'000***	2015 *HK$'000*
Financial assets		
Available-for-sale financial assets	**9,155**	218,224
Financial assets at FVTPL		
— held for trading	**1,363,918**	1,496,563
Loans and receivables		
— amount due from an associate	**–**	35,702
— trade and other receivables	**71,843**	23,303
— short-term loans receivable	**60,000**	5,000
— bank balances held under segregated trust accounts	**37,908**	101,445
— bank balances and cash	**118,901**	74,781
	1,661,725	1,955,018
Financial liabilities		
Amortised cost		
— trade and other payables	**126,768**	128,049
— short-term loans payable	**41,000**	–
— long-term loans payable	**581,175**	–
	748,943	128,049

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, financial assets at FVTPL, trade and other receivables, loans receivable, bank balances held under segregated trust accounts, bank balances and cash, trade and other payables and loans payable. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade and other receivables, loans receivable, bank balances held under segregated trust accounts, bank balances and cash represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any.

The Group expects that there is no significant credit risk associated with cash at banks since all the Group's bank balances and cash are deposited with major and creditworthy banks located in Hong Kong.

The directors consider that the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

The Group is exposed to credit risk attributable to trade receivables arising from securities brokerage business and loans receivable arising from provision of finance business. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. In respect of trade receivables from customers, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

In respect of loans and interest receivables, individual credit evaluations are performed on all borrowers requiring credit over a certain amount. These evaluations focus on the borrowers' past history of making payments when due and current ability to pay, and take into account information specific to the borrowers. All the loans and interests receivable are secured.

In order to minimise the credit risk, the directors have delegated a team responsible for determination of monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors review the recoverability of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and loans receivable from customers are set out in Note 22.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Foreign currency risk

Foreign currency risk is the risk that the holding of monetary assets and liabilities and entering into transactions denominated in foreign currencies which will affect the Group's financial position and performance as a result of a change in foreign currency exchanges rates. At the end of the financial year, certain available-for-sale financial assets, trade and other receivables, bank balances and cash and trade and other payables are denominated in or linked to foreign currencies, details of which are set out in respective notes, expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2016	2015
	HK$'000	*HK$'000*
Assets		
Renminbi ("RMB")	**84**	50
United States Dollars ("US$")	**54**	54
Australian Dollars ("AUD")	**9,155**	3,249
Liabilities		
RMB	**20**	–
US$	**581,175**	–

As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency. Thus, the Group is mainly exposed to the currency risk of RMB and AUD.

The following table demonstrates the sensitivity analysis of the carrying amounts of significant outstanding monetary assets and monetary liabilities denominated in RMB and AUD at the end of reporting period if there was a 5% change in the exchange rate of the HK$ against RMB and AUD, with all other variables held constant, of the Group's post-tax profit. 5% sensitivity rate used represents management's assessment of the reasonably possible changes in foreign exchange rates.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Foreign currency risk (Continued)

	2016		2015	
	(Decrease)/ increase in exchange rate	**(Decrease)/ increase in post-tax loss**	(Decrease)/ increase in exchange rate	Increase/ (decrease) in post-tax profit
	%	***HK$'000***	%	*HK$'000*
If HK$ weakens against RMB	**(5)**	**(3)**	(5)	2
If HK$ strengthens against RMB	**5**	**3**	5	(2)

	2016		2015	
	(Decrease)/ increase in exchange rate	**Increase/ (decrease) in other comprehensive income**	(Decrease)/ increase in exchange rate	(Decrease)/ increase in other comprehensive expense
	%	***HK$'000***	%	*HK$'000*
If HK$ weakens against AUD	**(5)**	**458**	(5)	(161)
If HK$ strengthens against AUD	**5**	**(458)**	5	161

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Price risk

The Group is exposed to equity security price risk through its available-for-sale financial assets and financial assets at FVTPL. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis for held for trading investments:

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

	2016		2015	
	Increase/ (decrease) in equity prices	**(Decrease)/ increase in post-tax loss**	Increase/ (decrease) in equity prices	Increase)/ (decrease) in post-tax profit
	%	***HK$'000***	%	*HK$'000*
Financial assets at FVTPL				
Changes on equity prices	**5**	**(56,944)**	5	62,482
Changes on equity prices	**(5)**	**56,944**	(5)	(62,482)

	2016		2015	
	Increase/ (decrease) in equity prices	**Increase/ (decrease) in other comprehensive income**	Increase/ (decrease) in equity prices	(Decrease)/ increase in other comprehensive expense
	%	***HK$'000***	%	*HK$'000*
Available-for-sale financial assets				
Changes on equity prices	**5**	**458**	5	(161)
Changes on equity prices	**(5)**	**(458)**	(5)	161

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed rate loans receivable and payable. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to the interest bearing bank balances held under segregated trust accounts and bank balances and cash. The future variations in interest rates will not have a significant impact on the results of the Group, as the Group's variable rates bank balances are all short-term in nature and at the prevailing market interest rates. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise. The directors of the Company considered the Group's exposure to interest rate risk for bank balances is not material. Hence, no interest rate risks sensitively analysis is presented.

Liquidity risk

Liquidity risk management is mainly to maintain sufficient bank balances and cash and the availability of fundings through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed banking facilities and other external financing available.

The Group's primary cash requirements have been for capital investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and from fund raising through placement of new shares.

All of the Group's liabilities as at 31 December 2015 were carried at amounts not materially different from their contractual undiscounted cash flow as all the financial liabilities were with maturities within one year or repayable on demand at the end of the reporting period.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following table shows the remaining contractual maturities as at 31 December 2016 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

Liquidity table

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	1–3 months *HK$'000*	3 months to 1 year *HK$'000*	1-5 years *HK$'000*	> 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amounts *HK$'000*
— Short-term loans payable	12%	42,782	–	–	–	–	42,782	41,000
— Long-term loans payable	11.17%	–	16,236	49,611	662,717	–	728,564	581,175
— Trade and other payables	–	126,768	–	–	–	–	126,768	126,768
		169,550	16,236	49,611	662,717	–	898,114	748,943

Fair value measurement

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Other than certain available-for-sale financial assets and financial assets at FVTPL, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Available-for-sale financial assets and financial assets at FVTPL in respect of listed equity securities are determined by reference to the quoted bid prices in active markets.

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial assets at FVTPL is determined (in particular, the valuation technique and inputs used).

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value measurement *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair values as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2016	2015		
	HK$'000	*HK$'000*		
Available-for-sale financial assets — Listed equity securities	**9,155**	3,224	Level 1	Quoted bid prices in active markets
Financial assets at FVTPL — Listed equity securities	**1,363,918**	1,496,563	Level 1	Quoted bid prices in active markets

There were no transfers amongst Level 1, 2 and 3 during both years.

(c) Capital risk management

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

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

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of the directors, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the redemption of existing debts.

6. TURNOVER

An analysis of the Group's turnover for the year from continuing operations is as follows:

	2016	2015
	HK$'000	*HK$'000*
Net realised results from securities trading*	**(263,832)**	146,592
Commission and brokerage income	**4,690**	32,451
Interest income from provision of finance	**10,388**	610
	(248,754)	179,653

* Represented the proceeds from the sale of investments at fair value through profit or loss of approximately HK$606,607,000 (2015: approximately HK$559,557,000) less cost of sales and the weighted average cost of the investments sold of approximately HK$870,439,000 (2015: approximately HK$412,965,000).

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

Business segment information

The Group's reportable and operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), are as follows:

- trading of goods;
- provision of finance; and
- brokerage and securities investment.

The mining operation was discontinued in the year ended 31 December 2015. The segment information does not include any amounts for the discontinued operation.

For the purposes of resource allocation and assessment of segment performance, CODM monitors the results and assets and liabilities attributable to each reportable segment on the following basis:

- Segment revenue represents revenue generated from external customers; net gain/(loss) on investments held for trading activities are also included in segment revenue;
- Segment results represent the profit earned or loss incurred by each segment without allocation of corporate income and expenses, share of results of associates, central administration costs, directors' salaries, finance costs and income tax credit or expense;
- Segment assets include all tangible and intangible assets and current assets;
- Segment liabilities include all trade and other payables other than current and deferred tax liabilities;
- Unallocated assets include available-for-sales investments, interests in associates and other assets for the corporate use; and
- Unallocated liabilities include short-term loans payable, long-term loans payable and other payables unallocated.

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(Continued)*

Business segment information *(Continued)*

For the year ended 31 December 2016

	Trading of goods HK$'000	Provision of finance HK$'000	Brokerage and securities investment HK$'000	Elimination/ unallocated HK$'000	Total HK$'000
Segment revenue and results					
REVENUE					
External sales	–	10,388	(259,142)	–	(248,754)
Inter-segment sales*	–	–	300	(300)	–
Segment revenue	–	10,388	(258,842)	(300)	(248,754)
RESULTS					
Segment results	–	8,451	(696,841)	–	(688,390)
Unallocated income					3,658
Unallocated expenses					(330,241)
Share of results of associates					122,330
Finance costs					(98,410)
Loss before tax					(991,053)
Segment assets and liabilities					
ASSETS					
Segment assets	–	64,261	1,548,260	–	1,612,521
Unallocated assets					560,405
Total consolidated assets					2,172,926
LIABILITIES					
Segment liabilities	–	424,737	122,615	(423,945)	123,407
Unallocated liabilities					627,869
Total consolidated liabilities					751,276
Other information:					
Additions to property, plant and equipment	–	–	719	770	1,489
Depreciation of property, plant and equipment	–	–	1,042	3,004	4,046
Net unrealised loss on financial assets at fair value through profit or loss	–	–	423,938	–	423,938
Income tax expenses	–	692	1,361	–	2,053

* Inter-segment sales were charged at terms determined and agreed between the group companies.

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(Continued)*

Business segment information *(Continued)*

For the year ended 31 December 2015

	Trading of goods HK$'000	Provision of finance HK$'000	Brokerage and securities investment HK$'000	Elimination/ unallocated HK$'000	Total HK$'000
Segment revenue and results					
REVENUE					
External sales	–	610	179,043	–	179,653
Inter-segment sales*	–	–	446	(446)	–
Segment revenue	–	610	179,489	(446)	179,653
RESULTS					
Segment results for continuing operations	–	(1,011)	576,409	–	575,398
Unallocated income					1,283
Unallocated expenses					(56,699)
Share of results of associates					25,671
Finance costs					(186)
Profit before tax (continuing operations)					545,467
Segment assets and liabilities					
ASSETS					
Segment assets	–	10,776	1,654,919	–	1,665,695
Asset relating to mining operation (discontinued)					–
Unallocated assets					701,665
Total consolidated assets					2,367,360
LIABILITIES					
Segment liabilities	–	20	132,272	–	132,292
Liabilities relating to mining operation (discontinued)					–
Unallocated liabilities					6,423
Total consolidated liabilities					138,715
Other information for continuing operations:					
Additions to property, plant and equipment	–	–	827	–	827
Depreciation of property, plant and equipment	–	–	1,146	3,441	4,587
Net unrealised gain on financial assets at fair value through profit or loss	–	–	409,045	–	409,045
Income tax expenses	–	–	2,406	–	2,406

* Inter-segment sales were charged at terms determined and agreed between the group companies.

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION *(Continued)*

Geographical segment information

The Group's three reportable and operating segments operate in Hong Kong and all the Group's revenue from external customers for the years ended 31 December 2016 and 2015 were derived from Hong Kong.

The following table provides an analysis of the Group's non-current assets (excluding financial assets) based on the geographical markets as follows:

	2016 HK$'000	2015 HK$'000
PRC	496,474	395,671
Hong Kong	8,194	16,671
Others	6,092	–
	510,760	412,342

Information about major customers

The following is an analysis of revenue from customers contributing over 10% of total revenue of the Group (excluding the net realised results from securities trading) for the current and prior years:

	Reportable and operating segments	2016 HK$'000	2015 HK$'000
Customer A	Brokerage and securities investment	5,905	N/A*
Customer B	Brokerage and securities investment	2,992	N/A*
Customer C	Brokerage and securities investment	1,651	N/A*
Customer D	Brokerage and securities investment	N/A*	14,956
Customer E	Brokerage and securities investment	N/A*	7,725

* Revenue from these respective customers did not contribute over 10% of the total revenue of the Group (excluding the net realised results from securities trading) for the corresponding year.

8. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Continuing operations		
Other income comprises:		
Interest income on:		
— Banks	17	22
— Other loan and receivables	3,909	2,932
Total interest income	3,926	2,954
Sundry income	908	928
Reversal of provision for claim *(Note 28)*	8,000	–
Recovery of bad debts	–	125
	12,834	4,007

9. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Continuing operations		
Interest on other borrowings wholly repayable within five years	**98,410**	186

10. (LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2016 HK$'000	2015 HK$'000
(Loss)/profit for the year from continuing operations has been arrived at after charging:		
Staff costs including directors' remuneration		
— Salaries, allowances and other benefits	**26,667**	22,863
— Retirement benefits schemes contributions	**753**	600
	27,420	23,463
Auditors' remuneration		
Audit services	**1,380**	1,300
Non-audit services	**876**	500
	2,256	1,800
Impairment loss on available-for-sale financial assets (Note)	**256,946**	—
Depreciation of property, plant and equipment	**4,046**	4,587
Foreign exchange loss, net	**4**	9

Note:

Impairment loss on available-for-sale financial assets for the year ended 31 December 2016 comprises:

- impairment loss in respect of the investment in Aurelia Metals Limited of approximately HK$41,946,000, which was transferred from other comprehensive income (Note 17(i));
- impairment loss in respect of the investment in Joint Global of HK$215,000,000 (Note 17 (ii)).

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Listing Rules and section 383(1) of the Hong Kong Companies Ordinance are as follows:

		Fee		Salaries and other benefits		Retirement benefits schemes contributions		Discretionary bonus		Total	
		2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors											
Li Dong	*i*	**1,477**	601	**–**	–	**–**	–	**–**	–	**1,477**	601
Ng Shin Kwan, Christine		**–**	–	**910**	910	**18**	18	**–**	–	**928**	928
Lee Jalen		**780**	–	**–**	780	**–**	–	**–**	–	**780**	780
Chan Ah Fei		**650**	652	**–**	–	**–**	–	**–**	–	**650**	652
Liang Shan		**650**	650	**–**	–	**–**	–	**–**	–	**650**	650
Suen Yick Lun, Philip	*ii*	**320**	–	**–**	–	**–**	–	**–**	–	**320**	–
Lee Yuk Fat	*iii*	**393**	360	**–**	216	**–**	–	**–**	–	**393**	576
Zhang Guoqing	*iv*	**–**	361	**–**	–	**–**	–	**–**	–	**–**	361
Independent non-executive directors											
Wong Yun Kuen		**120**	120	**–**	–	**–**	–	**–**	–	**120**	120
Wong Shun Loy		**144**	144	**–**	–	**–**	–	**–**	–	**144**	144
Hu Chao		**120**	120	**–**	–	**–**	–	**–**	–	**120**	120
		4,654	3,008	**910**	1,906	**18**	18	**–**	–	**5,582**	4,932

Notes:

(i) Mr. Li Dong was appointed on 15 July 2015.

(ii) Mr. Suen Yick Lun, Philip was appointed on 1 September 2016.

(iii) Mr. Lee Yuk Fat resigned on 1 September 2016.

(iv) Mr. Zhang Guoqing resigned on 15 July 2015.

Salaries, allowances and benefits in kind paid to or for the executive directors are generally entitlements paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

The performance related incentive payments are determined with reference to the operating results, individual performance and comparable market statistics.

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2016 (2015: Nil). During the year ended 31 December 2016, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2015: two) were directors of the Company whose emoluments are included in the disclosures set out in Note 11(a) above. The emoluments of the remaining highest paid individuals were as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Salaries, allowances and other benefits	**2,470**	3,549
Retirement benefit schemes contributions	**18**	37
	2,488	3,586

Their emoluments were within the following bands:

	2016 ***No. of employees***	2015 *No. of employees*
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	2	3

(c) During the year ended 31 December 2016, no emoluments were paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

12. INCOME TAX EXPENSES (RELATING TO CONTINUING OPERATIONS)

	2016 HK$'000	2015 HK$'000
Income tax expenses comprise:		
Current tax		
— Hong Kong Profits Tax	**2,073**	2,406
— PRC Enterprise Income Tax	**–**	–
	2,073	2,406
Over-provision in prior years:		
— Hong Kong	**(20)**	–
	2,053	2,406
Deferred tax — current year	**–**	–
	2,053	2,406

Hong Kong Profits Tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year ended 31 December 2016.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008.

Income tax expenses for the year can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss as follows:

	2016 HK$'000	2015 HK$'000
(Loss)/profit before tax (from continuing operations)	**(991,053)**	545,467
Tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	**(163,523)**	90,002
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2)**	(3)
Tax effect of share of results of associates	**(20,184)**	(4,236)
Tax effect of expenses not deductible for tax purpose	**55,426**	40,591
Tax effect of income not taxable for tax purpose	**(9,175)**	(107,620)
Tax effect of temporary differences not recognised	**269**	293
Utilisation of tax losses previously not recognised	**(188)**	(16,788)
Tax effect of tax losses not recognised	**139,450**	167
Over-provision for prior year	**(20)**	–
	2,053	2,406

Details of deferred taxation are set out in Note 29.

13. DISCONTINUED OPERATION

Reference is made to the announcement of the Company dated 9 December 2015.

On 9 December 2015, Excel Faith Holdings Limited (the "Vendor"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Merit Success Global Limited (the "Purchaser"), an independent third party, for the sale by the Vendor to the Purchaser of the entire issued share capital of Union Bless Limited (the "Disposed Company") and the loan due and owing by the Disposed Company and its subsidiaries (the "Disposed Group") as at the date of completion of the sale and purchase agreement (the "Disposal") for a cash consideration of HK$20,000,000.

The principal asset of the Disposed Group is the mining right in respect of a magnetite iron ore mine located in Guangdong Province, the PRC (the "Mine").

Upon completion of the Disposal on 23 December 2015, Union Bless Limited has ceased to be accounted for as a subsidiary of the Company.

Details of the assets and liabilities disposed of, and the calculation of the loss on disposal, are disclosed in Note 33.

Analysis of loss for the year from discontinued operation

The results of the discontinued operation included in the profit for the year ended 31 December 2015 are set out below:

(a) Loss for the year from discontinued operation

	2015 *HK$'000*
Revenue	–
Administrative expenses	(35,639)
Loss before tax	(35,639)
Attributable income tax credit *(Note 29)*	8,000
	(27,639)
Loss on disposal of operation (including HK$1,181,000 reclassification of foreign currency translation reserve from equity to profit or loss on disposal of the operation *(Note 33)*)	(69,238)
Loss for the year from discontinued operation (attributable to owners of the Company)	(96,877)

Loss for the year from discontinued operation include the following:

Depreciation and amortisation	328
Impairment loss on mining right	32,000
Staff costs including directors' remuneration	
— Salaries, allowances and other benefits	1,869
— Retirements benefits scheme contributions	130
Operating lease rentals in respect of land and buildings	369

13. DISCONTINUED OPERATION *(Continued)*

Analysis of loss for the year from discontinued operation *(Continued)*

(b) Cash flows from discontinued operation

	2015 *HK$'000*
Net cash inflows from operating activities	52
Net cash flows from investing activities	–
Net cash flows from financing activities	–
Net cash inflows	52

14. (LOSS)/EARNINGS PER SHARE

(a) For continuing and discontinued operations

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company for the years ended 31 December 2016 and 2015 is based on the following data:

	2016 ***HK$'000***	2015 *HK$'000*
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**(993,106)**	446,179

	2016 ***'000***	2015 *'000* (restated)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**1,031,557**	731,562

Diluted (loss)/earnings per share for the years ended 31 December 2016 and 2015 are equal to the basic earnings per share because the exercise prices of the Company's share options were higher than the average market price for the years and is therefore considered as anti-dilutive.

The bonus element effect of the rights issue on the basis of one rights share for every two shares with effect from 5 October 2016 has been included in the calculation of the weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share for the years ended 31 December 2016 and 2015.

The effects of the share consolidation of every five ordinary shares in the issued share capital of the Company into one ordinary share with effect from 6 February 2015 and the rights issue on the basis of nine rights shares for every share with effect from 16 March 2015 have been included in the calculation of the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 December 2015.

14. (LOSS)/EARNINGS PER SHARE *(Continued)*

(b) For continuing operations

The calculation of the basic and diluted (loss)/earnings per share from continuing operations attributable to the owners of the Company for the years ended 31 December 2016 and 2015 is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to owners of the Company	**(993,106)**	446,179
Add: Loss for the year from discontinued operation attributable to the owners of the Company	**–**	96,877
(Loss)/profit for the purpose of basic and diluted (loss)/earnings per share from continuing operations	**(993,106)**	543,056

The denominators used for both basic and diluted (loss)/earnings per share from continuing operations for the years ended 31 December 2016 and 2015 are the same as that detailed above in (a).

(c) For discontinued operation

Basic and diluted loss per share for the discontinued operation for the year ended 31 December 2015 is HK$0.13 per share (restated), based on the loss for the year from discontinued operation of approximately HK$96,877,000. The denominators used for both basic and diluted loss per share from discontinued operation for the year ended 31 December 2015 are the same as that detailed above in (a).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles and yacht HK$'000	Plant and machinery HK$'000	Total HK$'000
COST					
At 1 January 2015	8,815	6,041	28,569	453	43,878
Additions	103	724	–	–	827
Disposals	–	(6)	–	–	(6)
Derecognised on disposal of subsidiaries	(1,973)	(800)	(2,309)	(433)	(5,515)
Exchange adjustments	(92)	(38)	(108)	(20)	(258)
At 31 December 2015 and 1 January 2016	6,853	5,921	26,152	–	38,926
Additions	–	117	1,372	–	1,489
Derecognised on disposal of subsidiaries	–	–	(11,800)	–	(11,800)
At 31 December 2016	6,853	6,038	15,724	–	28,615
DEPRECIATION AND IMPAIRMENT					
At 1 January 2015	6,760	4,349	12,654	401	24,164
Provided for the year	489	631	3,742	53	4,915
Eliminated on disposals	(1,272)	(909)	(1,596)	(437)	(4,214)
Exchange adjustments	(46)	(38)	(49)	(17)	(150)
At 31 December 2015 and 1 January 2016	5,931	4,033	14,751	–	24,715
Provided for the year	482	714	2,850	–	4,046
Eliminated on disposals of subsidiaries	–	–	(5,310)	–	(5,310)
At 31 December 2016	6,413	4,747	12,291	–	23,451
CARRYING VALUES					
At 31 December 2016	440	1,291	3,433	–	5,164
At 31 December 2015	922	1,888	11,401	–	14,211

16. INTERESTS IN ASSOCIATES

(a) Details of the Group's interests in associates are as follows:

	As at 31 December 2016	As at 31 December 2015
	HK$'000	*HK$'000*
Cost of investments in associates:		
— unlisted	**333,919**	333,919
Amounts due from associates	**36,081**	36,081
	370,000	370,000
Share of results of associates		
— Post-acquisition profits and other comprehensive income, net of dividends received	**118,656**	11,761
— Bargain purchase	**13,910**	13,910
	132,566	25,671
	502,566	395,671

(b) Details of each of the Group's associates at 31 December 2016 and 2015 are as follow:

Name of associates	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Place of operation	Proportion of equity interest held by the Group Directly %	Proportion of equity interest held by the Group Indirectly %	Principal activities
China Sky Holdings Limited ("China Sky") *(Note i)*	The British Virgin Islands ("BVI")	US$100,000	Hong Kong	40	–	Investment holding
Kim Dynasty Realty & Development Co. Ltd. ("Jintang") *(Note i)*	PRC	US$3,500,000	PRC	–	40	Development, construction and building management
Success Quest Limited ("Success Quest") *(Note ii)*	BVI	US$100	Hong Kong	50	–	Investments holding

16. INTERESTS IN ASSOCIATES *(Continued)*

(b) Details of each of the Group's associates at 31 December 2016 and 2015 are as follow: *(Continued)*

Notes:

(i) China Sky and its subsidiary — Jintang ("China Sky Group")

In March 2015, the Group completed its acquisition of the 40% of total issued capital of China Sky at the consideration of HK$370,000,000. Jintang, the operating subsidiary of China Sky, is principally engaged in the business of development, construction and building management of the development project comprising the residential and commercial complex known as "Jintang New City Plaza*" (金唐新城市廣場) (the "Jintang Project") in Chongqing, the PRC.

During the year, China Sky Group has engaged into a new property development project located in Chongqing, the PRC. The development project comprises 5 parcels of land with a total site area of approximately 72,559 square meters. The project will be developed into several commercial and residential buildings with a total planned gross floor area of approximately 463,356.5 square meters. According to the China Sky Group, the new property development project is intended to be completed in year 2022.

(ii) Success Quest

On 7 July 2015, the Group entered into a sale and purchase agreement to acquire 50% of the total equity interest of Success Quest and 50% of shareholders loan (in the principal amount of HK$33,776,268) in Success Quest from Wealth Success Limited ("Wealth Success") for a total consideration of approximately HK$33,773,000.

As at 31 December 2016, the principal business activity of Success Quest was an investment in Anton Capital Investment Vehicle ("Anton Capital"), and the 2,069,174 ordinary units of Anton Capital held by Success Quest representing approximately 91.7% interest of Anton Capital, the trustee of which is Anton Advisory Pty Ltd ("AAPL") who held the remaining 8.3% of the units in Anton Capital. AAPL as trustee for Anton Capital held 25% units on issue in George Street Property Trust which then held 100% interest in properties located at Sydney, Australia ("Australia Properties"). The remaining 75% units were held by Austreo Property Ventures Pty Ltd. The acquisition was then a passive investment in an Australian property fund by the Group. The shares and shareholders loan to Success Quest is currently owned as to 35% by Wealth Success, 50% by the Group and 15% by Perfect Oasis Limited.

Given the Group does not control the majority composition of the board of Success Quest, the Group has no control over Success Quest. However, the directors of the Company consider that the Group does have significant influence over Success Quest and Success Quest is therefore classified as an associate of the Group.

According to the terms stipulated in the trust deed of Anton Capital, Success Quest does not have control over the relevant activities of Anton Capital.

During the year ended 31 December 2016, the Australia Properties were disposed of for a consideration of approximately HK$893,000,000 (equivalent to AUD160,000,000). Part of the proceeds from the disposal of the Australia Properties was in turn distributed to the Group in October 2016, of which approximately HK$37,695,000 represents the full repayment of the outstanding balance of loan to Success Quest and the remaining approximately HK$7,859,000 as a special dividend from Success Quest to the Group.

* *For identification purpose only*

16. INTERESTS IN ASSOCIATES *(Continued)*

(c) Summarised financial information of associates

Summarised financial information in respect of each of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

These associates are accounted for using the equity method in the Group's consolidated financial statements.

(i) China Sky Group

	As at 31 December 2016 *HK$'000*	As at 31 December 2015 *HK$'000*
Current assets	**2,133,962**	2,032,673
Non-current assets	**7,949**	7,312
Current liabilities	**(1,257,157)**	(1,210,090)
Non-current liabilities	**(573,080)**	(770,229)
Net assets	**311,674**	59,666

	1 January 2016 to 31 December 2016 *HK$'000*	16 March 2015 (date of acquisition) to 31 December 2015 *HK$'000*
Revenue	**894,127**	383,040
Total comprehensive income for the year/period	**252,008**	29,401
Proportion of the Group's ownership interests in China Sky Group	**40%**	40%
Share of profits and other comprehensive expenses of China Sky Group	**100,803**	11,761
Dividends received from China Sky Group during the year/period	**–**	–

16. INTERESTS IN ASSOCIATES *(Continued)*

(c) Summarised financial information of associates *(Continued)*

(i) China Sky Group *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interests in China Sky Group recognised in the consolidated financial statements:

	As at 31 December 2016 **HK$'000**	As at 31 December 2015 *HK$'000*
Net assets of China Sky Group	**311,674**	59,666
Proportion of the Group's ownership interests in China Sky Group	**40%**	40%
	124,669	23,866
Effect of fair value adjustments at acquisition	**335,724**	335,724
Amounts due from China Sky Group *(Note)*	**36,081**	36,081
Carrying amount of the Group's interests in China Sky Group	**496,474**	395,671

Note: Amounts due from China Sky Group are unsecured, non-interest bearing and repayable upon demand. The Group has no intention to exercise its right to demand repayment of these loans within the twelve months from the end of the reporting period. The directors believe the settlement of these loans is not likely to occur in the foreseeable future as they are, in substance, a part of the Group's net investment in associates as working capital of China Sky Group. Accordingly, the amount is classified as non-current asset and included in the Group's interests in associates for the purpose of presentation in the consolidated statement of financial position.

(ii) Success Quest

	As at 31 December 2016 **HK$'000**	As at 31 December 2015 *HK$'000*
Current assets	**–**	–
Non-current assets	**12,191**	67,546
Current liabilities	**–**	–
Non-current liabilities	**–**	(71,431)
Net assets/(liabilities)	**12,191**	(3,885)

16. INTERESTS IN ASSOCIATES *(Continued)*

(c) Summarised financial information of associates *(Continued)*

(ii) Success Quest *(Continued)*

	1 January 2016 to 31 December 2016 *HK$'000*	7 July 2015 (date of acquisition) to 31 December 2015 *HK$'000*
Revenue	**45,616**	–
Profit/(loss) for the year/period	**31,781**	(3,879)
Proportion of the Group's ownership interests in Success Quest	**50%**	50%
Share of profit of Success Quest	**15,890**	–
Less: Cumulative share of losses of Success Quest not recognised in profit or loss	**(1,939)**	–
Share of profit of Success Quest recognised in profit or loss	**13,951**	–
Dividends received from Success Quest during the year/period	**7,859**	–

The Group has not recognised share of loss of Success Quest for the period from 7 July 2015 (date of acquisition) to 31 December 2015 amounting to approximately HK$1,939,000, as the Group has discontinued including its share of results of Success Quest once the cumulative share of losses of Success Quest is equal to the investment cost in Success Quest. As Success Quest reports profit for the year ended 31 December 2016, the Group resumes recognising its share of profit of Success Quest after its share of the profit equals the cumulative share of losses of Success Quest of HK$1,939,000 not recognised.

Reconciliation of the above summarised financial information to the carrying amount of the interest in Success Quest recognised in the consolidated financial statements:

	As at 31 December 2016 *HK$'000*	As at 31 December 2015 *HK$'000*
Net assets/(liabilities) of Success Quest	**12,191**	(3,885)
Proportion of the Group's ownership interests in Success Quest	**50%**	50%
	6,095	–
Less: Pre-acquisition loss	**(3)**	(3)
Carrying amount of the Group's interests in Success Quest	**6,092**	–

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	**2016** **HK$'000**	2015 HK$'000
Equity securities			
— Listed securities	(i)	**9,155**	3,224
— Unlisted securities	(ii)	**–**	215,000
		9,155	218,224

Available-for-sale financial assets represent the Group's investment in listed and unlisted securities.

Notes:

(i) Listed securities

The listed securities of the Group at the end of the reporting period represent the Group's listed investment in Aurelia Metals Limited of which shares are listed on the Australian Securities Exchange. They are measured at fair value based on the quoted market bid prices available on the relevant stock exchange at the end of the reporting period.

Cumulated loss in fair value change of approximately HK$41,946,000 was recognised in other comprehensive income as at 31 December 2016 (2015: approximately HK$47,913,000). As the declines in fair value below cost were considered significant and prolonged, such loss was reclassified to profit or loss as an impairment loss during the year ended 31 December 2016 in accordance with the accounting policy for available-for-sale financial assets set out in Note 3.

(ii) Unlisted securities

The unlisted securities of the Group at the end of the reporting period represented the Group's investment in unlisted securities in Joint Global and were measured at cost less impairment at the end of the reporting period.

Management of the Company reviewed the unaudited management accounts of Joint Global Limited ("Joint Global") for the year ended 31 December 2016 and assessed the value of its investment in Joint Global with reference to the unaudited net asset value of Joint Global as at 31 December 2016. Having considered the past operating performance of Joint Global and its unaudited financial position as at 31 December 2016, management of the Company were of the view that it would be highly unlikely that Joint Global could contribute any profit to the Group and that the Group would be able to recover the value of its investment in Joint Global in the near future or at all. Taking the above factors and other market information (such as the treatment of other investors over their respective investment in Joint Global) into consideration, management of the Company considered that it would be prudent and necessary to make full impairment of the value of the Group's investment in Joint Global for the year ended 31 December 2016.

18. OTHER ASSETS

The amount represents the statutory deposits paid to The Stock Exchange and Securities and Futures Commission in relation to the Group's licensed activities in the Hong Kong securities market.

19. TRADING RIGHT

	HK$'000
COST	
Balance at 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	778
AMORTISATION AND IMPAIRMENT	
Balance at 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	778
CARRYING VALUES	
At 31 December 2016	–
At 31 December 2015	–

Trading right is amortised on a straight-line basis over the useful life of four years and the amount was fully amortised in prior years.

20. MINING RIGHT

	2016 **HK$'000**	2015 HK$'000
COST		
At beginning of the year	–	630,000
Disposal	–	(630,000)
At end of the year	–	–
AMORTISATION AND IMPAIRMENT		
At beginning of the year	–	490,000
Impairment loss recognised for the year	–	32,000
Eliminated on disposal	–	(522,000)
At end of the year	–	–
CARRYING VALUES		
At end of the year	–	–

As disclosed in Note 13, the mining right in respect of the Mine was disposed of along with the Disposed Group in December 2015.

20. MINING RIGHT *(Continued)*

Impairment loss on mining right of approximately HK$32,000,000 was recognised during the year ended 31 December 2015. A valuation for the fair value of the mining right licence as at 30 June 2015 was carried out by BMI Appraisals Limited, an independent qualified professional valuer under the assumptions that the order for the suspension of all mining operations in the Lian Nan County from the relevant governmental authorities of the PRC will be uplifted by the end of 2016 and the Group can renew the mining right licence indefinitely till all proven reserves have been mined. In the view of the decrease in the market price of iron ore products, there was a decrease in the fair value of the Mine during the year ended 31 December 2015.

The fair value of the mining right at 30 June 2015 has been determined by using value-in-use calculation. The value-in-use calculation is based on a pre-tax discount rate of 22.27% and cash flow projections prepared from financial forecasts approved by the directors of the Company. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the mining unit's expected and forecasted performance and management's expectations for the market development.

Based on the above basis and assumptions, an impairment loss of approximately HK$32,000,000 has been recognised for the year ended 31 December 2015 in respect of the mining right to the extent that the carrying amount exceeded its recoverable amount based on the best estimate by the directors of the Company.

The movements in impairment losses in respect of the mining right are set out as follows:

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	478,019
Impairment loss recognised during the year	**–**	32,000
Eliminated on disposal	**–**	(510,019)
Balance at end of the year	**–**	–

21. GOODWILL

	2016 HK$'000	2015 HK$'000
At beginning of the year	–	–
Acquisition of subsidiary *(Note 32)*	4,500	–
Less: Impairment loss recognised	(4,500)	–
At end of the year	–	–

Goodwill arose during the year ended 31 December 2016 on the acquisition of the 100% equity interests in Growth Track Asset Management Limited ("Growth Track"), a company which is licensed to carry on the regulated activities of Type 9 — Asset Management under the Hong Kong Securities and Futures Ordinance. It represents the excess of the cost of the business combination over the net fair value of Growth Track's identifiable assets and liabilities as of the date of the acquisition.

Impairment testing of goodwill

Goodwill arising on the above acquisition was recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently assessed for impairment testing.

Growth Track had not yet commenced business. In addition, the management of the Company has yet to develop its strategy and business model for Growth Track. Accordingly, the management was unable to prepare financial projections based on reasonable and supportable assumptions. Goodwill of HK$4,500,000 was therefore fully impaired during the year ended 31 December 2016 (2015: Nil).

22. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	33,715	18,021
Less: Impairment	(1,492)	(1,492)
	32,223	16,529
Other receivables and prepayments	40,417	7,130
Less: Impairment	(356)	(356)
	40,061	6,774
	72,284	23,303

Included in other receivables and prepayments, approximately of HK$31,341,000 represent the balance held by a securities broker in respect of the proceeds arising from sales of the Group's securities investments. The balance had been released to the Group in January 2017.

Trade receivables analysed as:

	2016 HK$'000	2015 HK$'000
Trade receivables arising from securities brokerage business:		
— Margin account clients	32,543	12,443
— Cash account clients	875	5,281
— Others	297	297
	33,715	18,021

For trade receivables arising from securities brokerage business, the settlement term is two days after the trade date. Interests are charged on overdue cash account clients and margin account clients at Hong Kong prime rate plus 7% (2015: prime rate plus 7%) per annum and at prime rate plus 4% (2015: prime rate plus 4%) per annum, respectively.

An aging analysis of the trade receivables, presented based on the transaction date, at the end of the reporting periods are as follows:

	2016 HK$'000	2015 HK$'000
0 to 60 days	29,854	11,460
61 to 90 days	79	69
Over 90 days	3,782	6,492
	33,715	18,021

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Aging of trade receivables which are past due but not impaired based on settlement date:

	2016	2015
	HK$'000	*HK$'000*
Overdue by:		
1 to 60 days	**11,135**	4,497
61 to 90 days	**79**	69
Over 90 days	**2,290**	5,000
	13,504	9,566

The overdue trade receivables are mainly arising from margin clients. The Group did not provide any allowance on the past due receivables from margin clients as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. As 31 December 2016, the total market value of securities pledged as collateral by the customers, with which the Group is permitted to repledge, in respect of the loans to margin clients was approximately HK$1,248,954,000 (2015: approximately HK$2,282,065,000).

Movement in the impairment of trade receivables:

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,492**	1,617
Impairment losses reversed	**–**	(125)
Balance at end of year	**1,492**	1,492

23. SHORT-TERM LOANS RECEIVABLE

	2016	2015
	HK$'000	*HK$'000*
Short-term loans receivable	**60,000**	5,000

As at 31 December 2016, the Group had the following loans receivable arising from the Group's money-lending business:

(i) Loan to an individual who is an independent third party, with principal amount of HK$40,000,000 which was divided into two tranches: (i) HK$30,000,000 bears interest at 13% per annum; and (ii) HK$10,000,000 bears interest at 15% per annum. The loan was repayable in February 2017. Details of the provision of financial assistance are set out in the announcement of the Company dated 10 June 2016.

23. SHORT-TERM LOANS RECEIVABLE *(Continued)*

(i) (Continued)
The loan of HK$30,000,000 was early repaid by the borrower in August 2016. On 10 February 2017, the Group and the borrower entered into supplemental deed to extend the maturity date of remaining loan balance of HK$10,000,000 to 10 May 2017. The remaining loan balance of HK10,000,000 was secured by the pledged over a painting and guaranteed by an independent third party, and was fully repaid by the borrower in March 2017.

(ii) Loan to an individual who is an independent third party, with principal amount of HK$50,000,000 pursuant to a loan agreement dated 29 July 2016, which is interest-bearing at 14% per annum, secured by a mortgage given by a mortgagor over two residential properties in Shenzhen, the PRC and repayable on 27 January 2017.

On 27 January 2017, the Group and the borrower entered into a supplemental deed to extend the maturity date to 26 January 2018. Details of the extension of the loan agreement are set out in the announcement of the Company dated 27 January 2017.

As assessed by the management, the fair value of collaterals as at 31 December 2016 is not less than the principal amount of the loan.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 ***HK$'000***	2015 *HK$'000*
Financial assets at FVTPL		
— Listed equity securities in Stock Exchange	**1,363,918**	1,496,563

25. BANK BALANCES HELD UNDER SEGREGATED TRUST ACCOUNTS AND BANK BALANCES AND CASH

	2016 ***HK$'000***	2015 *HK$'000*
Bank balances held under segregated trust accounts *(Note)*	**37,908**	101,445
Cash and cash equivalents		
— Bank balances and cash	**118,901**	74,781
	156,809	176,226

Bank balances as at 31 December 2016 carry interest at floating rates based on daily bank deposit rate ranging from 0.001% to 0.02% (2015: 0.001% to 0.02% per annum).

Note: As the Group is engaged in the business of securities dealing and brokerage, it receives and holds money deposits by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts which was recorded as "bank balances held under segregated trust accounts" under current assets in the consolidated statement of financial position. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

26. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	**88,868**	107,663
Other payables and accruals	**23,265**	20,336
Securities accounts	**14,635**	50
Trade and other payables	**126,768**	128,049

Trade payables analysed as:

	2016 HK$'000	2015 HK$'000
Trade payables arising from securities brokerage business:		
— Cash account clients	**73,258**	43,783
— Margin account clients	**15,610**	63,880
	88,868	107,663

An aging analysis of the trade payables, presented based on the transaction date, at the end of the reporting period are as follows:

	2016 HK$'000	2015 HK$'000
0 to 60 days	**12,838**	82,275
61 to 90 days	**883**	4,460
Over 90 days	**75,147**	20,928
	88,868	107,663

The settlement term of trade payables arising from securities brokerage business is two days after the trade date while for amounts due to cash and margin account clients are repayable on demand.

Included in trade payables arising from securities brokerage business of approximately HK$37,908,000 (2015: approximately HK$101,445,000) was payable to clients and other institutions in respect of the trust bank balances received and held for clients and other institutions in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed. The deposits placed carry variable commercial interest rates.

27. LOANS PAYABLE

	2016 HK$'000	2015 HK$'000
Within 1 year or on demand	**41,000**	–
After 2 years but within 5 years	**581,175**	–
	622,175	–

At the end of the reporting period, the Group had loans payables as follows:

(1) Loan from a financial institution with principal amount of US$25,000,000 (equivalent to approximately HK$193,725,000) together with the accrued interest of approximately US$61,000 (equivalent to approximately HK$477,000), which is interest-bearing at 8% per annum, guaranteed, secured by the equity interest of an associate, and repayable in March 2019.

(2) Loan from a financial institution with principal amount of US$50,000,000 (equivalent to approximately HK$387,450,000) together with the accrued interest of approximately US$195,000 (equivalent to approximately HK$1,519,000), which is interest-bearing at 12.75% per annum, guaranteed, secured by equity interest of an associate, and repayable in March 2019.

(3) Loan from an independent third party with principal amount of HK$41,000,000 together with the accrued interest of approximately HK$1,094,000, which is unguaranteed, unsecured, interest-bearing at 1% per month. The loan was subsequently fully repaid in February 2017.

The total loan interest payable of approximately HK$3,090,000 as at 31 December 2016 was included in other payables and accruals.

28. PROVISION

During the year ended 31 December 2008, a subsidiary of the Company principally engaged in securities brokerage might be found liable to certain third parties for certain irregular transactions allegedly conducted by its former employee involving an aggregate amount of approximately HK$9,250,000 and a provision of HK$9,250,000 was made in that year. The matters had been first reported to the relevant enforcement agencies by such subsidiary in March 2009 and the former employee was convicted by the High Court of Hong Kong in 2009.

During the year ended 31 December 2011, an individual issued a claim against the Group for loss of for RMB1,103,000 (equivalent to HK$1,359,000) plus interest. The claim from this individual was fully settled in March 2012 by a payment of RMB600,000 (equivalent to HK$730,000) and deducted from the provision, of which HK$1,250,000 was provided for this individual during the year ended 31 December 2008. The remaining provision in respect of this individual amounting to HK$520,000 was written off as sundry income for the year ended 31 December 2012.

As at 31 December 2015, the outstanding provision regarding to this incident was HK$8,000,000.

28. PROVISION *(Continued)*

During the year ended 31 December 2016, the Group obtained legal opinion from law firms in Hong Kong and the PRC which considered that the causes of action of the individuals in the above matter are time-barred and the time limitation had lapsed by 31 December 2016.

In the opinion of the directors, it is not probable that the individuals will issue claims against the Group and they thus consider to reverse the HK$8,000,000 provision and to disclose it as contingent liabilities as at 31 December 2016.

In addition, pursuant to a preliminary legal advice, such subsidiary may also be subject to a maximum penalty of HK$10,000,000 to the enforcement agency for the allegedly irregular transactions conducted by the former employee. In the opinion of the directors, since the investigation of the matters by the enforcement agency is still in progress, up to the end of the reporting period no penalty against the subsidiary has been received and further, the directors cannot reasonably estimate the outcome of the matters and thus, the Group did not provide any provision on such potential penalty as at 31 December 2016 (2015: Nil). The possible maximum penalty of HK$10,000,000 is therefore regarded as a contingent liability of the Group as at 31 December 2016 (2015: HK$10,000,000).

29. DEFERRED TAX LIABILITIES

The following is the deferred tax liability recognised for the impairment loss recognised in respect of the mining right, and the movements thereon, during the year:

	2016 ***HK$'000***	2015 *HK$'000*
At beginning of the year	–	35,000
Credited to profit or loss *(Note 13)*	–	(8,000)
Disposal of mining operation	–	(27,000)
At end of the year	–	–

As at 31 December 2016, the Group has unused tax losses of approximately HK$1,576,167,000 (2015: approximately HK$732,396,000) available for offsetting against future profits. No deferred tax assets have been recognised as the Company and certain subsidiaries of the Company have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. SHARE CAPITAL

	2016		2015	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Issued and fully paid:				
At 1 January	**778,843**	**2,674,001**	389,421	2,266,087
Issue of shares pursuant to placement of shares *(Note (a))*	**155,768**	**37,770**	–	–
Issue of shares pursuant to rights issue *(Note (b))*	**467,306**	**113,030**	700,959	407,914
Share consolidation *(Note (c))*	**–**	**–**	(311,537)	–
At 31 December	**1,401,917**	**2,824,801**	778,843	2,674,001

Notes:

(a) On 15 August 2016, the Company issued a total of 155, 768, 530 new shares as a result of the placing. Net proceeds of approximately HK$37,770,000 were raised. Details of the placing are set out in the announcement of the Company dated 4 August 2016 and 15 August 2016

(b) On 5 October 2016, the Company issued a total of 467,305,590 new shares as a result of the rights issue on the basis of one rights share for every two shares. Net proceeds of approximately HK$113,030,000 were raised. Details of the rights issue are set out in the announcements and the prospectus of the Company dated 10 August 2016, 18 August 2016, 29 August 2016,13 September 2016 and 5 October 2016.

On 16 March 2015, the Company issued a total of 700,958,385 new shares as a result of the rights issue on the basis of nine rights shares for every share. Net proceeds of approximately HK$407,914,000 were raised. Details of the rights issue are set out in the prospectus of the Company dated 24 February 2015.

(c) The share consolidation of every five shares in the capital of the Company into one consolidated share was effective on 6 February 2015. Details of the share consolidation are set out in the circular of the Company dated 24 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

31. SHARE OPTION SCHEME

The share option scheme adopted by the Company on 8 November 2006 (the "2006 Share Option Scheme") was expired on 7 November 2016 and no further share options can be granted under it. However, the share options granted under the 2006 Share Option Scheme are still exercisable.

On 14 June 2016, the Company adopted a new share option scheme (the "2016 Share Option Scheme"). The primary purpose of the 2016 Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the 2016 Share Option Scheme are as disclosed in the circular of the Company dated 12 May 2016.

Pursuant to the 2016 Share Option Scheme, the Company may grant share options to all directors and employees of the Company or its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, service providers, contractors, business partners or connected persons (as such term is defined in the Listing Rules) of any member of the Group who, in the sole discretion of the board of the directors of the Company, have contributed or will contribute to the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Share options granted should be accepted within 14 days from the offer date. Share options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant. The maximum number of shares to be issued upon the exercise of options that may be granted under the 2016 Share Option Scheme and any other schemes of the Company was refreshed to be not exceeding 140,191,677 shares, representing approximately 10% of the total number of shares in issue as at the date of the shareholders' approval of the refreshed limit. The total number of shares issued and to be issued upon exercise of the share options granted to each participant or grantee (as the case may be) (including both exercised and unexercised options) under the 2016 Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed 1% of the shares in issue unless otherwise approved by shareholders of the Company in accordance with the terms of the 2016 Share Option Scheme. The subscription price for the shares shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by The Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by The Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share (if any) on the date of grant. The subscription price will be determined by the board of directors of the Company at the time the share option is offered to the relevant participant.

During the year ended 31 December 2016, no share option was granted and exercised under the 2016 Share Option Scheme and the 2006 Share Option Scheme.

31. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of share options granted under the 2006 Share Option Scheme are as follows:

Tranche	Date of grant *dd/mm/yyyy*	Exercisable period *dd/mm/yyyy*	Closing price of the Company's shares immediately before the grant date *HK$*	Exercise price at grant date *HK$*	Exercise price at 31 December 2015 *HK$*	Exercise price at 31 December 2016 *HK$*
Three *(note below)*	03/12/2007	03/12/2007 to 02/12/2017	1.04	1.22	304.63	269.01

Details of movements of the Company's share options held by directors, employees (other than directors) and other participants under the 2006 Share Option Scheme are as follows:

			At 1 January 2016		After Adjustment *(Note a)*		Number of share options	
Name or category of participant	Date of grant *dd/mm/yyyy*	Exercisable period *dd/mm/yyyy*	Exercise price per share *HK$*	Number of share options	Exercise price per share *HK$*	Number of share options	Lapsed during the year	Outstanding at 31 December 2016
Year ended 31 December 2016								
Directors								
Ng Shin Kwan, Christine	03/12/2007	03/12/2007–02/12/2017	304.63	67,191	269.01	76,087	–	76,087
Wong Yun Kuen	03/12/2007	03/12/2007–02/12/2017	304.63	208	269.01	236	–	236
Subtotal:				67,399		76,323	–	76,323
Employees (other than directors) in aggregate	03/12/2007	03/12/2007–02/12/2017	304.63	43,271	269.01	49,000	–	49,000
Other participants in aggregate	03/12/2007	03/12/2007–02/12/2017	304.63	312,043	269.01	353,357	–	353,357
Total:				422,713		478,680	–	478,680
Weighted average exercise price (HK$)			304.63				–	269.01
Weighted average remaining contractual life (Number of years)								0.92

31. SHARE OPTION SCHEME *(Continued)*

Name or category of participant	Date of grant dd/mm/yyyy	Exercisable period dd/mm/yyyy	At 1 January 2015 Exercise price per share HK$	At 1 January 2015 Number of share options	After Adjustment (Note b) Exercise price per share HK$	After Adjustment (Note b) Number of share options	Number of share options Lapsed during the year	Number of share options Outstanding at 31 December 2015
Year ended 31 December 2015								
Directors								
Ng Shin Kwan, Christine	03/12/2007	03/12/2007– 02/12/2017	96.8	211,455	304.63	67,191	–	67,191
Wong Yun Kuen	03/12/2007	03/12/2007– 02/12/2017	96.8	655	304.63	208	–	208
Subtotal:				212,110		67,399	–	67,399
Employees (other than directors) in aggregate	03/12/2007	03/12/2007– 02/12/2017	96.8	136,178	304.63	43,271	–	43,271
Other participants in aggregate	03/12/2007	03/12/2007– 02/12/2017	96.8	982,020	304.63	312,043	–	312,043
Total:				1,330,308		422,713	–	422,713
Weighted average exercise price (HK$)			96.8				–	304.63
Weighted average remaining contractual life (Number of years)								1.92

Notes:

(a) As a result of the rights issue which was completed on 5 October 2016, the relevant exercise price was adjusted from HK$304.63 to HK$269.01, and the number of outstanding share options was adjusted accordingly.

(b) As a result of the share consolidation and rights issue which was completed on 6 February 2015 and 16 March 2015 respectively, the relevant exercise price was adjusted from HK$96.8 to HK$304.63, and the number of outstanding share options was adjusted accordingly.

(c) There was no vesting period for the share options granted by the Company.

As at the date of this report, 478,680 and 140,191,677 shares are available for issue under the 2006 Share Option Scheme and the 2016 Share Option Scheme respectively, which represents approximately 10.03% of the issued shares of the Company as at the same date.

31. SHARE OPTION SCHEME *(Continued)*

At the end of the reporting period, the Company had 478,680 (2015: 422,713) share options outstanding under the 2006 Share Option Scheme. The exercise in full of the remaining share options would under the present capital structure of the Company, resulting in issue of 478,680 (2015: 422,713) additional ordinary shares of the Company and additional share capital of approximately HK$128,770,000 (2015: approximately HK$128,771,000) (before the issue expenses).

The following major assumptions were used to calculate the fair values of Tranche Three share options granted during the year ended 31 December 2007:

Inputs into the model	**Option Type Tranche Three**
Grant date share price	HK$1.05
Exercisable period	10 years
Exercise price	HK$1.22
Expected life	1.22 year
Expected volatility	128.80%
Dividend yield	0%
Risk-free interest rate	1.416%

The Company has used the Black-Scholes option pricing model to value the Tranche Three share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The expected life of the options was determined with reference to the historical share price records of the Company and the expected volatility was determined with reference to the historical volatilities of the share prices of the Company over the period that is equal to the expected life of the options before the grant date.

32. ACQUISITION OF A SUBSIDIARY

On 21 July 2016, the Group completed the acquisition from an independent third party of 100% equity interests in Growth Track, a company which is licensed to carry on the regulated activities of Type 9 — Asset Management under Hong Kong Securities and Futures Ordinance. Growth Track was acquired from an independent third party so as to continue the expansion of the Group's brokerage and securities investment operations.

(a) Assets acquired and liabilities recognised at the date of acquisition

	2016 *HK$'000*
Current assets	311
Non-current assets	–
Current liabilities	–
Non-current liabilities	–
Net assets	311

(b) Goodwill arising on acquisition

	2016 *HK$'000*
Consideration transferred	4,811
Less: fair value of identifiable net assets acquired	(311)
Goodwill arising on acquisition	4,500

Goodwill arose in the acquisition of Growth Track represents the excess of the cost of the business combination over the net fair value of Growth Track's identifiable assets and liabilities as of the date of the acquisition.

(c) Net cash outflow on acquisition of a subsidiary

	2016 *HK$'000*
Consideration paid in cash	4,811
Less: cash and cash equivalent balances acquired	(311)
	4,500

At 31 December 2016, Growth Track has not yet commenced business operations and had no significant impact on the Group's result for the year.

33. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2016, the Group disposed of Sharp Allied Limited which was an asset holding company.

During the year ended 31 December 2015, the Group disposed of Union Bless Limited which carried out its entire mining operation as disclosed in Note 13.

(a) Analysis of assets and liabilities over which control was lost

Sharp Allied Limited	**2016** ***HK$'000***
Current assets	**–**
Non-current assets	
Property, plant and equipment	**6,490**
Current liabilities	**–**
Non-current liabilities	**–**
Net assets disposed of	**6,490**

Union Bless Limited	2015 *HK$'000*
Current assets	
Inventories	881
Trade receivables	6,159
Cash and cash equivalents	1,115
Tax receivables	63
Non-current assets	
Property, plant and equipment	1,300
Mining right	108,000
Current liabilities	
Trade and other payables	(589)
Non-current liabilities	
Deferred tax liabilities	(27,000)
Net assets disposed of	89,929

33. DISPOSAL OF A SUBSIDIARY *(Continued)*

(b) Gain/(loss) on disposal of a subsidiary

Sharp Allied Limited	**2016** ***HK$'000***
Consideration received	**7,984**
Net assets disposed of	**(6,490)**
Gain on disposal	**1,494**

Union Bless Limited	2015 *HK$'000*
Consideration received	20,000
Net assets disposed of	(89,929)
Exchange difference	(490)
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	1,181
Loss on disposal	(69,238)

The loss on disposal is included in the profit for the year from discontinued operation for the year ended 31 December 2015 (Note 13).

(c) Net cash inflow on disposal of a subsidiary

Sharp Allied Limited	**2016** ***HK$'000***
Consideration received in cash and cash equivalent	**7,984**
Less: cash and cash equivalent balances disposed of	**–**
	7,984

Union Bless Limited	2015 *HK$'000*
Consideration received in cash and cash equivalents	20,000
Less: cash and cash equivalent balances disposed of	(1,115)
	18,885

34. OPERATING LEASE ARRANGEMENTS

As lessee

	2016 HK$'000	2015 HK$'000
Minimum lease payments paid under operating leases during the year		
— Land and buildings	**10,729**	9,540
— Other assets	**134**	–
	10,863	9,540

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**9,116**	11,286
In the second to fifth years, inclusive	**5,944**	14,660
Over five years	**–**	–
	15,060	25,946

Operating lease payments represent rentals payable by the Group for the Group's office premises and other assets. Leases are negotiated for an average term of two years with fixed rentals (2015: two years).

35. COMMITMENTS

Save as disclosed in this report, the Group has no significant capital commitments as at 31 December 2016 (2015: Nil).

36. PLEDGE OF ASSETS

As at 31 December 2016, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately HK$1,132,959,000 (2015: approximately HK$1,427,810,000) were pledged to a securities broker to secure certain margin financing granted to the Group. The equity interest of an associate with an aggregate carrying amount of approximately HK$496,474,000 (2015: approximately HK$395,671,000) were also pledged to secure loans from two financial institutions.

37. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs not exceeding HK$1,500 per month for each eligible employee to the scheme monthly.

37. RETIREMENT BENEFITS SCHEMES *(Continued)*

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the year ended 31 December 2016 are disclosed in Note 10.

38. CONTINGENT LIABILITIES

As explained in Note 28, the Group is subject to possible claims of HK$8,000,000 and a possible maximum penalty of HK$10,000,000 in respect of allegedly irregular transactions conducted by the former employee in prior years.

Save as disclosed in this report, at the end of each reporting period, the Group and the Company did not have any significant contingent liabilities.

39. SIGNIFICANT MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

During the year ended 31 December 2016, the Group had remuneration paid to the directors and other members of key management of the Group as follows:

	2016	2015
	HK$'000	*HK$'000*
Directors:		
Salaries and other benefits	**5,564**	4,914
Discretionary bonuses	**–**	–
Retirement benefits schemes contributions	**18**	18
	5,582	4,932
Other members of key management:		
Salaries and other benefits	**715**	659
Discretionary bonuses	**–**	–
Retirement benefits schemes contributions	**18**	18
	733	677
	6,315	5,608

Save as disclosed in this report, the Group did not have any other significant transactions and balances with related parties during the year and/or at the end of each reporting period.

These transactions were not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2016

	Notes	**2016 HK$'000**	2015 HK$'000
Non-current assets			
Interests in subsidiaries	*(a)*	**–**	–
Loans and interest receivable from a subsidiary	*(b)*	**423,945**	–
		423,945	–
Current assets			
Other receivables		**62**	61
Amounts due from subsidiaries	*(c)*	**1,312,907**	2,001,410
Bank balances and cash		**90**	739
		1,313,059	2,002,210
Current liabilities			
Accruals and other payables		**4,845**	1,943
Amounts due to subsidiaries	*(c)*	**11,215**	11,215
Short-term loans payable		**41,000**	–
		57,060	13,158
Net current assets		**1,255,999**	1,989,052
Total assets less current liabilities		**1,679,944**	1,989,052
Non-current liabilities			
Long-term loans payable	*27*	**581,175**	–
		581,175	–
Net assets		**1,098,769**	–
Capital and reserves			
Share capital		**2,824,801**	2,674,001
Reserves	*(d)*	**(1,726,032)**	(684,949)
Total equity		**1,098,769**	1,989,052

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors of the Company on 29 March 2017 and are signed on its behalf by:

Li Dong
Director

Ng Shin Kwan, Christine
Director

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			Directly		Indirectly		
			2016	2015	**2016**	2015	
Global Giant Development Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Charter Pearl Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Global Wealth Finance Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Provision of finance
GT Capital Limited	Hong Kong	HK$55,000,000	**–**	–	**100%**	100%	Securities brokerage
GT Financial Holdings Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Max Leap Asia Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Poly Dynamic Investments Limited#	BVI	HK$10,000,000	**–**	–	**100%**	50.1%	Investment holding
Poly Minerals Holdings Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Star Bravo Development Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Upperclass Developments Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Securities investment
Yunnan Tin (Australia) Holdings Pty Ltd	Australia	AUD1,717,500	**–**	–	**100%**	100%	Investment holding

On 30 September 2016, the Group acquired 49.9% equity interest in Poly Dynamic Investments Limited ("Poly Dynamic"), a non-wholly owned subsidiary of the Group, with a total consideration of HK$4,990,000. The Group's ownership interest in Poly Dynamic then increased from 50.1% to 100%.

The difference between the fair value of consideration paid by the Group and the decrease in non-controlling interest after this transaction amounting to approximately HK$1,600,000 is recognised by the Group as other reserve.

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

None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: (Continued)

(b) The Company entered into a loan agreement with a subsidiary on 21 March 2016. Pursuant to the loan agreement, the Company agreed to provide a loan of US$50,000,000 (equivalent to approximately HK$387,450,000) to the subsidiary. The loan was interest-bearing at 12% per annum, unsecured and repayable on 20 March 2019.

(c) Amounts due from/(to) subsidiaries

	2016	2015
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**2,924,907**	2,640,161
Less: Impairment losses recognised	**(1,612,000)**	(638,751)
	1,312,907	2,001,410
Amounts due to subsidiaries	**(11,215)**	(11,215)

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

The movements in impairment losses in respect of amounts due from subsidiaries are set out as follows:

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**638,751**	825,808
Impairment losses recognised during the year	**973,249**	–
Impairment losses reversed for the year	**–**	(187,057)
Balance at end of the year	**1,612,000**	638,751

Because the related recoverable amounts of the amounts due from subsidiaries were estimated to be less than their carrying amounts, an impairment loss of approximately HK$973,249,000 was recognised during the year ended 31 December 2016.

During the year ended 31 December 2015, the reversal of impairment loss of approximately HK$187,057,000 has been recognised in respect of the Company's amounts due from subsidiaries to the extent that the recoverable amounts exceeded their carrying amounts based on the best estimate by the management.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: (Continued)

(d) The reserves of the Company as at 31 December 2016 and 31 December 2015 are as follows:

	Capital reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2015	3,547	52,865	(698,007)	(641,595)
Loss and total comprehensive expense for the year	–	–	(43,354)	(43,354)
At 31 December 2015 and 1 January 2016	3,547	52,865	(741,361)	(684,949)
Loss and total comprehensive expense for the year	–	–	(1,041,083)	(1,041,083)
At 31 December 2016	3,547	52,865	(1,782,444)	(1,726,032)

The Company has no distributable reserve as at the end of the reporting period.

The capital reserve of the Company represented the amount of initial payment from certain shareholders to subscribe for new shares in the Company and the amount was subsequently forfeited as a result of non-payment of the remaining committed contribution in prior years.

41. EVENTS AFTER THE REPORTING PERIOD

The followings are the significant events which have taken place subsequent to the end of the reporting period:

a. On 27 January 2017, the Group entered into a subscription agreement whereby the Group and another investor subscribed for one and eleven additional share(s) in an investee company respectively for the subscription price of US$3,000,000 (equivalent to approximately HK$23,247,000) and US$30,000,000 (equivalent to approximately HK$232,470,000) respectively.

   As at 31 December 2016, the investee company was owned as to one share and nine shares by the Group and the other investor respectively. Upon issue of the additional shares, the investee company be owned as to approximately 9.09% and 90.91% by the Group and the other investor respectively.

   The subscription price was primarily to finance the investee company's acquisition of convertible bonds due 2020 in the principal amount of US$30,000,000 (equivalent to approximately HK$232,470,000) issued by XinRen Aluminum Holdings Limited.

   Details of the transaction are set out in the announcement of the Company dated 27 January 2017.

b. As disclosed in Note 23, the Group and the borrower entered into a supplemental deed on 27 January 2017 to extend the maturity date to 26 January 2018 for the loan facility amounting to HK$50,000,000. Details of the transaction are out in the announcement of the Company dated 27 January 2017.

c. On 3 March 2017, the Group entered into a loan agreement whereby the Group provided a secured loan facility in the principal amount of up to HK$85,000,000 to an individual third party. Details of the transaction are set out in the announcement of the Company dated 3 March 2017.

41. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

d. On 23 March 2017, the Group entered into an indemnity in favour of the personal guarantor and the corporate guarantor, whereby the Group irrevocably and unconditionally indemnifies each of the personal guarantor and the corporate guarantor from and against any and all claims under the personal guarantee and the corporate guarantee up to an aggregate amount which the personal guarantor and/or the corporate guarantor incur or suffer as a result of such claim multiplied by the percentage beneficial shareholding of the Group in the investee company as on the date of such claim or demand by the lending bank. Details of which are set out in the announcement of the Company dated 23 March 2017.

Save as disclosed above, there was no other significant event took place subsequent to the end of the reporting period.

42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2017.

FIVE YEAR FINANCIAL SUMMARY

	2012 *HK$'000* (restated)	2013 *HK$'000* (restated)	2014 *HK$'000* (restated)	2015 *HK$'000*	**2016** ***HK$'000***
RESULTS					
Turnover	3,530	(8,924)	(41,295)	179,653	**(248,754)**
(Loss)/profit for the year	(247,906)	(182)	180,861	446,184	**(993,106)**
(Loss)/profit attributable to:					
Owners of the Company	(246,300)	(178)	180,856	446,179	**(993,106)**
Non-controlling interests	(1,606)	(4)	5	5	**–**
	(247,906)	(182)	180,861	446,184	**(993,106)**
ASSETS AND LIABILITIES					
Total assets	1,353,736	1,382,278	1,488,596	2,367,360	**2,172,926**
Total liabilities	(134,114)	(161,205)	(98,002)	(138,715)	**(751,276)**
	1,219,622	1,221,073	1,390,594	2,228,645	**1,421,650**
Equity attributable to owners of the Company	1,216,238	1,217,693	1,387,209	2,225,255	**1,421,650**
Non-controlling interests	3,384	3,380	3,385	3,390	**–**
	1,219,622	1,221,073	1,390,594	2,228,645	**1,421,650**