GREEN INTERNATIONAL
Holdings Limited
格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2700)

Annual Report 2016

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Yang Wang Jian *(Chairman)*
Mr. Zeng Xiang Di *(Chief Executive Officer)*
Ms. Yang Jun
Mr. Chen Hanhong
Ms. Yang Ya
Dr. Yu Qigang
Ms. Eva Au

Non-Executive Director

Ms. Yu Jiaoli

Independent Non-Executive Directors

Mr. Wu Hong
Mr. Low Chin Sin
Mr. Ye Yunhan
Prof. Zhu Yi Zhun
Mr. Wong Ka Wai

AUDIT COMMITTEE

Mr. Low Chin Sin *(Chairman)*
Mr. Wu Hong
Mr. Wong Ka Wai

REMUNERATION COMMITTEE

Mr. Low Chin Sin *(Chairman)*
Mr. Yang Wang Jian
Mr. Wong Ka Wai

NOMINATION COMMITTEE

Mr. Yang Wang Jian *(Chairman)*
Mr. Low Chin Sin
Mr. Wong Ka Wai

COMPANY SECRETARY

Mr. Chau Kin Cheung Alfred

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3007-08, 30/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

DLA Piper Hong Kong
17/F, Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

AUDITORS

McMillan Woods SG CPA Limited
Unit C5, 15/F
TML Tower
3 Hoi Shing Road
Tsuen Wan
Hong Kong

PRINCIPAL BANKERS

OCBC Wing Hang Bank Limited
Bank of Communications Co., Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
22/F, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2700 (listed on the Main Board of
The Stock Exchange of Hong Kong Limited)

WEBSITE

http://www.irasia.com/listco/hk/greeninternational/

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Green International Holdings Limited (the "Company"), I hereby announce the full-year audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

2016 was still a relatively difficult year for the Group. Although a profit was recorded from the beauty and wellness business, a loss was still recorded from the clubhouse business. Overall, the Group's loss in 2016 decreased as compared to 2015, as the loss from clubhouse business and the provision for impairment In 2016 has decreased as compared to that of 2015.

The Group expects that 2017 will continue to be a difficult year. In view of the difficult environment of the toys industry and the toys industry is becoming increasingly competitive, the Group will consider devoting more resources to other existing and potential business segments to provide higher potential return, and to align the Group's businesses and resources with the Group's current major development objective of exploring opportunities to venture into healthcare, beauty and wellness, medical services for elderly, senior tourism, retirement home, hospital, medical equipment and technology and other prospective businesses. In light of the operating losses from the clubhouse business, the Group is undergoing assessment for rebranding and repositioning of the clubhouse and its contribution to the Group, and will try to control the costs of the clubhouse business.

From 2017 onwards, the Group plans to take on new projects to further diversify its business operations, synergise its current and potential business segments and capture higher growth potentials, as management of the Group considers that these potential investments could maximise return to the Company and its shareholders in the long run.

I am grateful to our shareholders and business partners for their continued support and my fellow members of the Board and colleagues for their dedication and commitment.

Yang Wang Jian
Chairman of the Board

Hong Kong, 30 March 2017

Management Decision and Analysis

BUSINESS REVIEW AND PROSPECTS

Following the acquisition of the beauty and wellness business in May 2015 (Note 32), the Group is principally engaged in the manufacturing and trading of recreational and educational toys and equipment, the operation of clubhouse business and the provision of beauty and wellness services during the year.

Total revenue of approximately HK$46,960,000 was recorded by the Group during the year ended 31 December 2016, as compared to approximately HK$45,620,000 for the same period in 2015.

Revenue arising from different business segments are as follows:

(a) approximately HK$2,450,000 from the toys business segment (2015: HK$7,683,000);

(b) approximately HK$11,237,000 from the clubhouse business segment (2015: HK$16,269,000); and

(c) approximately HK$33,273,000 from the beauty and wellness business segment (after the acquisition in May 2015 to 31 December 2015: HK$21,668,000).

The overall revenue in 2016 was basically same with that in 2015, but the contribution from the toys business segment has decreased, which was mainly due to reallocation of resources by the Board from the toys business segment, in order to align the Group's businesses and resources with the Group's current major development objective of exploring opportunities to venture into healthcare, beauty and wellness, medical services for elderly, senior tourism, retirement home, hospital, medical equipment and technology and other prospective businesses. The Group's gross profit was approximately HK$38,147,000 in 2016, as compared to approximately HK$27,025,000 in 2015, representing an increase of approximately HK$11,122,000; the gross profit margin has increased from 59.2% in 2015 to 81.2% in 2016. This is mainly attributable to the higher gross profit margin from clubhouse business and the beauty and wellness business, and decrease in contribution from the toys business segment, which has a lower gross profit margin.

The loss for the year attributable to the equity holders of the Company amounted to approximately HK$134,537,000 in 2016 whilst a loss of approximately HK$205,103,000 was recorded in 2015. Excluding the effects of non-cash income and expenses (including gain on bargain purchase on acquisition of subsidiaries, gain on disposal of a subsidiary, fair value change of derivative financial instruments, provision for impairment of property, plant and equipment/goodwill/trademark user right and technical know-how, etc.), the operating loss for the year ended 31 December 2016 amounted to approximately HK$13,880,000, which represents a significant decrease to the operating loss of the same period in 2015 of approximately HK$37,131,000 (as adjusted by excluding non-cash income and expenses).

Due to the re-allocation of resources as mentioned above (and hence less costs incurred), the operating loss from the toys business segment has a turnaround from a loss of approximately HK$16,718,000 in 2015 to a profit of approximately HK$685,000 in 2016.

Revenue from the clubhouse business decreased from approximately HK$16,269,000 in 2015 to approximately HK$11,237,000 in 2016 due to the clamp down by the PRC government on money laundering and the push for frugality. However, operating loss decreased from approximately HK$26,660,000 in 2015 to approximately HK$22,056,000 in 2016 due to better control on costs. The Group is undergoing assessment for rebranding and repositioning of the clubhouse and its contribution to the Group, and will try to control the costs of the clubhouse business.

Management Decision and Analysis

The Group has completed the acquisition of the beauty and wellness business in May 2015, which is principally engaged in the provision of beauty and wellness related services in Shenzhen. Revenue from the beauty and wellness business was approximately HK$33,273,000 in 2016 (2015: HK$21,668,000) and an operating profit of approximately HK$7,491,000 was recorded in 2016 (2015: HK$6,247,000).

While the Board assessed the valuation of the beauty and wellness business with reference to (i) the profit guarantee (which is RMB20,000,000 per year for the three years ending on 31 December 2017); (ii) the price-to-earnings ratios of other companies listed in Hong Kong and engaged in similar businesses; and (iii) the growth potential and prospects of the beauty and wellness business at the time of the acquisition, for the purpose of the impairment reviews of the trademark user right and technical know-how during the year ended 31 December 2016, the Company has an independent valuer to perform valuation. When estimating the value in use of the trademark user right and technical know-how, the independent valuer considered that the estimation of value in use conforms with the income approach which focuses on the economic benefits generated by the income producing capability and income approach is therefore adopted for the valuation.

The actual performance of the beauty and wellness business was not as good as anticipated by the Board at the time of the acquisition. Based on the assessment conducted by the independent valuer, the value in use of the trademark user right and technical know-how was approximately HK$157,250,000 as at 31 December 2016, which was determined based on the cash flow projections and a pre-tax discount rate of 17.98% per annum. As the value-in-use of the trademark user right and technical know-how was less than its carrying amount of approximately HK$222,222,000, a provision for impairment of approximately HK$64,972,000 was provided. The Directors would like to emphasise that the abovementioned provisions are non-cash in nature and have no cash flow impact to the Group. There is also no impact on the operations of the beauty and wellness business. Management of the beauty and wellness business has already launched new services to attract more high-end customers, and the Directors are prudently optimistic of the future contributions from this business segment.

The Board is adopting approaches in order to sustain the Group for the long term development and will take appropriate strategic measures to reshape the Group's different business segments and reallocate resources to them when necessary. The Group is actively identifying and exploring other investment and business opportunities to broaden its assets and revenue base. Potential acquisitions or mergers will be assessed by the Board for expansion of the business segments of the Group. The Board believes diversified investments could be beneficial to the interests of the Group and the shareholders as a whole. The Board will cautiously search for investment opportunities so as to produce a steady growth in the Group's long term performance.

Management Decision and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group held cash and cash equivalents of approximately HK$24,514,000 (2015: HK$53,129,000). Net current assets amounted to approximately HK148,131,000 (2015: HK$196,249,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 2.47 times (2015: 4.01 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 51.7% (2015: 35.5%). As at 31 December 2016, the carrying amounts and the principal amounts of the outstanding borrowings (all of which are denominated in Hong Kong dollars and at fixed interest rates) of the Group amounted to approximately HK$135,175,000 (2015: HK$59,856,000) and approximately HK$228,562,000 (2015: HK$109,519,000), respectively.

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group currently does not have regular and established hedging policies in place. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments and adopting appropriate hedging policies to control the risks, when the need arises. The Group was not engaged in any hedging contracts as at 31 December 2016.

CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the year ended 31 December 2016 and up to the date of this report.

(A) Share Capital

There were no changes in the share capital of the Company during the year end up to the date of this report. The Company has 1,972,452,606 issued shares as at 31 December 2016 and the date of this report.

(B) Share Options

On 11 May 2012, the Company granted 65,800,000 share options under the share option scheme of the Company adopted on 2 September 2006 (the "Share Option Scheme") to certain eligible participants (as defined under the Share Option Scheme) at an exercise price of HK$0.37 per share, which were vested immediately on the date of grant (i.e. 11 May 2012) and expire on 10 May 2022, of which 55,800,000 and 34,800,000 share options were still outstanding as at 31 December 2016 and the date of this report, respectively. Pursuant to the terms and conditions of the Share Option Scheme, the exercise price of these share options were adjusted from HK$0.37 per share to HK$0.32 per share with effect from 19 August 2014 (immediately after the completion of an open offer on 19 August 2014).

In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme and was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,246,050 options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). No share options were accepted by the grantees within 28 days from the date of offer in accordance with the terms and conditions of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year.

(C) Convertible Bonds

There were outstanding convertible bonds in an aggregate principal amounts of approximately HK$201,769,000 and HK$220,605,000 which are convertible into 574,090,733 and 684,769,954 shares of the Company, respectively, as at 31 December 2016 and the date of this report. Convertible bonds issued or converted during the year and up to the date of this report are as follows:

i) issue of the 1st 2016 CB on 15 January 2016 (Note 25(e));

ii) issue of the 2nd 2016 CB on 15 April 2016 (Note 25(f));

iii) issue of the 2nd Marsa CB in May 2016 (Note 25(d)); and

iv) issue of certain convertible bonds on 3 March 2017 (Note 37(c)).

In the past twelve months and up to the date of this report, the Company has raised approximately HK$43,500,000 from issuance of bonds and convertible bonds. As at the date of this report, approximately HK$8,000,000 was utilised to development of the money lending business and HK$35,500,000 as general working capital.

Besides, as disclosed in Note 25(a), the 1st Tai Cheng CB was terminated on 15 March 2017 and the Company issued a promissory note to the holder of that convertible bond.

CHARGES ON ASSETS

As at 31 December 2016, none of the Group's assets was pledged to secure any facilities and borrowings granted to the Group.

SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS

Save as disclosed in Note 18 and Note 33, there were no significant acquisition and disposal of assets during the year ended 31 December 2016 and up to the date of this report.

COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital and operating lease commitments as at 31 December 2016 were detailed below:

Capital commitment

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

	HK$'000
Authorised but not contracted for:	
– Construction of property, plant and equipment	25,850

Save as disclosed above, as disclosed in Note 18(a) and 18(b), the Group will be committed in certain investments upon exercise of certain call options.

Management Decision and Analysis

Operating lease commitment

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	HK$'000
Not later than 1 year	17,083
Later than 1 year but not later than 5 years	37,774
	54,857

Contingent liabilities

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

After the end of the reporting period, on 9 February 2017, the Company has received a writ of summons (the "Writ") dated 9 February 2017 issued by the High Court of Hong Kong. The plaintiff is Nu Kenson Limited ("Nu Kenson") and the Company is named as the defendant in the Writ (the "Legal Proceedings").

Pursuant to the Statement of Claim attached to the Writ, Nu Kenson seeks, inter alia, the following reliefs:

(i) a declaration that Nu Kenson is the legal and lawful owner and/or holder of the 1st 2016 CB;

(ii) a declaration that Nu Kenson is entitled to (a) a certificate of the 1st 2016 CB in its name, to be issued by the Company; (b) have its name entered into the register of bondholder by the Company; and (c) convert the 1st 2016 CB into shares of the Company in accordance with the terms and conditions of the 1st 2016 CB;

(iii) specific performance of the 1st 2016 CB; and/or

(iv) damages to be assessed.

Given that the litigation process is at an early stage, the Board, after consulting legal opinion, is yet to evaluate the likelihood of an unfavourable outcome and provide an estimate on any liability and the amount of damages. The Legal Proceedings thereby do not materially affect the normal operation of the Company.

The Company is seeking legal advice in respect of the Legal Proceeding and will make further announcement(s) to keep its shareholders and investors informed of any significant development of the Legal Proceeding as and when appropriate.

Management Decision and Analysis

EMPLOYEES AND REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to retain and motivate employees by linking their compensation to the Group's performance and benchmarking their compensation against corporate goals, so that the interests of the employees are in line with those of the Company's shareholders.

As at 31 December 2016, the Group employed approximately 350 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing its employees with adequate and regular trainings. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

Profile of Directors and Company Secretary

EXECUTIVE DIRECTORS

Mr. Yang Wang Jian, aged 60, was appointed as an executive Director and Chairman of the Board on 7 November 2011 and resigned from both positions on 8 November 2012. He subsequently acted as a senior consultant of the Company since 1 December 2012 and ceased to hold the position of senior consultant upon his re-appointment as an executive Director and Chairman of the Board on 5 September 2013. He was also appointed as directors of several of the Company's subsidiaries. He is the chairman of GEV Investments (Hong Kong) Limited, the Hong Kong operating arm of GEV Investments Limited, which is primarily engaged in the provision of advisory services of mergers and acquisitions, strategic planning, valuations, management or leverage buyouts and capital raising. He has over 25 years of experience in international finance and investment. He was the managing director of Corporate Finance International Ltd. and a director of Uni Core Holdings Corporation (Stock symbol: UCHC), a company listed on the OTC Bulletin Board in the United States. He is currently a member of the Standing Committee of the Shenzhen Committee of Chinese Peoples' Political Consultative Conference, an executive director of the China Overseas Chinese Entrepreneurs Association, a vice president of the Cooperative Finance Committee of the China Society of Cooperative Economics, a consultant and a visiting professor of the Law School of the Renmin University of China and the chairman of the Greater China Experts & Entrepreneurs Union. He graduated from the University of International Business and Economics (formerly known as the College of Beijing Economics and Foreign Trade), with a bachelor's degree in economics. He is the father of Ms. Yang Jun and Ms. Yang Ya, both of whom are executive Directors.

Mr. Zeng Xiang Di, aged 52, was appointed as an executive Director and Chief Executive Officer of the Company on 24 February 2017. He graduated from the Hunan College of Arts and Science（湖南文理學院）. He worked for the government in China for more than a decade and is a visiting professor of the Hunan College of Arts and Science. He acted as vice president, general manager and chairman for several renowned energy and lighting technology companies at Shenzhen. He was an executive director of TC Orient Lighting Holdings Limited (Stock code: 515), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from 29 January 2015 to 16 November 2015 and during which was appointed as Deputy Chief Executive Officer of TC Orient Lighting Holdings Limited on 5 June 2015 and was responsible for the development, and the formulation and implementation of business strategies and project planning. He has profound experience in energy management collaborative (EMC) lighting and energy savings projects and LED lighting technology and application as well as large-scale production and development, and also has expertise and experience in the financial field, especially strategic planning, fund raising, investments and reformation of listed companies.

Ms. Yang Jun, aged 33, was appointed as an executive Director on 7 November 2011. She was also appointed as directors of several of the Company's subsidiaries. She was previously the financial controller of GEV Investments (Hong Kong) Limited, managing advisory services for valuation and strategic planning. She held various senior positions in the financing and banking industry field. She performed as assistant manager in Citibank Singapore and senior financial analyst in Royal Bank of Scotland and was in charge of the Singapore, international and NRI business. She holds a bachelor's degree in business (economics and finance) with high distinction awarded by RMIT University, Australia. She is a daughter of Mr. Yang Wang Jian, an executive Director and Chairman of the Board, and a sister of Ms. Yang Ya, an executive Director.

Profile of Directors and Company Secretary

Mr. Chen Hanhong, aged 65, was appointed as an executive Director on 1 July 2013. He has over 15 years of experience in the management and investment industries. He is currently the president of 東莞市半島實業發展有限公司 (Dongguan Bandao Industry Development Co., Limited*) and a vice president of 深圳市宜麗環保股份有限公司 (Shenzhen Eli Eco-technology Co., Limited*). Mr. Chen has also served as the managing director in 深圳市東方明珠投資有限公司 (Shenzhen Oriental Pearl Investment Co., Limited*) from 1998 to 2005. Prior to that, Mr. Chen performed as a vice managing director in 深圳市大愚投資有限公司 (Shenzhen Dayu Investment Co., Limited*). Mr. Chen completed the Tsinghua Executive Master in Business Administration Research and Advanced Study Class organized by the Research Institute of Tsinghua University in Shenzhen.

Ms. Yang Ya, aged 31, was appointed as an executive Director on 1 August 2013. She was also appointed as directors of several of the Company's subsidiaries. She has wide knowledge in the finance, marketing and investment banking fields. She was the marketing manager of the Company from 1 February 2012 to 31 July 2013. She is a member of the Futian Committee of The Chinese People's Political Consultative Conference. She is currently a director and was previously an investment manager of GEV Investments (Hong Kong) Limited, in charge of consulting, financial and business development and pursuing strategic business relationships with various corporate and organization partners to the company. Prior to that, she performed as a project manager in MGA Services (USA). Ms. Yang graduated from the University of California Irvine with a bachelor's degree in economics. She is a daughter of Mr. Yang Wang Jian, an executive Director and Chairman of the Board, and a sister of Ms. Yang Jun, an executive Director.

Dr. Yu Qigang, aged 52, was appointed as an executive Director on 5 September 2013. He is currently a member of the Standing Committee of the Shenzhen Committee of Chinese Peoples' Political Consultative Conference, the vice president of the Shenzhen General Chamber of Commerce, the vice president of 深圳市服裝協會 (Shenzhen Garment Industry Association*), the executive vice president of the Shenzhen Promotion Association for Small and Medium Enterprises, the vice president of Guangzhou Youth Entrepreneurs Association and an executive council member of the China Glory Society of Shenzhen. He has over 25 years of experience in the corporate management field. From 1987 to 1998, he operated 紹興永盛貿易有限公司 (Shao Xing Yong Sheng Industry & Trading Co., Ltd.*), 東莞東日織造廠 (Dong Guan Winter Sun Shine Co., Ltd.*) and 東莞俞隆貿易有限公司 (Dong Guan Yu Long Trading Co., Ltd*). In 1996, he founded 深圳影兒時裝有限公司 (Shenzhen Yinger Fashion Co., Ltd*) and in 2001 he successfully developed it to 深圳影兒時尚集團有限公司 (Shenzhen Yinger Fashion Group Co., Ltd.*) and has since been its legal representative and president. He is a Manager of Advanced Business Administration (US) certified under the US International Practice Attesting & Login Union and Manager of Advanced Business Administration (China). He holds a doctor's degree in business administration from the California University of Management in the United States. He is an uncle of Ms. Yu Jiaoli, a non-executive Director.

Ms. Eva Au, aged 51, was appointed as an executive Director on 5 June 2015. She was a director 香港美妍聯合國際有限公司 (Hong Kong International Institute of Biological Technology Co., Ltd.*) during the period from 1993 to 2005. She was appointed as a committee member of the 4th and 5th National committee of the Chinese People's Political Consultative Conference. She is currently an honorary president of 深圳市美容行業協會 (Shenzhen Beauty Industry Association*), the founding honorary president and an executive vice president of 深圳僑商國際聯合會 (Shenzhen Overseas Chinese International Association*), an executive director of 中華全國工商聯女企業家商會 (China Women's Chamber of Commerce*), executive vice president of 中華兩岸三地專家企業聯合會 (Chinese Entrepreneurs Association of Great China Region*) and was awarded as the "Top Ten Most Influential Leaders" of the cosmetic industry in Shenzhen and Hong Kong in 2006. She was appointed as a director, the general manager and the president of Marsa Group Pty Ltd of Australia. She is currently a director and general manager of 深圳市瑪莎嘉兒連鎖實業有限公司 (Shenzhen Marsa Guer Chain Enterprise Limited*, a non-wholly owned subsidiary of the Company). She graduated from the Department of Chinese Language and Literature and Department of Mass Communication of the Shenzhen University in 1987 and studied at the Associate College at the University of Technology, Sydney in 1993. She has a wide knowledge in healthcare and medical management.

Profile of Directors and Company Secretary

NON-EXECUTIVE DIRECTOR

Ms. Yu Jiaoli, aged 27, was appointed as a non-executive Director on 1 July 2013. She is currently a designer of Shenzhen Yinger Fashion Group Co., Ltd. She graduated from Guangzhou Science and Technology Trade Vocational College in fashion design. She is a niece of Dr. Yu Qigang, an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Hong, aged 57, was appointed as an independent non-executive Director on 7 November 2011. He is currently a professor and dean of the College of Design at Shenzhen University in the PRC. He has over 15 years of experience in the field of design, and has worked in both the academic field and in commercial areas in the PRC. He graduated from Chinese National Academy of Arts with a doctoral degree in art & design.

Mr. Low Chin Sin, aged 56, was appointed as an independent non-executive Director on 15 November 2012. He is the founder of Thico Ltd. He is currently the managing director of Thico Ltd., which is an importer and distributor of food supplements. He has over 20 years of experience in direct marketing business. He held a position as operation manager for YMM Sun Chlorella Malaysia Sdn. Bhd. from 1985 to 1986. He joined Win Win Direct Sales (HK) Ltd. as general manager from 1986 to 1989. He joined Media Master Holdings Limited as a consultant from 2009 to 2010. He graduated from The University of Windsor, Canada with Bachelor of Commerce (honour) in business administration.

Mr. Ye Yunhan, aged 58, was appointed as an independent non-executive Director on 5 September 2013. He has over 25 years of experience in management field. From 1988 to 2000, he had been a vice president in the operations department of the Hong Kong COSCO Group (previously known as Ocean Tramping Inc.) and the deputy managing director of Hong Kong Panwell Company Limited. He is now the deputy managing director of YHL (H.K.) Limited. He graduated from the Radio Specialists Class of the Physics Department at Naikai University in Tianjin.

Prof. Zhu Yi Zhun, aged 52, was appointed as an independent non-executive Director on 4 March 2016. He graduated from the School of Medicine of the Shanghai Jiao Tong University (formerly known as Shanghai Second Medical University) with a bachelor degree in Medicine in 1989, and then graduated from the School of Medicine of the Heidelberg University in 1994 with a doctor's degree in Medicine (1995). He has been working on cardiovascular and neuropharmacology research for nearly 20 years, and he is currently the first director and the chair professor of the School of Pharmacy of the Macau University of Science and Technology. He currently serves as president of the 國際天然產物協會 (International Society for the Development of Natural Products*) and a part-time professor of the National University of Singapore. He is also a vice president of 中國高等醫學教育學會藥學教育研究會 (Pharmaceutical Education Research Association of the Chinese Higher Institution of Medicine*), an executive director of 中國藥學會 (Chinese Pharmaceutical Association*), a vice president of 上海市藥學會 (Shanghai Pharmaceutical Association*) and an executive committee member of 中國心血管藥理學會 (Chinese Society of Cardiovascular Pharmacology*). He served as the dean of the School of Pharmacy of Fudan University (from 2005 to 2014), as a deputy supervisor of the Medical Academic Committee and as a supervisor of the Pharmacy Academic Committee of Fudan University. He was appointed as an independent director of 山西仟源醫藥集團股份有限公司 (Shanxi C&Y Pharmaceutical Group Company, Limited*) (stock code: 300254) on 1 June 2010, and was appointed as an independent director of 江門甘蔗化工廠（集團）股份有限公司 (Jiangmen Sugarcane Chemical Factory (Group) Company, Limited*) (stock code: 000576) on 15 August 2015, both of which are listed on the Shenzhen Stock Exchange.

Profile of Directors and Company Secretary

Mr. Wong Ka Wai, aged 37, was appointed as an independent non-executive Director on 13 February 2017. He has worked in various international accounting firms for over seven years. He is the chairman of Jai Dam Distribution (Hong Kong) Co. Ltd. since January 2013. He obtained a bachelor's degree of business administration in accountancy from the City University of Hong Kong in November 2001. He was admitted as a member of the Association of Chartered Certified Accountants in 2009. He is an independent non-executive director of Jujiang Construction Group Co., Ltd (Stock code: 1459), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited since 19 August 2015.

COMPANY SECRETARY

Mr. Chau Kin Cheung Alfred, aged 32, was appointed as company secretary on 21 August 2015. He was also appointed as company secretaries of several of the Company's subsidiaries. He is a member of the Association of Chartered Certified Accountants. He holds a bachelor's degree in professional accountancy from the Chinese University of Hong Kong. He has extensive professional experience in accounting, auditing, financial management and compliance matters.

* *for identification purpose only*

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Board believes that good governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviation from code provision A.6.7 which is explained below, the Company has been in compliance with all code provisions set out in the CG Code for the year ended 31 December 2016.

Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors and one non-executive Director did not attend the annual general meeting held on 15 June 2016 due to other work commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the leadership and control of the Group and collectively responsible for promoting success of the Group by directing and supervising the Group's affairs. The Board also formulates objectives, overall corporate strategies and business plans, and oversees the financial and management performance of the Group. Senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group, which include the implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management on behalf of the Group.

Specifically in relation to corporation governance function, the Board is responsible for the corporation governance function as a whole. During the reporting period and up to the date of this report, the Board had performed the following duties:–

1. Developing and reviewing relevant corporate governance policy and practice of the Company;

2. Reviewing and inspecting continuous professional development and training of Directors and senior management;

3. Reviewing and monitoring the policies and practices of the Company being in compliance with the statutory and other regulatory provisions;

4. Developing, reviewing and checking code and provision of conducts applicable to the Directors and employees; and

5. Reviewing that the Company being in compliance with the CG Code and corporate governance reporting requirements.

Corporate Governance Report

All Directors have full and timely access to all relevant information in relation to the Group as well as the advice from and services provided by the company secretary, if and when required, with a view to ensure that the procedures are in compliance and all applicable rules and regulations are followed.

There are established procedures for Directors upon reasonable request, to seek independent advice in appropriate circumstances for them to discharge their duties and responsibilities, at the Company's expenses.

Directors' and officers liability insurance and indemnity

The Company has arranged appropriate liability insurance for the Directors and the senior management of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Throughout the year, no claim had been made against the Directors and the officers of the Company.

Composition

The Board currently comprises 7 executive Directors, 1 non-executive Director and 5 independent non-executive Directors from different businesses and professional fields. The Directors, including independent non-executive Directors, have brought a balance of valuable and diversified businesses and professional expertises, experiences and independent judgment to the Board for its efficient and effective management of the Group's business.

The Board during the year and up to the date of this report has comprised the following Directors:

Executive Directors

Mr. Yang Wang Jian *(Chairman)*
Mr. Wong Man Keung *(Chief Executive Officer)* (resigned on 10 January 2017)
Mr. Zeng Xiang Di *(Chief Executive Officer)* (appointed on 24 February 2017)
Ms. Yang Jun
Mr. Chen Hanhong
Ms. Yang Ya
Dr. Yu Qigang
Ms. Eva Au

Non-Executive Directors

Ms. Yu Jiaoli

Independent Non-executive Directors

Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)
Mr. Wu Hong
Mr. Low Chin Sin
Mr. Ye Yunhan
Prof. Zhu Yi Zhun
Mr. Wong Ka Wai (appointed on 13 February 2017)

The profiles of each Director are set out in the "Profile of Directors and Company Secretary" section in this annual report. Save as disclosed in the "Profile of Directors and Company Secretary" section in this annual report, each Director has no other relationship with any other Directors.

Corporate Governance Report

Chairman of the Board and Chief Executive Officer

The key role of Chairman of the Board is to provide leadership to the Board. In performing his duties, Chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities. Chairman of the Board also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Group.

The key role of Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and the business of the Group. The duties of Chief Executive Officer mainly include:

- providing leadership and supervising the effective management of the Group;
- monitoring and controlling the financial and operational performance of various divisions; and
- implementing the strategy and policies adopted by the Group, setting and implementing objectives and development plans.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed 5 independent non-executive Directors, of whom Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017) and Mr. Wong Ka Wai (appointed on 13 February 2017) has appropriate professional qualifications and related experiences in financial matters.

The Company has received written annual confirmation from each independent non-executive Director of their independence pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the guidelines set out in the Listing Rules.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a period of 1 year which could be terminated by either party giving to the other 1 month's written notice.

Appointment and Re-election of Directors

The Board retains the functions of selecting and approving candidates to become Board members. Directors who are appointed by the Board are subject to retirement by rotation in accordance with the Company's Articles of Association.

In accordance with the Articles of Association of the Company, any director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every 3 years. The Directors (including those appointed for a special term) to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Any Director appointed by the Directors either to fill a casual vacancy on the Board or as an addition to the existing Board shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Induction and Continuing Professional Development for Directors

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

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. The Directors are continually updated with legal and regulatory developments, business and market changes in order to discharge their responsibilities.

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Directors participated in the following continuous professional development activities:

Directors	**Type of Trainings** *(Note)*
Mr. Yang Wang Jian	a, b
Mr. Wong Man Keung (resigned on 10 January 2017)	a, b
Ms. Yang Jun	a, b
Mr. Chen Hanhong	a, b
Ms. Yang Ya	a, b
Dr. Yu Qigang	a, b
Ms. Eva Au	a, b
Ms. Yu Jiaoli	a, b
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)	a, b
Mr. Wu Hong	a, b
Mr. Low Chin Sin	a, b
Mr. Ye Yunhan	a, b
Prof. Zhu Yi Zhun	a, b

Note:

a: attending seminar or training session

b: reading newspapers, journals and updates relating to economy, general business or directors' duties and responsibilities etc.

During the year, all Directors are provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Corporate Governance Report

Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for preparing the Group's financial statements. The financial statements for the year ended 31 December 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group incurred a continuous loss of HK$132,943,000 during the year ended 31 December 2016. As at 31 December 2016, the Group has cash and cash equivalent of approximately HK$24,514,000 and the management anticipated that it is insufficient to support the operating expense in the next twelve months.

However, in the opinion of the Directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the following:

1. Management will continue to control the operating costs and launch new services to attract new customers with an aim to attain better operating cash flows; and

2. The Group would contemplate issuance of financial instruments to raise additional funds to support the operation and investment of the Group as necessary and appropriate.

Based on the aforesaid measures, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

The responsibilities of the external auditor, McMillan Woods SG CPA Limited, are set out in the Independent Auditor's Report on page 37.

BOARD AND COMMITTEE MEETINGS

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least 4 times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings.

For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all Directors before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. All Directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also have separate and independent access to senior management whenever necessary.

Apart from the regular board meetings, the Board met on other occasions from time to time when a board-level decision on a particular matter was required.

Minutes of all Board meetings, recording sufficient details of matters considered and decisions reached, are kept by the secretary of the meetings, and are open for inspection by the Directors.

During the year, 15 Board meetings and 1 general meeting (one annual general meeting on 15 June 2016) were held and the individual attendance of each Director is set out below:

Director Name	Attendance of general meetings	Attendance of Board meetings
Executive Directors		
Mr. Yang Wang Jian *(Chairman)*	1/1	15/15
Mr. Wong Man Keung *(Chief Executive Officer)* (resigned on 10 January 2017)	1/1	11/15
Ms. Yang Jun	1/1	15/15
Mr. Chen Hanhong	1/1	15/15
Ms. Yang Ya	1/1	15/15
Dr. Yu Qigang	0/1	15/15
Ms. Eva Au	0/1	15/15
Non-executive Director		
Ms. Yu Jiaoli	0/1	15/15
Independent Non-executive Directors		
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)	0/1	11/15
Mr. Wu Hong	0/1	15/15
Mr. Low Chin Sin	1/1	15/15
Mr. Ye Yunhan	1/1	15/15
Prof. Zhu Yi Zhun	1/1	12/12

Board Committees

The Board has established 3 committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference.

The majority of the members of each Board committee are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee comprises 3 independent non-executive Directors, namely

Mr. Low Chin Sin *(Chairman)*
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)
Mr. Wu Hong
Mr. Wong Ka Wai (appointed on 13 February 2017)

None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(b) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures;

(c) To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit; and

(d) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of management, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.

Work performed by the Audit Committee during the year includes the following:

- reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of management, and make recommendation to the Board on the reappointment of external auditors;
- reviewed the annual and interim reports of the Company as to whether they are in compliance with the accounting standards and relevant requirements in relation to financial reporting under the Listing Rules and other laws;
- reviewed matters relating to risk management and internal control systems, and the plans and objectives of the internal audit function established by the Company in 2016; and
- reviewed the Group's accounting principles and practices, financial reporting and statutory compliance matters.

During the year, the Audit Committee convened 2 meetings. Members and their attendances are as follows:

Director Name	**Attendance**
Mr. Low Chin Sin *(Chairman)*	2/2
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)	2/2
Mr. Wu Hong	2/2

Remuneration Committee

The Remuneration Committee comprises the Chairman of the Board and 2 independent non-executive Directors, namely

Mr. Low Chin Sin *(Chairman)*
Mr. Yang Wang Jian
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)
Mr. Wong Ka Wai (appointed on 13 February 2017)

The main duties of the Remuneration Committee include the followings:

(a) To review, recommend and approve the remuneration policy and structure and remuneration packages of executive Directors and senior management;

(b) To review, recommend and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(c) To determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management;

(d) To review, recommend and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(e) To establish transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, whose remuneration shall be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

Work performed by the Remuneration Committee during the year includes the following:

- reviewed the remuneration policy of Directors and senior management;
- assessed performance of executive Directors;
- reviewed and determined, with delegated responsibility from the Board, the remuneration package of each Director and the company secretary including bonus payment, pension right and compensation payable; and
- approved the forms of the service agreement for each executive Director and the appointment letter for each non-executive Director and independent non-executive Director.

During the year, the Remuneration Committee convened 2 meetings. Members and their attendances are as follows:

Director Name	**Attendance**
Mr. Low Chin Sin *(Chairman)*	2/2
Mr. Yang Wang Jian	2/2
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)	2/2

Nomination Committee

The Nomination Committee comprises the Chairman of the Board and 2 independent non-executive Directors, namely

Mr. Yang Wang Jian *(Chairman)*
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)
Mr. Low Chin Sin
Mr. Wong Ka Wai (appointed on 13 February 2017)

Corporate Governance Report

The main duties of the Nomination Committee include the followings:

(a) To review the criteria and procedures of selection of Directors and senior management, and provide suggestions;

(b) To conduct extensive search for qualified candidates for Directors and senior management;

(c) To review the Board diversity policy and the progress on achieving the objectives set for implementing the said policy; and

(d) To assess the candidates for Directors and senior management and provide the relevant recommendations.

Nomination procedures and the process and criteria adopted by the Nomination Committee include the followings:

- in considering the nomination of new Directors, the Nomination Committee will take into account a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service of the individual as the selection criteria;

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

- assess the independence of independent non-executive Directors.

During the year, the Nomination Committee convened 2 meetings. Members and their attendances are as follows:

Director Name	**Attendance**
Mr. Yang Wang Jian *(Chairman)*	2/2
Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)	2/2
Mr. Low Chin Sin	2/2

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS

During the year, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Cod) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have confirmed their compliance with the required standard as set out in the Model Code during the year.

AUDITOR'S REMUNERATION

McMillan Woods SG CPA Limited has been appointed as the Company's external auditor since 2014.

The Audit Committee has been notified of the nature and service charges of the non-audit services to be performed by McMillan Woods SG CPA Limited (if any) and considered that such services have no adverse effect on the independence of their audit works.

A summary of services provided by the external auditor for the year ended 31 December 2016 and their corresponding remunerations are as follows:

Nature of services	Amount
	HK$'000
Audit services	902

INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the internal control systems of the Group and in reviewing its effectiveness, is committed to implementing an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group. Procedures have been designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The procedures provide a reasonable, but not absolute, assurance that material untrue statements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the year, the Board, through the Audit Committee, has been assessing and improving the effectiveness of the Group's risk management and internal control system continuously, which covers financial, operational, compliance as well as risk management function, in order to cope with the changing business environment. Also, the Company has established an internal audit function in 2016 and the Audit Committee has reviewed matters relating to risk management and internal control systems, and the plans and objectives of the internal audit function.

SHAREHOLDERS' RIGHTS

Procedure for shareholders to put forward enquiries to the Board

The Company's website provides email address and enquiry telephone lines to enable shareholders of the Company to make any enquiries and concerns to the Board. Shareholders may put forward enquiries to the Board through the company secretary of the Company who will direct the enquiries to the Board for handling.

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 58 of the Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above.

Corporate Governance Report

Pursuant to Article 88 of the Articles of Association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) 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 head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch 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.

If a shareholder wishes to propose a person (the "Candidate") for election as a director of the Company at a general meeting, or any enquiries and concerns, he/she shall deposit a written notice at the Company's head office at Suite 3007-8, 30/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong (addressed to the company secretary). The written notice must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognizes the importance of continuing communications with the Company's shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and its shareholders is through the publication of its annual and interim reports.

The Company's registrars serve the shareholders with respect to all share registration matters.

The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. Board members and management of the Company are available to answer shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are normally sent to all shareholders at least 20 clear business days before the annual general meeting.

All shareholders' communications, including interim and annual reports, announcements and press releases as well as the shareholders communication policy and the procedures for the election of Directors by shareholder are available on the Company's website at www.irasia.com/listco/hk/greeninternational/.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with existing shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2169 0813 during normal business hours, by fax at (852) 2169 0663 or by e-mail at ir@green-international.com.

During the year, the Company did not make any changes to the Memorandum and Articles of Association and the current version of which is available on the websites of the Stock Exchange and the Company.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities and other particulars of its principal subsidiaries are set out in Note 38(a) to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the year are set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), is set out in the sections "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 9 of this annual report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2016 is set out on page 42. The Directors do not recommend the payment of any dividend in respect of the year.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 24 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity on page 46 of this annual report and Note 38(c) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company had the following distributable reserves which may be applied to pay up unissued shares to be issued to shareholders of the Company as fully paid bonus shares subject to relevant laws and regulations:

	HK$'000
Share premium	544,946
Accumulated losses	(432,278)
	112,668

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

Report of the Directors

CONVERTIBLE BONDS

Details of the convertible bonds issued by the Company are set out in Note 25 to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past 5 financial years are set out on pages 121 to 122 of this annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed in the paragraph headed "Capital Structure" in the "Management Discussion and Analysis" section above, neither the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's securities listed on the Stock Exchange during the year.

DIRECTORS

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

Executive Directors

Mr. Yang Wang Jian *(Chairman)*
Mr. Wong Man Keung *(Chief Executive Officer)* (resigned on 10 January 2017)
Mr. Zeng Xiang Di *(Chief Executive Officer)* (appointed on 24 February 2017)
Ms. Yang Jun
Mr. Chen Hanhong
Ms. Yang Ya
Dr. Yu Qigang
Ms. Eva Au

Non-Executive Directors

Ms. Yu Jiaoli

Independent Non-executive Directors

Mr. Yeung King Wah, Kenneth (resigned on 13 February 2017)
Mr. Wu Hong
Mr. Low Chin Sin
Mr. Ye Yunhan
Prof. Zhu Yi Zhun
Mr. Wong Ka Wai (appointed on 13 February 2017)

In accordance with the Company's Articles of Association, Mr. Zeng Xiang Di, Ms. Yu Jiaoli, Mr. Wu Hong, Mr. Low Chin Sin, Mr. Ye Yunhan and Mr. Wong Ka Wai are required to retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical particulars of the Directors are set out on pages 10 to 13 of this annual report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors Mr. Yang Wang Jian and Dr. Yu Qigang, has entered into a service agreement with the Company for a period of 3 years commencing on 5 September 2016 which could be terminated by either party giving to the other 1 month's written notice.

Mr. Zeng Xiang Di, an executive director, has entered into a service agreement with the Company for a period of 3 years commencing on 24 February 2017 which could be terminated by either party giving to the other 1 months' written notice.

Ms. Yang Jun, an executive director, has entered into a service agreement with the Company for a period of 3 years commencing on 7 November 2014 which could be terminated by either party giving to the other 1 months' written notice.

Mr. Chen Hanhong, an executive Director, has entered into a service agreement with the Company for a period of 3 years commencing on 1 July 2016 which could be terminated by either party giving to the other 1 month's written notice.

Ms. Yang Ya, an executive Director, has entered into a service agreement with the Company for a period of 3 years commencing on 1 August 2016 which could be terminated by either party giving to the other 1 month's written notice.

Ms. Eva Au, an executive Director, has entered into a service agreement with the Company for a period of 3 years commencing on 5 June 2015 which could be terminated by either party giving to the other 1 month's written notice.

Ms. Yu Jiaoli, a non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 1 July 2016 which could be terminated by either party giving to the other 1 month's written notice.

Mr. Wu Hong, an independent non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 7 November 2016 which could be terminated by either party giving to the other 1 month's written notice. Mr. Wu Hong was appointed as independent non-executive Director on 7 November 2011.

Mr. Low Chin Sin, an independent non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 15 November 2016 which could be terminated by either party giving to the other 1 month's written notice. Mr. Low Chin Sin was appointed as an independent non-executive Director on 15 November 2012.

Mr. Ye Yunhan, an independent non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 5 September 2016 which could be terminated by either party giving to the other 1 month's written notice. Mr. Ye Yunhan was appointed as an independent non-executive Director on 5 September 2013.

Report of the Directors

Prof. Zhu Yi Zhun, an independent non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 4 March 2017 which could be terminated by either party giving to the other 1 month's written notice. Prof. Zhu Yi Zhun was appointed as an independent non-executive Director on 4 March 2016.

Mr. Wong Ka Wai, an independent non-executive Director, has entered into a letter of appointment with the Company for a period of 1 year commencing on 13 February 2017 which could be terminated by either party giving to the other 1 month's written notice. Mr. Wong Ka Wai was appointed as an independent non-executive Director on 13 February 2017.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not terminable by the employing company within 1 year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 35(b) to the consolidated financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in Note 35(b) to the consolidated financial statements, at no time during the year had the Company or any of its subsidiaries, and controlling shareholder or any entities beneficially owned by the controlling shareholder entered into any contract of significance.

CONNECTED TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS

As far as the transactions as set out in Note 35(a) to the consolidated financial statements are concerned, the remuneration of the Directors as determined pursuant to the service agreements/letters of appointment entered into between the Directors and the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The transactions as set out in Note 35(b) to the consolidated financial statements were connected transactions which were exempt from any disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors is considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register (the "Register") referred to therein, or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were are follows:

The Company

(a) Long positions in shares

Name of Director	Capacity in which the shares are held	Number of shares held	Approximate percentage of total issued shares
Mr. Yang Wang Jian *(Note i)*	Interest of controlled corporations	987,697,627	50.07%
Dr. Yu Qigang *(Note ii)*	Interest of controlled corporations	987,697,627	50.07%

Notes:

(i) These shares are beneficially owned by Gold Bless, a company of which 65% of its share capital is owned by Mr. Yang Wang Jian and therefore, Mr. Yang Wang Jian is deemed to be interested in such shares pursuant to Part XV of the SFO. Mr. Yang Wang Jian is the sole director of Gold Bless.

(ii) Dr. Yu Qigang owns the entire issued share capital of Winning Top Investments Limited which is in turn interested in 15% of the issued share capital of Gold Bless, which is interested in 987,697,627 shares of the Company. Dr. Yu Qigang is also the beneficial owner of 20% of the issued share capital of Gold Bless. Therefore, Dr. Yu Qigang is deemed to be interested in 987,697,627 shares of the Company pursuant to Part XV of the SFO.

(iii) The percentages are calculated based on the total number of issued shares as at 31 December 2016.

(b) Long positions in underlying shares

Name of Director	Capacity in which the underlying shares are held	Interest in the underlying shares	Approximate percentage of total issued shares
Mr. Yang Wang Jian *(Note i)*	Beneficial owner	9,000,000	0.46%
Mr. Wong Man Keung *(Note i)*	Beneficial owner	9,000,000	0.46%
Ms. Yang Jun *(Note i)*	Beneficial owner	6,000,000	0.30%
Ms. Yang Ya *(Note i)*	Beneficial owner	5,800,000	0.29%
Ms. Eva Au *(Note ii)*	Beneficial owner	65,100,000	3.30%

Notes:

(i) These are the shares which may be issued upon full exercise of the share options granted to the respective Directors on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.

(ii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Marsa CB (detailed in Note 25(d) to the consolidated financial statements) beneficially owned by Ms. Eva Au as at 31 December 2016.

(iii) The percentages are calculated based on the total number of issued shares as at 31 December 2016.

Associated corporation – Gold Bless (the Company is a controlled corporation)

Long positions in shares

Name of Director	Capacity in which the shares are held	Number of shares held	Approximate percentage of total issued shares
Mr. Yang Wang Jian	Beneficial owner	65	65.00%
Dr. Yu Qigang *(Note i)*	Interest of controlled corporations	15	15.00%
	Beneficial owner	20	20.00%

Note:

(i) The 15 shares are beneficially owned by Winning Top Investments Limited, a company of which the entire share capital is owned by Dr. Yu Qigang. Therefore, Dr. Yu Qigang is deemed to be interested in such shares pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2016, none of the Directors nor chief executives 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, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" section above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 December 2016, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the particulars of the corporations or persons (not being a Director or chief executive of the Company) who had 5% or more interests and short positions in the shares and underlying shares of the Company as recorded in the Register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

The Company

(a) Long positions in shares

Name of substantial shareholder	Capacity in which the shares are held	Number of shares held	Approximate percentage of total issued shares
Gold Bless *(Note i & ii)*	Beneficial owner	987,697,627	50.07%
Mr. Yang Wang Jian *(Note i)*	Interest of controlled corporations	987,697,627	50.07%
Dr. Yu Qigang *(Note ii)*	Interest of controlled corporations	987,697,627	50.07%

Notes:

(i) These shares are beneficially owned by Gold Bless, a company of which 65% of its share capital is owned by Mr. Yang Wang Jian and therefore, Mr. Yang Wang Jian is deemed to be interested in such shares pursuant to Part XV of the SFO. Mr. Yang Wang Jian is the sole director of Gold Bless.

(ii) Dr. Yu Qigang owns the entire issued share capital of Winning Top Investments Limited which is in turn interested in 15% of the issued share capital of Gold Bless, which is interested in 987,697,627 shares of the Company. Dr. Yu Qigang is also the beneficial owner of 20% of the issued share capital of Gold Bless. Therefore, Dr. Yu Qigang is deemed to be interested in 987,697,627 shares of the Company pursuant to Part XV of the SFO.

(iii) The percentages are calculated based on the total number of issued shares as at 31 December 2016.

(b) Long positions in underlying shares

Name of substantial shareholder	Capacity in which the underlying shares are held	Interest in the underlying shares	Approximate percentage of total issued shares
Mr. Yang Wang Jian *(Note i)*	Beneficial owner	9,000,000	0.46%
Mr. Chung Sum Sang *(Note ii)*	Beneficial owner	119,120,930	6.04%
Keytone Assets Investment Inc. *(Note ii)*	Beneficial owner	116,279,070	5.90%
Mr. Cai Zhengshun *(Note ii)*	Interest of controlled corporations	116,279,070	5.90%
Mr. Yang Yue Zhou *(Note iii)*	Beneficial owner	200,000,000	10.14%
Yuanta Securities (Hong Kong) Company Limited *(Note iii)*	Nominee for another person	200,000,000	10.14%

Notes:

(i) These are the shares which may be issued upon full exercise of the share options granted to the respective Directors on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.

(ii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Marsa CB (detailed in Note 25(d) to the consolidated financial statements) beneficially owned by Mr. Chung Sum Sang and Keytone Assets Investment Inc. as at 31 December 2016. Mr. Cai Zhengshun is the beneficial owner of the entire issued share capital of Keytone Assets Investment Inc.. Therefore, Mr. Cai Zhengshun is deemed to be interested in such shares beneficially owned by Keytone Assets Investment Inc. pursuant to Part XV of the SFO.

(iii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the 1st 2016 CB (Note 25(e)) beneficially owned by Mr. Yang Yue Zhou as at 31 December 2016. The 1st 2016 CB was issued to Yuanta Securities (Hong Kong) Company Limited as a nominee of Mr. Yang Yue Zhou.

(iv) The percentages are calculated based on the total number of issued shares as at 31 December 2016.

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 31 December 2016, had the Voting Entitlements or any interests or short positions in the shares or underlying shares as recorded in the Register required to be kept under Section 336 of the SFO.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group considers the importance of environmental affairs and believes business development and environment affairs are highly related. The Group recognizes its corporate responsibility regarding environmental and social sustainability. The Group implements green office practices such as promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances. Going forward, the Group will continue to promote environmental and social sustainability through various initiatives consistent with its policies and relevant laws and regulations.

The Environmental, Social and Governance Report shall be published on the Stock Exchange's website and the Company's website no later than three months after the publication of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue attributable to the Group's five largest customers combined was less than 30% of the total Group purchases and total Group revenue.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group understands that it is important to maintain good relationship with its suppliers and customers to fulfil its long-term goals. To maintain its core competitiveness, the Group aims at delivering constantly high standards of quality in the service to its customers. During the year, there were no material and significant disputes between the Group and its suppliers and/or customers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the sufficiency of public float requirement under the Listing Rules at any time during the year and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

On 2 September 2006, the Share Option Scheme was approved and adopted by the shareholders of the Company, under which, the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons under the Share Option Scheme for their contribution, and continuing efforts to promote the interests of the Company. The Board consider that the Share Option Scheme is in the interests of the Company and the Shareholders as a whole as it provides the Company with more flexibility in providing incentives to those eligible persons under the Share Option Scheme by way of granting of options.

The eligible persons under the Share Option Scheme include any full-time or part-time employees, directors, suppliers, customers, service providers and consultants of Group, who in the absolute discretion of the Board has contributed to the development and growth of the Group.

On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share (adjusted to HK$0.32 per share on 19 August 2014) were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

As at the date of this annual report, the total number of shares of the Company available for issue under the Share Option Scheme was 34,800,000 shares (the outstanding share options issued on 11 May 2012), representing 1.76% of the number of issued shares of the Company.

The total number of shares to be issued upon exercise of the share options granted under the Share Option Scheme to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares in issue as at the date of grant. If the Board proposes to grant options to a substantial shareholder or an independent non-executive Director or their respective associates which results in the number of shares to be issued upon exercise of the options granted and to be granted to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the number of shares in issue on the date of grant and having an aggregate value in excess of HK$5,000,000, based on the closing price of the shares at the date of each grant, such further grant of options shall be subject to the Shareholders' approval in general meeting.

At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The option will be offered for acceptance for a period of 28 days from the date on which the option is granted or for such other period of time as may be determined by the Board. Upon acceptance of an offer, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price shall be determined by the Board in its absolute discretion, but must be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is offered (the "Offer Date"); (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a share of the Company.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme was conditionally adopted by the Shareholders on 2 September 2006 and ending on 1 September 2016. The Share Option Scheme has already expired as at the date of this report.

The movements in share options during the year are as follows:

Name of grantee	Exercise price HK$	Exercisable period	As at 1 January 2016	Granted during the year	Exercised/ Lapsed during the year	As at 31 December 2016
Directors						
Mr. Yang Wang Jian	0.32	11.5.2012 to 10.5.2022	9,000,000	–	–	9,000,000
Mr. Wong Man Keung (resigned on 10 January 2017)	0.32	11.5.2012 to 10.5.2022	9,000,000	–	–	9,000,000
Ms. Yang Jun	0.32	11.5.2012 to 10.5.2022	6,000,000	–	–	6,000,000
Ms. Yang Ya	0.32	11.5.2012 to 10.5.2022	5,800,000	–	–	5,800,000
Other persons	0.32	11.5.2012 to 10.5.2022	26,000,000	–	–	26,000,000
			55,800,000	–	–	55,800,000

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). No share options were accepted by the grantees within 28 days from the date of offer in accordance with the terms and conditions of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year.

PENSION SCHEME ARRANGEMENTS

The Company and its subsidiaries operating in Hong Kong are required to participate in a contribution retirement scheme of the Group set up in accordance with the Hong Kong Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong). Under the scheme, employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,500 per month and they may choose to make additional contributions. The employer's monthly contribution is at the rate of 5% of each employee's monthly salary up to the maximum limit of HK$1,500 per month.

Subsidiaries operating in the PRC are required to participate in contribution retirement schemes organised by the relevant local government authorities since incorporation.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 14 to 24 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director in writing an annual confirmation of his independence and the Company considered all independent non-executive Directors to be independent.

Report of the Directors

INDEPENDENT AUDITOR

The financial statements for the years ended 31 December 2014 and 2015 were audited by McMillan Woods SG CPA Limited.

McMillan Woods SG CPA Limited has been appointed as the Company's external auditor for the year ended 31 December 2016 until the conclusion of the next annual general meeting. A resolution for the re-appointment of McMillan Woods SG CPA Limited as independent auditor of the Company will be proposed at the annual general meeting in 2017.

On behalf of the Board
Yang Wang Jian
Chairman

Hong Kong, 30 March 2017

Independent Auditor's Report

TO THE SHAREHOLDERS OF GREEN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Report on the Audit of the Consolidated Financial Statements

OPINION

We have audited the consolidated financial statements of Green International Holdings Limited and its subsidiaries ("the Group") set out on pages 42 to 120 , which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

EMPHASIS OF MATTER

We draw attention to Note 2.1 of the consolidated financial statements, as at 31 December 2016, the cash balance of the Group is approximately HK$24.5 million, which is less than management's estimate of cash requirement on operating expenses for the next twelve months and there has been operating losses for the current year reported. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Groups' financial statements have been prepared on a going concern basis, the validity of which depends upon the future revenue, the availability of additional debt facilities, and that financial support from its substantial shareholder is forthcoming to meet the Group's financial obligations as and when they fall due in the foreseeable future. Our opinion is not modified in respect of this matter.

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.

Independent Auditor's Report

No.	Key Audit Matter	How our audit addressed the Key Audit Matter
1	*Impairment assessment on promissory note receivables and other receivables*	
	We have identified impairment assessment on promissory note receivables as a key audit matter because the policy for making such impairment involves significant degree of management judgment. These conclusions are dependent upon management judgment in respect of assessing the ultimate realisation of these receivables.	Our procedures in relation to management assessment included: • Obtain an understanding of how the recoverable amount was assessed by the management. • assess the reasonableness of such assessment with reference to the credit profile, ageing analysis and a valuation report performed by an independent valuer. We found the judgements and estimates made by management in assessing the recoverable amount of such receivables to be reasonable based on the evidence obtained.
2	*Impairment assessment on trademark user rights and technical know-how*	
	Management has assessed the recoverable amounts of the trademark user rights and technical know-how by preparing impairment assessments based on value in use or fair value less cost of disposal calculations. The calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units to which the trademark user rights and technical know-how belong and the use of a suitable discount rate in order to calculate the present value. This require significant management judgement with respect to the use of discount rates and the underlying cash flows, in particular future revenue growth and capital expenditure.	Our procedures in relation to management's impairment assessments included: • Evaluating the process by which the management's future cash flow forecasts and impairment assessments were prepared; • Assessing the methodologies used, the appropriateness of the key assumptions based on our knowledge of the industry and using the work of valuation experts; • Checking the mathematical accuracy of the value in use or fair value less cost of disposal calculations in the management's impairment assessments. We found the assumptions made by management in relation to the value in use or fair value less cost of disposal calculations to be supportable based on available evidence. The significant inputs have been appropriately disclosed in note 16(a).

No.	Key Audit Matter *(Continued)*	How our audit addressed the Key Audit Matter *(Continued)*
3	*Accounting for the financial instrument: Convertible bonds, Put option, and redemption option.*	
	We have identified the accounting for the financial instrument, namely, convertible bonds, put option and redemption as key audit matter because of the complexity of these financial instruments.	Our procedures in relation to the assessment of the accounting for the financial instrument include: • Obtain and understand the terms of the financial instrument • Make use of the valuation experts's work on these financial instrument by understanding the assumptions and methodologies used in the valuation and by evaluating the competency and objectivity of the valuation experts. • Refer to the accounting standard and obtain management' s calculation worksheet. We found such financial instruments have been properly recognised and measured in accordance with the Hong Kong accounting standards.

OTHER INFORMATION

The directors of the Company are responsible for the Other Information. The Other Information comprises all the information in the Group's 2016 annual report (other than the consolidated financial statements and our auditor's report thereon) ("Other Information").

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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Seto Man Fai.

McMillan Woods SG CPA Limited
Certified Public Accountants
Seto Man Fai
Practising Certificate Number: P05229

Hong Kong
30 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	**46,960**	45,620
Direct costs and operating expenses	7	**(8,813)**	(18,595)
Gross profit		**38,147**	27,025
Other income and gains, net	6	**883**	2,055
Gain on bargain purchase on acquisition of subsidiaries	32	**–**	36,918
Gain on disposal of a subsidiary	33	**3,005**	–
Selling expenses	7	**(29,940)**	(29,767)
Administrative expenses	7	**(60,995)**	(69,256)
Fair value changes of derivative financial instruments			
– Early redemption option		**(9,803)**	(47,690)
– Call options	18	**(23,999)**	–
Provision for impairment of trademark user right and technical know-how	16(a)	**(64,972)**	–
Provision for impairment of property, plant and equipment	14	**(406)**	(10,240)
Provision for impairment of goodwill	15	**–**	(160,877)
Finance income, net	8	**11,090**	45,605
Loss before income tax		**(136,990)**	(206,227)
Income tax credit/(expense)	9	**4,047**	(2,624)
Loss for the year		**(132,943)**	(208,851)
(Loss)/Profit for the year attributable to:			
– Equity holders of the Company		**(134,537)**	(205,103)
– Non-controlling interests		**1,594**	(3,748)
		(132,943)	(208,851)
Loss per share for loss for the year attributable to the equity holders of the Company			
– Basic and diluted (HK cents)	12	**(6.82)**	(10.40)

The notes on pages 48 to120 are an integral part of these consolidated financial statements.
Dividends payable to the equity holders of the Company are set out in Note 13.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
Loss for the year	**(132,943)**	(208,851)
Other comprehensive income/(expense), net of tax		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences		
– Exchange differences arising during the year	**3,632**	5,155
– Reclassification adjustments relating to foreign operations disposed of during the year	**(240)**	–
	3,392	5,155
Total comprehensive expenses for the year	**(129,551)**	(203,696)
Total comprehensive (expenses)/income for the year attributable to:		
– Equity holders of the Company	**(130,722)**	(199,735)
– Non-controlling interests	**1,171**	(3,961)
	(129,551)	(203,696)

The notes on pages 48 to 120 are 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
ASSETS			
Non-current assets			
Property, plant and equipment	14	**30,927**	25,148
Goodwill	15	**–**	–
Trademark user right and technical know-how	16	**157,250**	222,222
Other intangible assets	16	**1,665**	1,767
Derivative financial instruments			
– Put option	32	**6,150**	5,910
– Early redemption option	25(d) & 27(a)	**12,743**	22,546
		208,735	277,593
Current assets			
Inventories	17	**3,463**	6,831
Promissory note receivables	18	**154,218**	–
Derivative financial instruments			
– Call options	18	**11,040**	–
Trade receivables	20	**186**	98,993
Loans receivable	21	**26,068**	51,000
Prepayments, deposits and other receivables	22	**24,742**	50,874
Tax recoverable		**707**	707
Bank balances – trust and segregated accounts	23	**4,007**	–
Bank balances (general accounts) and cash	23	**24,514**	53,129
		248,945	261,534
Total assets		**457,680**	539,127

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	24	**19,725**	19,725
Share premium		**544,946**	544,946
Other reserves		**83,404**	80,598
Accumulated losses		**(432,278)**	(301,527)
		215,797	343,742
Non-controlling interests		**5,428**	4,257
Total equity		**221,225**	347,999
LIABILITIES			
Non-current liabilities			
Convertible bonds	25	**64,921**	44,669
Bonds payable	26	**16,031**	9,705
Contingent consideration payables	27	**38,771**	49,247
Deferred tax liabilities	28	**15,918**	22,222
		135,641	125,843
Current liabilities			
Trade payables	29	**6,558**	6,020
Other payables, accruals and deposits received	30	**38,054**	51,152
Convertible bonds	25	**54,223**	5,482
Tax payable		**1,979**	2,631
		100,814	65,285
Total liabilities		**236,455**	191,128
Total equity and liabilities		**457,680**	539,127
Net current assets		**148,131**	196,249
Total assets less current liabilities		**356,866**	473,842

On behalf of the Board

Yang Wang Jian
Director

Yeung Jun
Director

The notes on pages 48 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to the equity holders of the Company									
	Share capital	Share premium	Share-based equity reserve*	Convertible bonds – equity component reserve*	Put option reserve*	Exchange reserve*	(Accumulated losses)/ Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	18,537	495,054	11,394	57,504	–	428	(128,187)	454,730	6,876	461,606
Total comprehensive (expenses)/income for the year										
Loss for the year	–	–	–	–	–	–	(205,103)	(205,103)	(3,748)	(208,851)
Other comprehensive income for the year	–	–	–	–	–	5,368	–	5,368	(213)	5,155
	–	–	–	–	–	5,368	(205,103)	(199,735)	(3,961)	(203,696)
Transactions with owners										
Acquisition of subsidiaries *(Note 32)*	–	–	–	75,908	24,990	–	–	100,898	1,342	102,240
Issue of shares upon conversion of convertible bonds *(Note 24(a)(i))*	581	24,419	–	(25,000)	–	–	–	–	–	–
Issue of convertible bonds *(Note 25(c))*	–	–	–	6,929	–	–	–	6,929	–	6,929
Issue of shares upon conversion of convertible bonds *(Note 24(a)(ii))*	607	25,473	–	(26,080)	–	–	–	–	–	–
Fair value change of put option	–	–	–	–	(19,080)	–	–	(19,080)	–	(19,080)
Convertible bonds equity reserve written back pursuant to profit guarantee *(Note 27 (a))*	–	–	–	(31,763)	–	–	31,763	–	–	–
Transactions with owners	1,188	49,892	–	(6)	5,910	–	31,763	88,747	1,342	90,089
At 31 December 2015	**19,725**	**544,946**	**11,394**	**57,498**	**5,910**	**5,796**	**(301,527)**	**343,742**	**4,257**	**347,999**
Total comprehensive (expenses)/income for the year										
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(134,537)**	**(134,537)**	**1,594**	**(132,943)**
Other comprehensive income/(expenses) for the year	**–**	**–**	**–**	**–**	**–**	**3,815**	**–**	**3,815**	**(423)**	**3,392**
	–	**–**	**–**	**–**	**–**	**3,815**	**(134,537)**	**(130,722)**	**1,171**	**(129,551)**
Transactions with owners										
Issue of convertible bonds *(Note 25(e))*	**–**	**–**	**–**	**1,312**	**–**	**–**	**–**	**1,312**	**–**	**1,312**
Issue of convertible bonds *(Note 25(f))*	**–**	**–**	**–**	**1,225**	**–**	**–**	**–**	**1,225**	**–**	**1,225**
Fair value change of put option	**–**	**–**	**–**	**–**	**240**	**–**	**–**	**240**	**–**	**240**
Convertible bonds equity reserve written back pursuant to profit guarantee *(Note 27 (a))*	**–**	**–**	**–**	**(3,786)**	**–**	**–**	**3,786**	**–**	**–**	**–**
	–	**–**	**–**	**(1,249)**	**240**	**–**	**3,786**	**2,777**	**–**	**2,777**
At 31 December 2016	**19,725**	**544,946**	**11,394**	**56,249**	**6,150**	**9,611**	**(432,278)**	**215,797**	**5,428**	**221,225**

* The other reserves as presented in the consolidated statement of financial position are comprised of these reserve accounts.

The notes on pages 48 to 120 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash used in from operations	31	**(54,310)**	(60,263)
Profits tax paid		**(2,636)**	(4)
Net cash used in operating activities		**(56,946)**	(60,267)
Cash flows from investing activities			
Additions to property, plant and equipment		**(9,190)**	(13,315)
Increase in loans receivable		**(26,600)**	(32,000)
Interest received		**28**	138
Net cash outflow on acquisition of subsidiaries	32	**–**	(29,538)
Net cash inflow on disposal of a subsidiary	33	**282**	–
Net cash used in investing activities		**(35,480)**	(74,715)
Cash flows from financing activities			
Interest paid		**–**	(1,960)
Deposit received from proposed issue of convertible bonds		**–**	11,941
Net proceeds from issue of convertible bonds		**52,000**	28,048
Net proceeds from issue of bonds payable		**6,500**	12,530
Net cash generated from financing activities		**58,500**	50,559
Net decrease in cash and cash equivalents		**(33,926)**	(84,423)
Cash and cash equivalents at 1 January		**53,129**	131,205
Effects of exchange rate changes on balances denominated in foreign currencies		**5,311**	6,347
Cash and cash equivalents at 31 December	23	**24,514**	53,129

The notes on pages 48 to 120 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of the Stock Exchange in 2006.

The Group was principally engaged in the manufacturing and trading of recreational and educational toys and equipment, operation of clubhouse business and provision of beauty and wellness services during the year.

The Directors consider Gold Bless International Invest Limited, a company incorporated in the British Virgin Islands (the "BVI"), to be the immediate and ultimate holding company of the Company.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), and all values are rounded to the nearest thousand unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 30 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing Rules and the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) relating to the preparation of consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group incurred a continuous loss of HK$132,943,000 during the year ended 31 December 2016. As at 31 December 2016, the Group has cash and cash equivalent of approximately HK$24,514,000 and the management anticipated that it is insufficient to support the operating expense in the next twelve months. However, in the opinion of the Directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the following:

1. Management will continue to control the operating costs and launch new services to attract new customers with an aim to attain better operating cash flows; and

2. The Group would contemplate issuance of financial instruments to raise additional funds to support the operation and investment of the Group as necessary and appropriate.

Based on the aforesaid measures, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Adoption of new standards and amendments

(a) *Effect of adopting amendments to existing standards*

The following new standards and amendments are mandatory for the first time for the financial year beginning on 1 January 2016:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
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 HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The adoption of these new standards and amendments has no material effect on the amounts reported and disclosure set out in the consolidated financial statements of the Group for the current or prior accounting period.

(b) *New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group*

The following new standards and amendments to the HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Statement of Cash Flows: Disclosure Initiative[1]
Amendments to HKAS 12	Income taxes: Recognition of deferred tax assets for unrealised losses[1]
Amendments to HKFRS 2	Share-based payment: Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of assets between an investor and its associate or joint venture[4]

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

The Directors anticipate that the adoption of the above new standards and amendments to existing standards will not result in a significant impact on the results and financial position of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Intra-group transactions and balances, and unrealised profits arising on transactions between group companies are fully eliminated. Unrealised losses arising on transactions between group companies are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity instruments issued by the Group to the former owners of the acquiree. The consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquirer's previously held equity interests in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

(a) Consolidation (Continued)

(i) Business combinations *(Continued)*

Goodwill is initially measured as the excess of the aggregate 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 over the acquisition-date net fair values of the identifiable assets acquired and liabilities assumed. If this aggregate is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration and the amount by which the non-controlling interests are adjusted is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

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

(b) Separate financial statements

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

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

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions. The chief executive officer of the Company is empowered by the Board to manage the assets and activities of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

(c) *Group companies*

The results and financial positions of all group companies (none of which has a currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

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

- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) *Disposal and partial disposal of foreign operation*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interests in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interests to associates, joint ventures or financial assets), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	3 years or the lease period, whichever is shorter
Plant and machinery	5 – 10 years
Office equipment, furniture and fixtures	3 years
Transportation vehicles	3 – 5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalised of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for construction in progress.

2.7 Goodwill

Goodwill arises on the acquisition of subsidiaries, and represents the excess of the aggregate 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 over the fair value of the net identifiable assets acquired and liabilities assumed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the Group's operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Other intangible assets

Separately acquired intangible assets are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets that have indefinite useful lives are not subject to amortisation, but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Otherwise, amortisation is calculated using the straight-line method to reduce their costs to their residual values over their estimated useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2.9 Impairment of non-financial assets

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

2.10 Financial instruments

(a) *Classification*

The classification of financial instruments depends on the purpose for which the financial assets or liabilities were acquired or assumed. Management determines the classification of its financial instruments at initial recognition.

The Group's financial assets carried at fair value through profit or loss includes early redemption options arising from its convertible bonds and contingent consideration payable and call options. The put option arising from business combinations is carried at fair value, with the change in fair value directly recognised within equity. The Group classifies all of its other financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprises promissory note receivables, trade and other receivables, loans receivable and cash and cash equivalents (Notes 2.12, 2.10(b) and 2.13).

The Group's financial liabilities carried at fair value through profit or loss includes contingent consideration payable arising from business combinations (Note 2.3(a)(i)). The Group's other financial liabilities comprising convertible bonds, trade and other payables and borrowings (Notes 2.15, 2.16 and 2.17) are measured at amortised costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial instruments *(Continued)*

(b) *Recognition and measurement*

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, for financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets or assumption of the financial liabilities, otherwise the transaction costs are expensed in profit or loss.

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised using trade date accounting.

Financial instruments other than those carried at fair value are subsequently carried at amortised cost using the effective interest method.

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset, together with substantially all the risks and rewards of ownership, have been transferred. The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

(c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(d) *Impairment of financial assets*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial instruments *(Continued)*

(d) Impairment of financial assets (Continued)

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

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

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables & promissory note receivables

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

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

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts (if any). In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Convertible bonds

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.16 Trade and other payables

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

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

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

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

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax

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

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

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

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

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

Deferred income tax assets arising from deductible temporary differences associated with such investments are recognised only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits

(a) Pension obligations

(i) Hong Kong

The Group participates in a mandatory provident fund scheme (the "MPF scheme"), which is a defined contribution scheme, for its employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in an independent administered fund.

Both the Group and the employees are required to contribute 5% of the employee's relevant income, subject to a maximum of HK$1,500 per employee per month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund is available.

(ii) The People's Republic of China (the "PRC")

The Group participates in a defined contribution scheme administrated by the relevant authorities of the PRC. Contributions to the scheme are calculated as a percentage of employees' salaries and the Group has no further payment obligations once the contributions have been paid. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Share-based compensation plan

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits *(Continued)*

(c) Share-based compensation plan (Continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

2.22 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Revenue from sales of goods*

Revenue from sales of goods is recognised when 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.

Deposits and instalments received prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under other payables, accruals and deposits received as current liabilities.

(b) *Revenue from clubhouse and beauty and wellness business*

Revenue from the clubhouse and beauty and wellness business is recognised when the services have been provided to the customers. Prepayments from customers in respect of the membership schemes which are considered to be unearned at the reporting date are classified as receipts in advance and recognised within other payables, accruals and deposits received in the consolidated statement of financial position.

(c) *Revenue from financial service business*

Brokerage income – recognised in accordance with the terms of the underlying agreement or deal mandate when relevant significant act (e.g. a transaction for a third party such as an arrangement for the acquisition of shares or other securities) has been completed.

Non-brokerage income – recognised when the services (e.g. asset management and service fees) have been provided to customers.

(d) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases

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

2.25 Dividend distribution

Dividend distributable to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.26 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(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 of the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or the Group's parent.

(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 each other);

   (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 party and the other entity is an associate of the third party;

   (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).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Exceptional items

Exceptional items are disclosed and described separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items that have been shown separately due to the significance of their nature or amount.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) *Foreign exchange risk*

The Group mainly operates in Hong Kong and the PRC with its transactions mainly denominated in HK$ and Renminbi ("RMB"). The Group is therefore exposed to foreign exchange risk arising from RMB, primarily with respect to HK$ which is the Company's functional and the Group's presentation currency. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities or net investments in foreign operations are denominated in a currency that is not an entity's functional currency.

As at 31 December 2016, if HK$ had weakened/strengthened by 5% against RMB, with all other variables constant, loss before income tax for the year would have been approximately HK$56,000 lower/higher (2015: $969,000 lower/higher) mainly as a result of foreign exchange differences on translation of RMB-denominated monetary assets and liabilities.

The Group does not use any foreign exchange derivative contracts to manage foreign exchange risk.

(b) *Credit risk*

The carrying amounts of promissory note receivables (Note 18), trade receivables (Note 20), loans receivable (Note 21), deposits and other receivables (Note 22) and cash and cash equivalents (Note 23) included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2016 and 2015, the majority of bank balances are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality.

The Group also has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining periods at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances of trade payables and other payables and accruals equal their carrying amounts, as the impact of discounting is not significant.

	2016	2015
	HK$'000	*HK$'000*
Less than 1 year or repayable on demand:		
– Trade payables *(Note 29)*	**6,558**	6,020
– Other payables and accruals *(Note 30)*	**18,202**	32,001
– Convertible bonds	**51,791**	6,164
	76,551	44,185
More than 1 year:		
– Convertible bonds	**71,857**	55,455
– Bonds payable	**24,000**	14,000
– Contingent consideration payables	**54,250**	72,800
	150,107	142,255

(d) Cash flow and fair value interest rate risk

Except for cash and cash equivalents (Note 23), the Group has no other significant interest-bearing assets at floating rates. The Group's loans receivable (Note 21) bears interest at fixed rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's interest rate risk arises from interest bearing borrowings. Borrowings obtained at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2016, the Group has convertible bonds and bonds payable (2015: convertible bonds and bonds payable) carried interest at fixed rates. Save as disclosed above, the Group does not have any other interest bearing borrowings. The details of convertible bonds and bonds payable are disclosed in Notes 25 and 26 respectively.

The Group does not use derivative financial instruments to hedge its cash flow and fair value interest rate risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016	2015
	HK$'000	*HK$'000*
Total liabilities	**236,455**	191,128
Total assets	**457,680**	539,127
Gearing ratio	**51.7%**	35.5%

3.3 Fair value estimation on a recurring basis

The table below analyses financial instruments carried at fair value at the end of each reporting period, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation on a recurring basis *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2016 and 2015.

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2016				
Derivative financial instruments				
– Put option *(Note 32)*	**–**	**6,150**	**–**	**6,150**
– Early redemption option *(Note 25(d) & 27(a))*	**–**	**12,743**	**–**	**12,743**
– Call options (Note 18)	**–**	**11,040**	**–**	**11,040**
Contingent consideration payables *(Note 27)*	**–**	**–**	**38,771**	**38,771**
2015				
Derivative financial instruments				
– Put option *(Note 32)*	–	5,910	–	5,910
– Early redemption option *(Note 25(d) & 27(a))*	–	22,546	–	22,546
Contingent consideration payables *(Note 27)*	–	–	49,247	49,247

As one or more of the significant inputs to fair value the derivative financial instruments is derived from observable market data, they are included in Level 2. The valuation techniques used to value the put option and the early redemption option is the binomial tree pricing model and the partial differential equation method, respectively.

As one or more of the significant inputs to fair value the contingent consideration payables is not based on observable market data, it is included in Level 3. The valuation technique used to value it is discounted cash flow.

There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2016 and 2015.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation on a recurring basis *(Continued)*

The following table summarises the quantitative information about the significant unobservable inputs used in level 2 and 3 fair value measurements.

	Unobservable inputs	Changes in unobservable inputs	Approximate changes in fair value
2016			
Winning Rose Call option	Spot price of the target group	+10%	Increase of HK$4,970,000
		-10%	Decrease of HK$3,080,000
	Volatility of earnings of similar businesses	+10%	Increase of HK$770,000
		-10%	Decrease of HK$380,000
Puregood Call option	Spot price of the target group	+10%	Increase of HK$4,420,000
		-10%	Decrease of HK$3,129,000
	Volatility of earnings of similar businesses	+10%	Increase of HK$652,000
		-10%	Decrease of HK$871,000
Put option	Spot price of the target group	+10%	Decrease of HK$2,050,000
		-10%	Increase of HK$3,080,000
	Volatility of earnings of similar businesses	+10%	Increase of HK$5,350,000
		-10%	Decrease of HK$4,170,000
Early redemption option	Risk-adjusted discount rate	+10%	Decrease of HK$56,000
		-10%	Increase of HK$64,000

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation on a recurring basis *(Continued)*

The following table presents the changes in Level 3 instruments (contingent consideration payables) for the years ended 31 December 2016 and 2015.

	2016	2015
	HK$'000	*HK$'000*
Balance at 1 January	**49,247**	273
Acquisition of subsidiaries *(Note 32)*	**–**	69,033
Fair value change *(Note 8)*	**5,752**	4,761
Reversal/(Written back) pursuant to profit guarantee *(Note 8)*	**10,067**	(24,515)
Settlement by issuance of convertible bonds *(Note 27)*	**(26,295)**	(305)
Balance at 31 December	**38,771**	49,247
Total gain for the year included in profit or loss under finance income, net *(Note 8)*	**15,819**	19,754

The Group does not offset its financial assets and financial liabilities for presentation purposes in the consolidated statement of financial position.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates (Note 15).

In 2015, an impairment charge of HK$160,877,000 arose in a CGU of the clubhouse business of the Group, resulting in the carrying amount of the related goodwill being fully written off.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(b) Impairment of other non-financial assets (other than goodwill)

Non-financial assets including investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgement is required 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 position and results of operations. If there is a significant change in the projected performance and resulting future cash flow projections, it may be necessary to reverse the previously recognised impairment losses, or to take further impairment charge to the consolidated statement of profit or loss.

Beauty and wellness business CGU

In 2016, impairment indication arose in the beauty and wellness business CGU, resulting in the carrying amounting of the trademark user right and technical know-how being written down to its recoverable by HK$64,972,000. At the reporting date, the carrying amount of the trademark user right and technical know-how is HK$157,250,000 (2015: HK$222,222,000).

Clubhouse business CGU

In 2016, an impairment charge of approximately HK$406,000 (2015: HK$10,240,000) arose in a CGU of the clubhouse business of the Group. As at 31 December 2016 and 2015, the related property, plant and equipment for both years were fully written off and the respective carrying amounts were nil.

(c) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. Management reassesses the provision at the end of each reporting period.

As at 31 December 2016, the Group had outstanding receivables of approximately HK$52,165,000 (2015: HK$150,972,000); out of which approximately HK$52,123,000 (2015: HK$148,229,000) were overdue. Up to 31 December 2016, management has made an accumulated provision of approximately HK$51,979,000 (2015: HK$51,979,000) for the discounting effect for the time value of money.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(d) Income taxes

The Group is subject to income taxes in the PRC and Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax 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.

(e) Estimated fair values financial instruments

The fair values of financial instruments are determined based on the Directors' estimation in light of the latest information obtained relating to the financial instruments or with reference to independent valuer's assessment. Any new development in financial instruments or the market conditions and changes in assumptions and estimates can affect the fair values of these financial instruments.

5 REVENUE AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board is identified as the Group's chief operating decision-maker. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide. Each of the Group's business segments represent a strategic business unit that offers products or services which are subject to risks and returns that are different from those of the other business segments. Management considers the Group's business segments are as follows:

(a) the toys business segment engages in the manufacturing and trading of recreational and educational toys and equipment;

(b) the clubhouse business segment engages in the operation of clubhouse business; and

(c) the beauty and wellness business segment (acquired in May 2015) (Note 32) engages in the provision of beauty and wellness related services.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted according to the relevant prevailing market prices.

Segment results are presented as operating profit or loss.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group primarily operates in Hong Kong and the PRC.

Revenue of the Group by operating segments and geographical regions is as follows:

	Toys business	**Clubhouse business**	**Beauty and wellness business**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
For the year ended 31 December 2016				
The PRC	**2,450**	**11,237**	**33,273**	**46,960**

	Toys business	Clubhouse business	Beauty and wellness business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2015				
Hong Kong	162	–	–	162
The PRC	7,458	16,269	21,668	45,395
Japan	63	–	–	63
	7,683	16,269	21,668	45,620

Revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for toys business segment and clubhouse/beauty and wellness segment, respectively. There was no revenue from a customer contributing over 10% of total revenue of the Group for the year ended 31 December 2016. During the year ended 31 December 2015, revenue of approximately HK$7,458,000 was derived from 1 major customer who individually account for more than 10% of the total revenue.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Results by operating segments are as follows:

	2016	2015
	HK$'000	*HK$'000*
Toys business	**685**	(16,718)
Clubhouse business *(Note (i))*	**(22,462)**	(197,777)
Beauty and wellness business *(Note (ii))*	**(57,481)**	6,247
Total net operating loss by operating segments	**(79,258)**	(208,248)
Unallocated corporate expenses, net	**(39,857)**	(33,734)
Gain on bargain purchase on acquisition of subsidiaries *(Note 32)*	**–**	36,918
Gain on disposal of trade receivables	**175**	–
Gain on issue of bonds payable *(Note 26)*	**2,622**	922
Gain on disposal of a subsidiary *(Note 33)*	**3,005**	–
Loss on disposal of other receivables	**(965)**	–
Fair value changes of derivative financial instruments		
– Early redemption option	**(9,803)**	(47,690)
– Call options	**(23,999)**	–
Finance income, net *(Note 8)*	**11,090**	45,605
Loss before income tax	**(136,990)**	(206,227)
Income tax credit/(expense) *(Note 9)*	**4,047**	(2,624)
Loss for the year	**(132,943)**	(208,851)

Notes:

(i) For the year ended 31 December 2016, provision for impairment of property, plant and equipment of approximately HK$406,000 was included within clubhouse segment.

For the year ended 31 December 2015, provision for impairment of property, plant and equipment and goodwill of approximately HK$10,240,000 and HK$160,877,000, respectively, was included within clubhouse business segment.

(ii) For the year ended 31 December 2016, provision for impairment of trademark user right and technical know-how of approximately HK$64,972,000 was included within beauty and wellness business segment.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Total assets of the Group by operating segments and geographical regions are as follows:

	Toys business *HK$'000*	Clubhouse business *HK$'000*	Beauty and wellness business *HK$'000*	Consolidated *HK$'000*
As at 31 December 2016				
Hong Kong	**2,172**	**–**	**–**	**2,172**
The PRC	**–**	**5,758**	**199,409**	**205,167**
	2,172	**5,758**	**199,409**	**207,339**
Derivative financial instruments				
– Put option *(Note 32)*				**6,150**
– Early redemption option *(Note 25(d) & 27(a))*				**12,743**
– Call options *(Note 18)*				**11,040**
Unallocated corporate assets				**220,408**
				457,680

	Toys business *HK$'000*	Clubhouse business *HK$'000*	Beauty and wellness business *HK$'000*	Consolidated *HK$'000*
As at 31 December 2015				
Hong Kong	98,113	–	–	98,113
The PRC	5,289	7,703	257,119	270,111
	103,402	7,703	257,119	368,224
Derivative financial instruments				
– Put option *(Note 32)*				5,910
– Early redemption option *(Note 25(d) & 27(a))*				22,546
Unallocated corporate assets				142,447
				539,127

Total assets are allocated based on their geographical locations.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Non-current assets of the Group by operating segments and geographical regions are as follows:

	Toys business *HK$'000*	Clubhouse business *HK$'000*	Beauty and wellness business *HK$'000*	Consolidated *HK$'000*
As at 31 December 2016				
Hong Kong	–	–	–	–
The PRC	–	–	**183,592**	**183,592**
	–	–	**183,592**	**183,592**
Derivative financial instruments				
– Put option *(Note 32)*				**6,150**
– Early redemption option *(Note 25(d) & 27(a))*				**12,743**
Unallocated corporate assets				**6,250**
				208,735

	Toys business *HK$'000*	Clubhouse business *HK$'000*	Beauty and wellness business *HK$'000*	Consolidated *HK$'000*
As at 31 December 2015				
Hong Kong	66	–	–	66
The PRC	488	–	243,316	243,804
	554	–	243,316	243,870
Derivative financial instruments				
– Put option *(Note 32)*				5,910
– Early redemption option *(Note 25(d) & 27(a))*				22,546
Unallocated corporate assets				5,267
				277,593

Non-current assets are allocated based on their geographical locations.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Capital expenditures of the Group by operating segments and geographical regions are as follows:

	Toys business *HK$'000*	Clubhouse business *HK$'000*	Beauty and wellness business *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2016				
Hong Kong	**–**	**–**	**–**	**–**
The PRC	**–**	**406**	**9,508**	**9,914**
	–	**406**	**9,508**	**9,914**
Unallocated corporate capital expenditures				**3,222**
				13,136

	Toys business *HK$'000*	Clubhouse business *HK$'000*	Beauty and wellness business *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2015				
Hong Kong	45	–	–	45
The PRC	–	2,721	6,983	9,704
	45	2,721	6,983	9,749
Deposit paid for acquisition of subsidiaries				34,250
Unallocated corporate capital expenditures				3,566
				47,565

Capital expenditures are allocated based on their geographical locations.

6 OTHER INCOME AND GAINS, NET

	2016 HK$'000	2015 HK$'000
Sundry income		
—Other payables written off	–	4,035
—Others	1,150	166
Exchange loss, net	(2,099)	(5,055)
Gain on disposal of trade receivables	175	–
Gain on issue of bonds payable *(Note 26)*	2,622	922
Loss on disposal of other receivables	(965)	–
Pre-acquisition expenses borne by an ex-shareholder of a subsidiary	–	1,987
	883	2,055

7 EXPENSES BY NATURE

	2016 HK$'000	2015 HK$'000
Auditor's remuneration	902	774
Depreciation of property, plant and equipment *(Note 14)*	5,081	8,735
Merchandise purchased and changes in inventories *(Note 17)*	7,492	15,534
Employee benefit expenses *(Note 10)*	33,496	37,930
Operating lease rental expenses	18,019	17,806
Others	34,758	36,839
Total direct costs, operating expenses, selling expenses and administrative expenses	99,748	117,618

8 FINANCE INCOME, NET

	2016 HK$'000	2015 HK$'000
Interest income:		
– Bank deposits	**28**	138
– Loans receivable	**7,812**	4,913
– Promissory note receivables *(Note 18)*	**14,776**	–
Fair value change of contingent consideration payables *(Note 27)*	**(5,752)**	(4,761)
Interest expense:		
– Convertible bonds *(Note 25)*	**(17,659)**	(6,474)
– Bonds payable *(Note 26)*	**(2,448)**	(57)
– Other borrowings *(Note 35(b))*	**(24)**	–
Written back/(Reversal) pursuant to profit guarantee *(Note 32):*		
– Convertible bonds *(Note 25)*	**24,424**	27,331
– Contingent considerable payables *(Note 27)*	**(10,067)**	24,515
Finance income, net	**11,090**	45,605

9 INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax and PRC Enterprise Income Tax have been provided at the rate of 16.5% (2015: 16.5%) and 25% (2015: 25%), respectively, on the estimated assessable profits during the year, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax (credit)/expense charged to the consolidated statement of profit or loss represent:

	2016 HK$'000	2015 HK$'000
Current taxation		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax		
– Current year	**2,122**	2,624
– Under-provision in respect of prior year	**135**	–
	2,257	2,624
Deferred taxation		
Credit for the year *(Note 28)*	**(6,304)**	–
	(4,047)	2,624

9 INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using Hong Kong Profits Tax rate as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss before income tax	**(136,990)**	(206,227)
Calculated at Hong Kong profits tax rate of 16.5% (2015: 16.5%)	**(22,603)**	(34,027)
Effect of different tax rates in other jurisdictions	**(2,026)**	(2,857)
Income not subject to tax	**(13,542)**	(14,499)
Expenses not deductible	**20,419**	27,976
Tax losses for which no deferred income tax asset was recognised	**13,371**	26,122
Under-provision in respect of prior year	**135**	–
Others	**199**	(91)
Income tax (credit)/expense	**(4,047)**	2,624

10 EMPLOYEE BENEFIT EXPENSES

	2016	2015
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**31,161**	35,140
Pension costs – defined contribution plans	**2,335**	2,790
	33,496	37,930

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2016 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Share options	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
YANG, Wang Jian	–	3,600	18	–	3,618
WONG, Man Keung *(Note (ii))*	–	1,320	18	–	1,338
YANG, Jun	–	1,020	18	–	1,038
CHEN, Hanhong	180	–	–	–	180
YANG, Ya	–	720	18	–	738
YU, Qigang	360	–	–	–	360
Au, Eva	180	–	–	–	180
Non-executive Directors					
YU, Jiaoli	120	–	–	–	120
Independent Non-executive Directors					
YEUNG, King Wah, Kenneth *(Note (i))*	120	–	–	–	120
WU, Hong	120	–	–	–	120
LOW, Chin Sin	120	–	–	–	120
YE, Yunhan	120	–	–	–	120
ZHU, Yi Zhun *(Note (iii))*	198	–	–	–	198
	1,518	6,660	72	–	8,250

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of each Director for the year ended 31 December 2015 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Share options	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
YANG, Wang Jian	–	3,180	18	–	3,198
WONG, Man Keung	–	1,260	18	–	1,278
YANG, Jun	–	940	18	–	958
CHEN, Hanhong	180	–	–	–	180
YANG, Ya	–	660	18	–	678
YU, Qigang	360	–	–	–	360
Au, Eva *(Note (iv))*	103	–	–	–	103
Non-executive Directors					
YU, Jiaoli	120	–	–	–	120
Independent Non-executive Directors					
YEUNG, King Wah, Kenneth	120	–	–	–	120
WU, Hong	120	–	–	–	120
LOW, Chin Sin	120	–	–	–	120
YE, Yunhan	120	–	–	–	120
ZHU, Yi Zhun	–	–	–	–	–
	1,243	6,040	72	–	7,355

Notes:

(i) Resigned on 13 February 2017

(ii) Resigned on 10 January 2017

(iii) Appointed on 4 March 2016

(iv) Appointed on 5 June 2015

During the year, no Directors waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) 5 highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include 4 Directors (2015: 3), whose emoluments are disclosed in Note 10(a). Details of emoluments of the remaining 1 (2015: 2) individuals are as follows:

	2016	2015
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**554**	1,464
Pension costs – defined contribution plans	**8**	35
	562	1,499

The emoluments are within the following bands:

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

11 LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$379,780,000 (2015: HK$25,615,000) (Note 38(c)).

12 LOSS PER SHARE

Basic

The calculation of basic loss per share is based on the consolidated loss attributable to the equity holders of the Company of approximately HK$134,537,000 (2015: HK$205,103,000) divided by the weighted average number of approximately 1,972,453,000 (2015: 1,972,453,000) ordinary shares in issue during the year, after taking into consideration of the mandatorily convertible bonds issued on 30 January 2014 as partial satisfaction of the consideration for the acquisition of a clubhouse business.

12 LOSS PER SHARE *(Continued)*

Basic *(Continued)*

	2016	2015
Loss attributable to the equity holders of the Company *(HK$'000)*	**(134,537)**	(205,103)
Weighted average number of ordinary shares in issue *(thousands)*	**1,972,453**	1,972,453
Basic loss per share *(HK cents)*	**(6.82)**	(10.40)

Diluted

Diluted earnings/loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding (after taking into consideration of the mandatorily convertible bonds as mentioned above) to assume exercise/conversion of all dilutive potential ordinary shares (excluding shares issuable upon the conversion of the mandatorily convertible bonds as mentioned above). The Company has 4 categories of dilutive potential ordinary shares: share options (Note 24(b)), convertible bonds (Note 25) (excluding the mandatorily convertible bonds), convertible bonds issuable for the acquisition of Tai Cheng International Limited in 2012 (the "Tai Cheng CB") (Note 27(b)) and convertible bonds issued (with reference to the profit guarantee) (Note 32) for the acquisition of Rainbow Star Global Limited in 2015 (the "Marsa CB").

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the year) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Hence, the share options have a dilutive effect only when the average market price of ordinary shares during the year exceeds the exercise price of the share options.

For the convertible bonds (excluding the mandatorily convertible bonds), the Tai Cheng CB and the Marsa CB, they are assumed to have been converted into ordinary shares, and the loss for the year attributable to the equity holders of the Company is adjusted to eliminate the interest expense of the convertible bonds and fair value change of the liability components/early redemption option of the convertible bonds, the Tai Cheng CB and the Marsa CB.

The computation of diluted loss per share for the year ended 31 December 2016 did not assume the exercise of the Company's outstanding share options since their exercise price was higher than the average market price per share. The computation of diluted loss per share for the year ended 31 December 2015 did not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

The computation of diluted loss per share for the years ended 31 December 2016 and 2015 did not assume the conversion of the Company's outstanding convertible bonds, the Tai Cheng CB and the Marsa CB since their assumed conversion would result in a decrease (2015: decrease) in loss per share.

13 DIVIDENDS

No dividend in respect of the year ended 31 December 2016 (2015: Nil) is to be proposed at the forthcoming annual general meeting.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment, furniture and fixtures HK$'000	Transportation vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2015						
Cost	11,648	6,397	1,100	2,065	6,531	27,741
Accumulated depreciation and impairment	(6,179)	(5,049)	(534)	(207)	–	(11,969)
Net book amount	5,469	1,348	566	1,858	6,531	15,772
Year ended 31 December 2015						
Opening net book amount	5,469	1,348	566	1,858	6,531	15,772
Additions	6,365	3,019	337	1,051	6,578	17,350
Depreciation *(Note 7)*	(6,484)	(1,190)	(304)	(757)	–	(8,735)
Acquisition of subsidiaries *(Note 32)*	4,603	6,149	353	1,074	–	12,179
Transfer in/(out)	1,458	–	–	–	(1,458)	–
Provision for impairment	(2,909)	(667)	(440)	(639)	(5,585)	(10,240)
Exchange realignment	(303)	(397)	(38)	(95)	(345)	(1,178)
Closing net book amount	8,199	8,262	474	2,492	5,721	25,148
At 31 December 2015						
Cost	27,450	23,606	3,342	4,235	11,306	69,939
Accumulated depreciation and impairment	(19,251)	(15,344)	(2,868)	(1,743)	(5,585)	(44,791)
Net book amount	8,199	8,262	474	2,492	5,721	25,148
Year ended 31 December 2016						
Opening net book amount	**8,199**	**8,262**	**474**	**2,492**	**5,721**	**25,148**
Additions	**5,539**	**2,252**	**1,158**	**2,111**	**2,076**	**13,136**
Depreciation *(Note 7)*	**(2,360)**	**(1,484)**	**(339)**	**(898)**	**–**	**(5,081)**
Disposal of a subsidiary *(Note 33)*	**–**	**(460)**	**–**	**–**	**–**	**(460)**
Transfer in/(out)	**7,507**	**–**	**–**	**–**	**(7,507)**	**–**
Provision for impairment	**–**	**–**	**(154)**	**–**	**(252)**	**(406)**
Written off	**–**	**–**	**(36)**	**–**	**–**	**(36)**
Exchange realignment	**(762)**	**(444)**	**(20)**	**(110)**	**(38)**	**(1,374)**
Closing net book amount	**18,123**	**8,126**	**1,083**	**3,595**	**–**	**30,927**
At 31 December 2016						
Cost	**37,988**	**23,371**	**3,891**	**6,145**	**252**	**71,647**
Accumulated depreciation and impairment	**(19,865)**	**(15,245)**	**(2,808)**	**(2,550)**	**(252)**	**(40,720)**
Net book amount	**18,123**	**8,126**	**1,083**	**3,595**	**–**	**30,927**

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense for the year ended 31 December 2016 of approximately HK$2,818,000 (2015: HK$1,466,000) and HK$2,263,000 (2015: HK$7,269,000) have been recognised as selling expenses and administrative expenses, respectively.

The Group has not pledged any of its property, plant and equipment during the years ended 31 December 2016 and 2015 for any facilities granted to the Group.

15 GOODWILL

	2016	2015
	HK$'000	*HK$'000*
Net book amount at 1 January	**–**	160,877
Provision for impairment *(Note)*	**–**	(160,877)
Net book amount at 31 December	**–**	–
At 31 December		
Cost	**192,380**	192,380
Accumulated impairment	**(192,380)**	(192,380)
Net book amount	**–**	–

Note: The Directors had performed an impairment review of the carrying amount of goodwill as at 31 December 2015 and have concluded that an impairment charge of approximately HK$160,877,000 arose in a CGU of the clubhouse business of the Group, resulting in the carrying amount of the related goodwill being fully written off.

Impairment tests for goodwill

During the year ended 31 December 2015, for the purposes of impairment testing, goodwill acquired has been allocated to the smallest individual CGUs identified as at the end of reporting period. The recoverable amounts of each of the CGUs were determined based on value-in-use calculations. The calculation uses cash flow projections based on financial estimates made by the Directors, with reference to the prevailing market conditions, covering a period of 5 years and assuming gross profit margins of 60%. Management assumed that the sales beyond the above-mentioned period would keep stable. The cash flow projections were discounted at a pre-tax discount rate of 14.62% per annum.

16 TRADEMARK USER RIGHT AND TECHNICAL KNOW-HOW, AND OTHER INTANGIBLE ASSETS

	Trademark user right and technical know-how HK$'000 (Note (a))	Medical license HK$'000 (Note (b))	Cross-boundary vehicle licence HK$'000 (Note (c))	Total HK$'000
At 1 January 2015				
Cost	–	–	1,568	1,568
Accumulated amortisation and impairment	–	–	–	–
Net book amount	–	–	1,568	1,568
Year ended 31 December 2015				
Opening net book amount	–	–	1,568	1,568
Acquisition of subsidiaries *(Note 32)*	222,222	279	–	222,501
Amortisation	–	(66)	–	(66)
Exchange realignment	–	(14)	–	(14)
Closing net book amount	222,222	199	1,568	223,989
At 31 December 2015				
Cost	222,222	955	1,568	224,745
Accumulated amortisation and impairment	–	(756)	–	(756)
Net book amount	222,222	199	1,568	223,989
Year ended 31 December 2016				
Opening net book amount	**222,222**	**199**	**1,568**	**223,989**
Amortisation	**–**	**(93)**	**–**	**(93)**
Provision for impairment	**(64,972)**	**–**	**–**	**(64,972)**
Exchange realignment	**–**	**(9)**	**–**	**(9)**
Closing net book amount	**157,250**	**97**	**1,568**	**158,915**
At 31 December 2016				
Cost	**222,222**	**893**	**1,568**	**224,683**
Accumulated amortisation and impairment	**(64,972)**	**(796)**	**–**	**(65,768)**
Net book amount	**157,250**	**97**	**1,568**	**158,915**

16 TRADEMARK USER RIGHT AND TECHNICAL KNOW-HOW, AND OTHER INTANGIBLE ASSETS *(Continued)*

Notes:

(a) The trademark user right and technical know-how was licensed exclusively to the Group for an infinite period at a nominal consideration of HK$1, which comprises the trademarks of the Marsa brand in relation to the acquisition of the beauty and wellness business acquired in May 2015 (Note 32) and the know-how of operating the said business, including but not limited to business and operating models and technical skills for the beauty and wellness business. As a result, the trademark user right and technical know-how is considered by management of the Group as having an indefinite useful life and will not be amortised.

Impairment tests for trademark user right and technical know-how with indefinite useful life

The recoverable amount of the trademark user right and technical know-how with indefinite useful life is determined based on value-in-use calculation by reference to the valuation report issued by an independent valuer. The cash flow projection is based on a five-year profit forecast reviewed by the directors of the Company in respect of the relevant identifiable CGU. Cash flows beyond the five-year period are extrapolated using growth rate of 3%, which does not exceed the long-term average growth rate for the beauty and wellness industry. The cash flows are discounted using a discount rate of 17.98%. The discount rate used is pre-tax and reflects specific risks relating to the beauty and wellness segment. Other key assumptions involve (i) management's expectations for the market development and (ii) the continuity of the co-operation relationship with business partners.

During the year ended 31 December 2016, an impairment loss of approximately HK$64,972,000 was recognised in respect of the trademark user right and technical know-how within the beauty and wellness segment. In the opinion of the directors of the Company, the main factor contributing to the impairment loss was the actual performance of the beauty and wellness being not as good as anticipated by the Board at the time of acquisition (details discussed in the "Business Review and Prospects" of the "Management Discussion and Analysis" section).

(b) The medical license was used by the beauty and wellness business and has a useful life of 10 years. Hence, amortisation is provided on a straight-line basis over 10 years.

(c) The cross-boundary vehicle license has a legal life of 1 year but is renewable every 1 year at minimal costs. The Directors are of the opinion that the Group would renew the cross-boundary vehicle license continuously and has the ability to do so. As a result, the cross-boundary vehicle license is considered by management of the Group as having an indefinite useful life and will not be amortised.

17 INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials and consumables	**3,463**	6,831

The cost of inventories recognised as expenses and included in cost of sales during the year ended 31 December 2016 amounted to approximately HK$7,492,000 (2015: HK$15,534,000) (Note 7).

Notes to the Consolidated Financial Statements

18 PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS

	Winning Rose Promissory Note *HK$'000* *(Note (a))*	Puregood Promissory Note *HK$'000* *(Note (b))*	Total *HK$'000*
At 1 January 2015 and 31 December 2015	–	–	–
Issue of promissory note receivables	**73,098**	**66,344**	**139,442**
Interest income *(Note 8)*	**8,450**	**6,326**	**14,776**
At 31 December 2016	**81,548**	**72,670**	**154,218**

The Group's promissory note receivables and call options arose from two transactions detailed below:

(a) On 29 April 2016, Sino Front Limited ("Sino Front"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement and a call option agreement with Winning Rose Capital Inc. ("Winning Rose"), pursuant to which Sino Font disposed of certain trade receivables incurred in its ordinary and usual course of business with an aggregate carrying amount of HK$95,576,103 to Winning Rose at a consideration of HK$86,018,492, which was settled by the issuance of a promissory note (the "Winning Rose Promissory Note") and a call option (the "Winning Rose Call Option") by Winning Rose on the same date.

Winning Rose Promissory Note

The Winning Rose Promissory Note is denominated in Hong Kong dollars, interest-free and will be matured on the first anniversary of the date of issue. The Winning Rose Promissory Note is secured by 40% of the issued share capital of Jasper Jade Corporation ("Jasper Jade") in favour of Sino Front. Jasper Jade is wholly owned by Winning Rose and is going to be engaged in the trading of female healthcare products in Hong Kong, the PRC, Taiwan and Southeast Asian countries.

On the issuance date, with reference to a valuation by an independent valuer, the face value of the Winning Rose Promissory Note is equivalent to the fair value of approximately 35% of the issued share capital of Jasper Jade. The fair value of the Winning Rose Promissory Note at issuance at approximately HK$73,098,000 was calculated using market interest rate at 17.67% of equivalent bonds.

As at 31 December 2016, referring to a valuation performed by an independent valuer, the fair value of Winning Rose Promissory Note approximates to HK$83,350,000. The recoverable amount of the Winning Rose Promissory note is higher than its carrying amount and management of the Group considered there was no objective evidence that an impairment loss occurred on the Winning Rose Promissory Note. In this respect, the management of the Group considered that provision for impairment is not necessary.

18 PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS *(Continued)*

(a) *(Continued)*

Winning Rose Call Option

Under the Winning Rose Call Option, Sino Front was granted a right to acquire the shares of Jasper Jade from Winning Rose with a fair value equivalent to the face value of the Winning Rose Promissory Note (i.e. HK$86,018,492). The Winning Rose Call Option is exercisable during the period commencing on the issuance date of the valuation report and expiring on the date falling 1 year from the date of the call option agreement. In addition, pursuant to the call option agreement, upon the exercise of the Winning Rose Call Option, Sino Front shall commit to invest in Jasper Jade (by way of shares subscription, shareholder loan or otherwise) with an amount of HK$10,000,000, within 3 years from the exercise of the Winning Rose Call Option.

The fair value of the Winning Rose Call Option was initially recognised at the date of issuance at approximately HK$22,653,000 by using the binomial tree pricing model. The fair value estimates were based on the exercisable value (i.e. the face value) of the Winning Rose Promissory Note of HK$86,018,492, expected volatility of 67.89% and risk-free rate of 0.25%.

As at 31 December 2016, the fair value of the Winning Rose Call Option is subsequently measured at HK$4,930,000 with a fair value decrease of approximately HK$17,723,000 directly recognised in the consolidated statement of profit or loss.

(b) On 30 June 2016, Green Capital (Hong Kong) Limited ("Green Capital"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement and a call option agreement with Puregood Express Inc. ("Puregood"), pursuant to which Green Capital disposed of certain loans and other receivables incurred in its ordinary and usual course of business with an aggregate carrying amount of HK$79,598,533 to Puregood at a consideration of HK$79,598,533, which was settled by the issuance of a promissory note (the "Puregood Promissory Note") and a call option (the "Puregood Call Option") by Puregood on the same date.

Puregood Promissory Note

The Puregood Promissory Note is denominated in Hong Kong dollars, interest-free and will be matured on the first anniversary of the date of issue. The Puregood Promissory Note is secured by 48% of the issued share capital of Gold Fountain Inc. ("Gold Fountain") in favour of Green Capital. Gold Fountain is wholly owned by Puregood and is going to be engaged in the provision of a trading platform of healthy household appliances.

On the issuance date, with reference to a valuation by an independent valuer, the face value of the Puregood Promissory Note is equivalent to the fair value of approximately 48% of the issued share capital of Gold Fountain. The fair value of the Puregood Promissory Note at issuance at approximately HK$66,344,000 was calculated using market interest rate at 19.98% of equivalent bonds.

18 PROMISSORY NOTE RECEIVABLES AND CALL OPTIONS *(Continued)*

(b) *(Continued)*

Puregood Promissory Note *(Continued)*

As at 31 December 2016, referring to a valuation performed by an independent valuer, the fair value of Puregood Promissory Note approximates to HK$75,900,000. The recoverable amount of the Puregood Promissory note is higher than its carrying amount and management of the Group considered there was no objective evidence that an impairment loss occurred on the Puregood Promissory Note. In this respect, the management of the Group considered that provision for impairment is not necessary.

Puregood Call Option

Under the Puregood Call Option, Green Capital was granted a right to acquire the shares of Gold Fountain from Puregood with a fair value equivalent to the face value of the Puregood Promissory Note (i.e. HK$79,598,533). The Puregood Call Option is exercisable during the period commencing on the date of the issuance date of the valuation report and expiring on the date falling 1 year from the date of the call option agreement. In addition, pursuant to the call option agreement, upon the exercise of the Puregood Call Option, Green Capital shall commit to invest in Gold Fountain (by way of shareholder loan) with an amount not more than HK$8,000,000, within 3 years from the exercise of the Puregood Call Option by Green Capital (and, in respect of each shareholder loan made by Green Capital, Green Capital shall not demand for repayment of such shareholder loan within one year of such advancement).

The fair value of the Puregood Call Option was initially recognised at the date of issuance at approximately HK$12,386,000, by using the binomial tree pricing model. The fair value estimates were based on the exercisable value (i.e. the face value) of the Puregood Promissory Note of HK$79,598,533, expected volatility of 39.43% and risk-free rate of 0.29%.

As at 31 December 2016, the fair value of the Puregood Call Option is subsequently measured at HK$6,110,000 with a fair value decrease of approximately HK$6,276,000 directly recognised in the consolidated statement of profit or loss.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK$'000	Financial assets at fair value HK$'000
Assets as per statement of financial position		
At 31 December 2016		
Derivative financial instruments		
– Put option	**–**	**6,150**
– Early redemption option	**–**	**12,743**
– Call options	**–**	**11,040**
Promissory note receivables	**154,218**	**–**
Trade and other receivables, excluding prepayments	**17,395**	**–**
Loans receivable	**26,068**	**–**
Bank balances – trust and segregated accounts	**4,007**	**–**
Bank balances (general accounts) and cash	**24,514**	**–**
	226,202	**29,933**
At 31 December 2015		
Derivative financial instruments		
– Put option	–	5,910
– Early redemption option	–	22,546
Trade and other receivables, excluding prepayments	141,775	–
Loans receivable	51,000	–
Cash and cash equivalents	53,129	–
	245,904	28,456

19 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Financial liabilities at fair value HK$'000	Financial liabilities at amortised cost HK$'000
Liabilities as per statement of financial position		
At 31 December 2016		
Convertible bonds	**–**	**119,144**
Bonds payable	**–**	**16,031**
Contingent consideration payables	**38,771**	**–**
Trade and other payables, excluding membership deposits received	**–**	**24,760**
	38,771	**159,935**
At 31 December 2015		
Convertible bonds	–	50,151
Bonds payable	–	9,705
Contingent consideration payables	49,247	–
Trade and other payables, excluding membership deposits received	–	38,021
	49,247	97,877

20 TRADE RECEIVABLES

	2016 ***HK$'000***	2015 *HK$'000*
Trade receivables	**52,165**	150,972
Less: Provision for discount on past due balances	**(51,979)**	(51,979)
	186	98,993

During the year ended 31 December 2016, certain trade receivable of HK$95,576,103 was disposed of by Sino Front, a wholly owned subsidiary of the Company, to an independent third party for the Winning Rose Promissory Note and the Winning Rose Call Option, details of which are stated in Note 18(a).

The Group's trade receivables are generally with credit periods of 90 days (2015: 90 days). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade receivables. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values.

20 TRADE RECEIVABLES *(Continued)*

The ageing analysis of trade receivables as at 31 December 2016 and 2015 are as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**31**	1,396
31 – 60 days	**6**	874
61 – 90 days	**5**	473
91 – 180 days	**4**	86
Over 180 days	**52,119**	148,143
	52,165	150,972

Management assessed the credit quality of those trade receivables of approximately HK$42,000 (2015: HK$2,743,000) that are neither past due nor impaired by reference to the repayment history and current financial position of these customers. Those receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and these balances are expected to be fully recoverable.

As at 31 December 2016, trade receivables of approximately HK$52,123,000 (2015: HK$148,229,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
91 – 180 days	**4**	86
Over 180 days	**52,119**	148,143
	52,123	148,229

Up to 31 December 2016, the Group has made provision of approximately HK$51,979,000 (2015: HK$51,979,000) to account for the discounting effect of the time value of money because of the delay in settlement of the outstanding trade receivables.

Movement in the provision for discount on past due balances is as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January and 31 December	**51,979**	51,979

20 TRADE RECEIVABLES *(Continued)*

Trade receivables are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Renminbi	**186**	2,924
US dollars	**51,979**	148,048
	52,165	150,972

21 LOANS RECEIVABLE

The loans receivable are unsecured, bear interests ranging from 13% to 36% per annum, and repayable within one year.

Loans receivable are denominated in following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong dollars	**21,600**	–
Renminbi	**4,468**	51,000
	26,068	51,000

The carrying amount of the loans receivable approximate their fair value.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepayments	**7,533**	8,092
Deposit paid for establishment of an associated company *(Note)*	**2,500**	25,110
Other deposits paid	**5,957**	7,639
Other receivables	**8,752**	10,033
	24,742	50,874

Note: This deposit was paid for the establishment of an associated company. During the year ended 31 December 2016, Green Capital, a wholly-owned subsidiary of the Company, disposed of the deposit paid for the establishment of an associated company amounting to HK$25,110,000 to an independent third party, see Note 18(b).

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Prepayments, deposits and other receivables are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong dollars	**7,984**	9,485
Renminbi	**16,758**	41,389
	24,742	50,874

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

23 CASH AND BANK BALANCES

	2016 HK$'000	2015 HK$'000
Bank balances – trust and segregated accounts *(Note (i))*	**4,007**	–
Bank balances (general accounts) and cash *(Note (ii))*	**24,514**	53,129
	28,521	53,129

Notes:

(i) An indirect wholly-owned subsidiary of the Company receives and holds money deposited by clients in the course of the conduct of the regulated activities of its ordinary business. The clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding trade payables to respective clients (Note 29). However, the Group does not have a currently enforceable right offset those payables with deposits placed.

(ii) The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Cash and cash equivalents are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong dollars	**17,580**	34,958
Renminbi	**10,941**	17,899
US dollars	**–**	272
	28,521	53,129

Cash at banks earns interest at floating rates based on daily bank deposit rates.

24 SHARE CAPITAL

Authorised capital

	Number of shares	Nominal value
		HK$'000
At 1 January 2015, 31 December 2015 and 31 December 2016, ordinary shares of HK$0.01 each	**4,000,000,000**	**40,000**

Issued and fully paid capital

	Number of shares	Nominal value
		HK$'000
At 1 January 2015	1,853,661,910	18,537
Issue of shares upon exercise of share options *(Note (a)(i))*	58,139,534	581
Issue of shares upon conversion of convertible bonds *(Note (a)(ii))*	60,651,162	607
At 31 December 2015 and 31 December 2016	1,972,452,606	19,725

Notes:

(a) Issue of new shares

(i) On 30 January 2015, certain outstanding convertible bonds with an aggregate principal amount of HK$25,000,000 were converted into the shares of the Company at a conversion price of HK$0.43 (as adjusted to reflect the open offer completed on 19 August 2014) per share and, accordingly, the Company allotted and issued a total of 58,139,534 shares to the convertible bond holders (Note 25(b)).

(ii) On 17 April 2015, certain outstanding convertible bonds with an aggregate principal amount of HK$26,080,000 were converted into the shares of the Company at a conversion price of HK$0.43 (as adjusted to reflect the open offer completed on 19 August 2014) per share and, accordingly, the Company allotted and issued a total of 60,651,162 shares to the convertible bond holders (Note 25(b)).

24 SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) Share option scheme

On 2 September 2006, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme

(i) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share were granted to certain eligible participants (as defined under the Share Option Scheme) which were vested immediately on the date of grant and expire on 10 May 2022.

The weighted average fair value of options granted in 2012 determined using the Trinomial Option Pricing Model was HK$0.21 per option. The significant inputs into the model were weighted average share price of HK$0.37 at the grant date, exercise price as shown above, volatility of 45%, dividend yield of 0%, an expected option life of 10 years, and annual risk-free interest rate of 1.14%.

The volatility and dividend yield reflects the assumptions that the historical volatility and dividend yield are indicative of future trends, which may also not necessarily be the actual outcome. The expected life of the options is not necessarily indicative of the exercise patterns that may occur.

(ii) In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme and was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,246,050 share options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). However, no share options were accepted by the grantees within 28 days from the date of offer in accordance with the rules of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year.

24 SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) Share option scheme *(Continued)*

(iii) Movements in the share options are as follows:

	2016		2015	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 January	**0.32**	**55,800,000**	0.32	55,800,000

	2016	2015
– Number of share options exercisable at year ended	**55,800,000**	55,800,000
– Range of exercise prices	**HK$0.32**	HK$0.32
– Weighted average remaining contractual life	**5.35 years**	6.35 years

25 CONVERTIBLE BONDS

The liability components of the convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	1st Tai Cheng CB	Big Point	2nd Tai Cheng CB	2015 CB	1st Marsa CB	3rd Tai Cheng CB	1st 2016 CB	2nd 2016 CB	2nd Marsa CB	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (a))	*(Note (b))*	*(Note (a))*	*(Note (c))*	*(Note (d))*	*(Note (a))*	*(Note (e))*	*(Note (f))*	*(Note (d))*	
At 1 January 2015	4,781	–	3,803	–	–	–	–	–	–	8,584
Issue of convertible bonds	–	–	–	29,000	–	305	–	–	–	29,305
Direct issue costs	–	–	–	(952)	–	–	–	–	–	(952)
Equity component on initial recognition	–	–	–	(6,929)	–	–	–	–	–	(6,929)
Acquisition of subsidiaries *(Note 32)*	–	–	–	–	41,000	–	–	–	–	41,000
Written back pursuant to profit guarantee *(Note 8)*	–	–	–	–	(27,331)	–	–	–	–	(27,331)
Interest expenses *(Note 8)*	701	–	577	2,451	2,729	16	–	–	–	6,474
At 31 December 2015	5,482	–	4,380	23,570	16,398	321	–	–	–	50,151
Analysed by maturity date as:										
Within one year and included under current liabilities	5,482	–	–	–	–	–	–	–	–	5,482
Over one year and included under non-current liabilities	–	–	4,380	23,570	16,398	321	–	–	–	44,669
	5,482	–	4,380	23,570	16,398	321	–	–	–	50,151
At January 2016	**5,482**	**–**	**4,380**	**23,570**	**16,398**	**321**	**–**	**–**	**–**	**50,151**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**40,000**	**12,000**	**26,295**	**78,295**
Equity component on initial recognition	**–**	**–**	**–**	**–**	**–**	**–**	**(1,312)**	**(1,225)**	**–**	**(2,537)**
Written back pursuant to profit guarantee *(Note 8)*	**–**	**–**	**–**	**–**	**(5,209)**	**–**	**–**	**–**	**(19,215)**	**(24,424)**
Interest expenses *(Note 8)*	**681**	**–**	**666**	**3,391**	**4,910**	**51**	**4,326**	**857**	**2,777**	**17,659**
At 31 December 2016	**6,163**	**–**	**5,046**	**26,961**	**16,099**	**372**	**43,014**	**11,632**	**9,857**	**119,144**
Analysed by maturity date as:										
Within one year and included under current liabilities	**6,163**	**–**	**5,046**	**–**	**–**	**–**	**43,014**	**–**	**–**	**54,223**
Over one year and included under non-current liabilities	**–**	**–**	**–**	**26,961**	**16,099**	**372**	**–**	**11,632**	**9,857**	**64,921**
	6,163	**–**	**5,046**	**26,961**	**16,099**	**372**	**43,014**	**11,632**	**9,857**	**119,144**

The fair value of the liability components of the convertible bonds at 31 December 2016 amounted to approximately HK$126,576,000 (2015: HK$58,742,000). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5% (2015: 5%).

The values of the liability components and the equity components were determined at issuance of the convertible bonds. The fair values of the liability components were calculated using market interest rates for equivalent non-convertible bonds. The residual amounts, representing the values of the equity conversion options, are included in equity within other reserves (with the exception of the 1st Marsa CB and 2nd Marsa CB, which is detailed in note (d) below).

25 CONVERTIBLE BONDS *(Continued)*

As at 31 December 2016, there were outstanding convertible bonds in the aggregate principal amount of approximately HK$201,769,000 (2015: HK$95,519,000) which are convertible into 574,090,730 (2015: 224,911,386) shares of the Company.

Convertible bonds issued by the Group and outstanding during the years ended 31 December 2016 and 2015 were as follows:

(a) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng International Limited ("Tai Cheng") (Note 27(b)), partial consideration shall be settled by the issue of the Tai Cheng CB in 3 tranches of each not exceeding HK$10,000,000 for each financial years ended 31 December 2012, 2013 and 2014 respectively.

On 29 October 2013, the Company issued the first tranche of the Tai Cheng in an aggregate principal amount of HK$6,163,639 (the "1st Tai Cheng CB") to Hong Kong Tai Shing Toys Trading Limited ("Tai Shing"). The 1st Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 29 October 2016. The effective interest rate of the 1st Tai Cheng CB was 17.90% per annum.

On 13 October 2014, the Company issued the second tranche of the Tai Cheng CB in an aggregate principal amount of HK$5,628,138 (the "2nd Tai Cheng CB") to Tai Shing. The 2nd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 13 October 2017. The effective interest rate of the 2nd Tai Cheng CB was 17.99% per annum.

On 8 September 2015, the Company issued the third tranche of the Tai Cheng CB on 8 September 2015 in an aggregate principal amount of HK$477,241 (the "3rd Tai Cheng CB") to Tai Shing. The 3rd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 8 September 2018. The effective interest rate of the 3rd Tai Cheng CB was 18.15% per annum.

All tranches under the Tai Cheng CB are convertible into the shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.43 per share (subject to adjustments).

On 15 January 2016, certain convertible bonds (the "1st 2016 CB") were issued to a nominee of Mr. Yang Yuezhou (Note 25(e)). Subsequent to the completion of the issue of the 1st 2016 CB, the conversion price of the all tranches under the Tai Cheng CB was adjusted from HK$0.43 per share to HK$0.42 per share.

Subsequent to the end of the reporting period, on 3 March 2017, the conversion price of all tranches under the Tai Cheng CB was adjusted from HK$0.42 per share to HK$0.41 per share after the completion of the convertible bond issue (Note 37(c)).

The 1st Tai Cheng CB has matured on 29 October 2016, and on 15 March 2017, the Company and Tai Shing entered into a side letter to terminate all obligations under the 1st Tai Cheng CB and issue a promissory note to the convertible bond holder (Note 37(d)).

25 CONVERTIBLE BONDS *(Continued)*

(b) Pursuant to the sale and purchase agreement to the acquisition of Big Point Investment Limited ("Big Point"), the Company issued convertible bonds on 30 January 2014 in an aggregate principal amount of HK$76,620,000 (the "Big Point CB") to China Real Estates Investment Holdings Limited ("China Real Estates") as partial satisfaction of the consideration.

The Big Point CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 30 January 2017.

In respect of the conversion by the bondholder, (a) for the principal amount of HK$25,540,000, the convertible bonds is convertible into shares before maturity, and (b) for the remaining principal amount of HK$51,080,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK$0.50 per share (subject to adjustments). In respect of the conversion by the Company, for the principal amount of HK$76,620,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK$0.50 per share (subject to adjustments). Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date by issuing shares to the bondholder at an initial conversion price of HK$0.50 per share (subject to adjustments). Therefore, there were no amounts under liability component as the Big Point CB is mandatorily convertible into shares and there was no interest repayment.

Due to the completion of an open offer on 19 August 2014, the conversion price of the Big Point CB was adjusted from HK$0.50 per share to HK$0.43 per share with effect from 19 August 2014.

All of the Big Point CB in the respective principal amounts of HK$25,540,000, HK$25,000,000 and HK$26,080,000 were converted into 51,080,000, 58,139,534 and 60,651,162 shares of the Company on 18 February 2014, 30 January 2015 and 17 April 2015.

(c) On 9 February 2015, the Company entered into a placing agreement with ASA Securities Limited ("ASA Securities"), pursuant to which ASA Securities has conditionally agreed with the Company to place, on a best effort basis, convertible bonds up to a total principal amount of HK$83,800,000 which are convertible into, at HK$0.33 per share (subject to adjustments), 253,939,393 ordinary shares of HK$0.01 each in the capital of the Company to the placees who are independent third parties at 100% of the principal amount of the convertible bonds. The market closing price of the Company's shares on 9 February 2015 was HK$0.355 per share.

The convertible bonds are denominated in Hong Kong dollars, unsecured, bear interest at 3% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if these convertible bonds are neither converted nor redeemed prior to the maturity date. These convertible bonds are convertible into the shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.33 per share (subject to adjustments).

The placing was completed on 6 March 2015, where convertible bonds in an aggregate principal amount of HK$29,000,000 (the "2015 CB") was successfully placed by ASA Securities to three placees who are third parties independent of the Company and its connected persons. The net proceeds was HK$28,048,000. The effective interest rate of the 2015 CB was 14.39% per annum.

25 CONVERTIBLE BONDS *(Continued)*

(d) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star Global Limited ("Rainbow Star") (Note 32), the Company issued convertible bonds in May 2015 in an aggregate principal amount of HK$54,250,000 (the "1st Marsa CB") to Mr. Chung Sum Sang ("Mr. Chung") and Ms. Eva Au ("Ms. Au") as partial satisfaction of the consideration. The 1st Marsa CB is denominated in Hong Kong dollars, unsecured, bear interest at 2% per annum from the first anniversary of issue onwards (interest-free during the first calendar year of issue) and will be matured in May 2018. Interest will be payable on the maturity date if the 1st Marsa CB is neither converted nor redeemed prior to the maturity date. The Company shall have the right to redeem the 1st Marsa CB at any time during its term by issuing shares to the holders at the initial conversion price of HK$0.50 per share (subject to adjustments). The 1st Marsa CB is convertible into the shares of the Company at the holder's option during the period commencing from the date being the latter of (a) the first anniversary of the issue date of the 1st Marsa CB; and (b) the Company having exercised its rights in respect of the redemption and cancellation of the 1st Marsa CB with reference to the profit guarantee (Note 32), to maturity at an initial conversion price of HK$0.50 per share (subject to adjustments).

The Company has also issued convertible bonds in May 2016 in an aggregate principal amount of HK$54,250,000 (the "2nd Marsa CB") to Mr. Chung and Ms. Au as partial satisfaction of the consideration pursuant to the sale and purchase agreement of Rainbow Star (Note 32). All of the terms and conditions of the 2nd Marsa CB are same as the 1st Marsa CB, with the exception that the 2nd Marsa CB will be matured in May 2019.

A liability component, an equity component and an early redemption option were classified at initial recognition of the 1st Marsa CB and the 2nd Marsa CB. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets.

The fair values of the liability components of the 1st Marsa CB and 2nd Marsa CB were initially recognised at approximately HK$41,000,000 and HK$26,295,000, respectively, by using the discounted cash flow model. The fair value estimate was based on respective assumed discount rates of 11.24% and 11.46% and the Directors' expectation on the amount of the 1st Marsa CB and 2nd Marsa CB to be redeemed or cancelled (if any).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the 1st Marsa CB were initially recognised at the date of acquisition at approximately HK$22,847,000 and HK$20,200,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK$0.50 per share, expected volatility of 89.55% and risk-free rate of 0.70%. As at 31 December 2016, the equity component amounting to approximately HK$7,562,000 (2015: HK$8,568,000) is included in equity within other reserves, and as at 31 December 2016, the early redemption option was subsequently at fair value of approximately HK$610,000 (2015: HK$3,713,000).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the 2nd Marsa CB were initially recognised at the date of acquisition at approximately HK$16,506,000 and HK$7,944,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK$0.50 per share, expected volatility of 83.26% and risk-free rate of 0.83%. As at 31 December 2016, the equity component amounting to approximately HK$5,934,000 is included in equity within other reserves, and the early redemption option was subsequently measured as at 31 December 2016 at fair value of approximately HK$1,584,000.

25 CONVERTIBLE BONDS *(Continued)*

(e) On 27 November 2015, the Company entered into a subscription agreement with Mr. Yang Yuezhou, pursuant to which Mr. Yang Yuezhou has conditionally agreed with the Company to subscribe for the 1st 2016 CB in a principal amount of HK$40,000,000 which are convertible into, at HK$0.20 per share (subject to adjustments), 200,000,000 ordinary shares of HK$0.01 each in the capital of the Company at 100% of the principal amount of the convertible bonds. The market closing price of the Company's shares on 27 November 2015 was HK$0.227 per share.

The 1st 2016 CB is denominated in Hong Kong dollars, unsecured, bears interest at 8% per annum and will be matured on the date falling on the first anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if the 1st 2016 CB is neither converted nor redeemed prior to the maturity date. The 1st 2016 CB is convertible into the shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.20 per share (subject to adjustments).

The subscription was completed on 15 January 2016. The net proceeds was HK$40,000,000. The effective interest rate of the 1st 2016 CB was 11.65% per annum. The use of proceeds is disclosed in the "Management Discussions and Analysis" section.

Subsequent to the end of the reporting period, the maturity of the 1st 2016 CB is extended for three months from 15 January 2017 to 15 April 2017 (details of which are stated in Note 37(a)).

(f) On 5 April 2016, the Company entered into a subscription agreement with Hong Kong Qian Hai Financial Group Limited ("Qian Hai Financial"), pursuant to which Qian Hai Financial has conditionally agreed with the Company to subscribe for convertible bonds (the "2nd 2016 CB") in a principal amount of HK$12,000,000 which are convertible into, at HK$0.30 per share (subject to adjustments), 40,000,000 ordinary shares of HK$0.01 each in the capital of the Company at 100% of the principal amount of the convertible bonds. The market closing price of the Company's shares on 5 April 2016 was HK$0.234 per share.

The 2nd 2016 CB is denominated in Hong Kong dollars, unsecured, bears interest at 8% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if the 2nd 2016 CB is neither converted nor redeemed prior to the maturity date. The 2nd 2016 CB is convertible into the shares of the Company at the holder's option during the period commencing from the first anniversary of the issue date to the maturity date at an initial conversion price of HK$0.30 per share (subject to adjustments).

The subscription was completed on 15 April 2016. The net proceeds was HK$12,000,000. The effective interest rate of the 2nd 2016 CB was 11.36% per annum. The use of proceeds is disclosed in the "Management Discussions and Analysis" section.

26 BONDS PAYABLE

(a) On 26 October 2015, the Company entered into a placing agreement with AMTD Asset Management Limited ("AMTD"), pursuant to which AMTD has conditionally agreed with the Company to place, on a best effort basis, bonds up to a total principal amount of HK$50,000,000 to the placees who are independent third parties at 100% of the principal amount of the convertible bonds.

The bonds are denominated in Hong Kong dollars, unsecured, bear interest at 7% per annum for the first two years and at 10% per annum for the third year and will be matured on the date falling on the third anniversary of the issue of the bonds. The aggregate interests for the first two years after completion of issue of the bonds shall be payable in advance on the completion of issue of each bond, with the interest for the third year be payable on the first business day after the second anniversary. The bondholders may, at its sole discretion, on the second anniversary of the issue date of any bond duly issued by the Company, by serving a notice to the Company and demand redemption of the bond as effective on the second anniversary (in whole or in part) by the Company at 100% of the total amount of such bond.

During the year ended 31 December 2015, bonds with an aggregate principal amount of HK$14,000,000 was successfully placed by AMTD to two placees who are third parties independent of the Company and its connected persons. The effective interest rates of the bonds were 11.15% to 11.72% per annum. The use of proceeds is disclosed in the "Management Discussions and Analysis" section. There were no other successful bond placings up to the end of the placing period.

The fair value of the bonds at 31 December 2016 amounted to approximately HK$14,502,000 (2015: HK$13,383,000). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5% (2015: 5%).

(b) On 28 June 2016, the Company entered into a placing agreement with Enhanced Securities Limited ("Enhanced Securities"), pursuant to which Enhanced Securities agreed with the Company to place bonds up to a principal amount of HK$10,000,000 to a placee who is an independent third party at 100% of the principal amount of the bonds.

The bond is denominated in Hong Kong dollars, unsecured, bears interest at 5% per annum and will be matured on the date falling on the seventh anniversary of the issue of the bond. Interest is payable in arrears annually on each anniversary of the date of the issue.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.40% to 11.16% per annum. The use of proceeds is disclosed in the "Management Discussions and Analysis" section.

The fair value of the bonds at 31 December 2016 amounted to approximately HK$10,250,000. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5%.

The fair values of the bonds at issuance were calculated using market interest rates for equivalent bonds. The difference between the fair value at issuance and the net proceeds received was recognised within other income and gains in the consolidated statement of profit or loss.

As at 31 December 2016 , there were outstanding bonds in an aggregate principal amount of HK$24,000,000 (2015: HK$14,000,000).

26 BONDS PAYABLE *(Continued)*

The bonds recognised in the consolidated statement of financial position is calculated as follows:

	HK$'000
At 1 January 2015	–
Issue of bonds	14,000
Direct issue costs	(1,470)
Gain on issue of bonds payable *(Note 6)*	(922)
Interests paid	(1,960)
Interest expense *(Note 8)*	57
At 31 December 2015	**9,705**
Issue of bond	**10,000**
Direct issue costs	**(3,500)**
Gain on issue of bonds payable *(Note 6)*	**(2,622)**
Interest expense *(Note 8)*	**2,448**
At 31 December 2016	**16,031**

27 CONTINGENT CONSIDERATION PAYABLES

The Group's contingent consideration payables arises from two acquisitions completed by the Group detailed below:

(a) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star (Note 32), part of the consideration shall be settled by the issue of convertible bonds (the Marsa CB) in 3 tranches of principal amount of HK$54,250,000 each on the date of acquisition, the 1st anniversary of and the 2nd anniversary of the date of acquisition. The Marsa CB comprises the profit guarantee as provided by Mr. Chung and Ms. Au (as detailed in Note 32) and may be redeemed or cancelled by the Company with reference to the profit guarantee. The Marsa CB not yet issued as at the reporting date is recognised as contingent consideration payable (the "Marsa CCP"). A liability component, an equity component and an early redemption option were classified at initial recognition of the Marsa CCP. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets. When the Marsa CB is issued, the liability component of the Marsa CCP is de-recognised from contingent considerable payables and recognised as convertible bonds on the date of issue.

The Company issued the 1st and 2nd Marsa CB in May 2015 and May 2016, respectively, each in an aggregate principal amount of HK$54,250,000 (Note 25(d)).

27 CONTINGENT CONSIDERATION PAYABLES *(Continued)*

(a) *(Continued)*

The fair value of the liability component of the Marsa CCP was initially recognised at the date of acquisition at approximately HK$69,033,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 11.46% to 11.69% and the Directors' expectation on the amount of the Marsa CB to be redeemed or cancelled (if any). This liability component of the Marsa CCP was subsequently measured as at 31 December 2016 at fair value of approximately HK$38,771,000 (2015: HK$49,247,000).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the Marsa CCP were initially recognised at the date of acquisition at approximately HK$53,061,000 and HK$50,036,000, respectively, by using the partial differential equation method. The initial fair value estimates were based on assumed conversion price of HK$0.50 per share, expected volatility of 79.13% – 88.53% and risk-free rate of 0.92% – 1.14%. As at 31 December 2016, the equity component of the Marsa CCP amounting to approximately HK$26,861,000 (2015: HK$35,577,000) was included in equity within other reserves, and the early redemption option of the Marsa CCP was subsequently measured as at 31 December 2016 at fair value of approximately HK$10,549,000 (2015: HK$18,833,000).

(b) On 8 May 2012, the Group acquired 55% equity interests in Tai Cheng, at a total consideration of not exceeding HK$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong.

Pursuant to the sale and purchase agreement, contingent consideration payable (the "Tai Cheng CCP") in aggregate not exceeding HK$30,000,000 (the remaining consideration of HK$100 was settled in cash) shall be settled by the issue of the Tai Cheng CB in 3 tranches of not exceeding HK$10,000,000 each for each financial year ended 31 December 2012, 2013 and 2014 respectively.

The principal amount of the Tai Cheng CB to be issued in each tranche shall be determined by the proportion of the audited profit after taxation of Tai Cheng to the benchmark profit, as multiplied by HK$10,000,000. The benchmark profit is HK$12,000,000, HK$13,000,000 and HK$14,000,000 for the financial years ended 31 December 2012, 2013 and 2014 respectively.

A liability component and an equity component of the Tai Cheng CCP were classified at initial recognition of the Tai Cheng CB.

The Company issued the first, second and third tranches of the Tai Cheng CB on 29 October 2013, 13 October 2014 and 8 September 2015 in an aggregate principal amount of HK$6,163,639, HK$5,628,138 and HK$477,241, respectively (Note 25(a)).

The fair value of the liability component of the Tai Cheng CCP was initially recognised at the date of acquisition at approximately HK$13,267,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 17.90% to 18.15% and the Directors' expectation on the amount of the Tai Cheng CB to be issued. The equity component of the Tai Cheng CCP, which represents the value of the equity conversion option, was initially recognised at an amount of approximately HK$16,733,000. As at 31 December 2016 and 2015, there were no amounts under the Tai Cheng CCP as all amounts were settled by the issuance of the Tai Cheng CB.

27 CONTINGENT CONSIDERATION PAYABLES *(Continued)*

The liability components of the contingent consideration payables recognised in the consolidated statement of financial position were calculated as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**49,247**	273
Acquisition of subsidiaries *(Note 32)*	**–**	69,033
Fair value changes *(Note 8)*	**5,752**	4,761
Reversal/(Written back) pursuant to profit guarantee *(Note 8)*	**10,067**	(24,515)
Issue of the 2nd Marsa CB *(Note 25(d))*	**(26,295)**	–
Issue of the 3rd Tai Cheng CB *(Note 25(a))*	**–**	(305)
At 31 December	**38,771**	49,247

28 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and the movements thereon during the current and prior year:

	Trademark user right and technical know-how	**Accelerated tax depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	–	–	–
Acquisition of subsidiaries *(Note 32)*	22,222	–	22,222
At 31 December 2015	**22,222**	**–**	**22,222**
(Credit)/Charge to profit or loss for the year *(Note 9)*	**(6,497)**	**193**	**(6,304)**
At 31 December 2016	**15,725**	**193**	**15,918**

29 TRADE PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payable *(Note)*	**6,558**	6,020

Note: As at 31 December 2016, included in the trade payable balance of approximately HK$4,007,000 related to financial service business (cash clients) (Note 23).

The ageing analysis of trade payables as at 31 December 2016 and 2015 are as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**–**	1,237
31 – 60 days	**6**	768
61 – 90 days	**4,007**	658
91 days – 1 year	**288**	944
Over 1 year	**2,257**	2,413
	6,558	6,020

Trade payables are denominated in the following currencies:

	2016	2015
	HK$'000	*HK$'000*
Hong Kong dollars	**4,007**	–
Renminbi	**2,551**	6,020
	6,558	6,020

The carrying amounts of trade payables approximate their fair values.

30 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2016	2015
	HK$'000	*HK$'000*
Accruals	**3,866**	16,136
Membership deposits received	**19,852**	19,151
Other deposits received *(Note (i))*	**–**	11,941
Other payables *(Note (ii))*	**14,336**	3,924
	38,054	51,152

Notes:

(i) This represented deposit received by the Group pursuant to the proposed issue of convertible bonds announced on 17 December 2015. The balance was realised by the issuance of the 2nd 2016 CB during the year ended 31 December 2016 (Note 25(f)).

(ii) Included in other payable balance of RMB$2,500,000 (approximately to HK$2,793,000) payable to Ms. Tan Li ("Ms. Tan") who is the spouse of Mr. Yang Wang Jian ("Mr. Yang") (Note 35(c)). The balance carries interest of 13% per annum, unsecured and repayable within one year.

Other payables, accruals and deposits received are denominated in the following currencies:

	2016	2015
	HK$'000	*HK$'000*
Hong Kong dollars	**1,049**	2,584
Renminbi	**37,005**	48,568
	38,054	51,152

The carrying amounts of other payables, accruals and deposits received approximate their fair values.

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash used in operations

	Notes	2016 HK$'000	2015 HK$'000
Loss before income tax		**(136,990)**	(206,227)
Adjustment for:			
– Depreciation of property, plant and equipment	14	**5,081**	8,735
– Provision for impairment of property, plant and equipment	14	**406**	10,240
– Provision for impairment of goodwill	15	**–**	160,877
– Provision for impairment of trademark user right and technical know-how	16(a)	**64,972**	–
– Amortisation of other intangible assets	16	**93**	66
– Written off of property, plant and equipment	14	**36**	–
– Fair value change of derivative financial instruments			
Early redemption option		**9,803**	47,690
Call options		**23,999**	–
– Gain on disposal of trade receivables	6	**(175)**	–
– Gain on issue of bonds payable	26	**(2,622)**	(922)
– Gain on bargain purchase on acquisition of subsidiaries	32	**–**	(36,918)
– Gain on disposal of a subsidiary	33	**(3,005)**	–
– Loss on disposal of other receivables	6	**965**	–
– Other payables written off	6	**–**	(4,035)
– Finance income, net	8	**(11,090)**	(45,605)
		(48,527)	(66,099)
Changes in working capital:			
– Inventories		**1,408**	7,436
– Trade receivables		**1,001**	12,340
– Prepayments, deposits and other receivables		**3,958**	(5,738)
– Bank balances – trust and segregated accounts		**(4,007)**	–
– Trade payables		**3,805**	541
– Other payables, accruals and deposits received		**(11,948)**	66
– Amount due to a Director		**–**	(8,809)
Cash used in operations		**(54,310)**	(60,263)

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Significant non-cash transactions

In addition to the acquisition and disposal of subsidiaries (Note 32 and 33), the Group has the following material non-cash activities which are not reflected in the consolidated statement of cash flows:

(a) disposal of certain trade receivables in the carrying amount of HK$95,576,103 to an independent third party by Sino Front for the Winning Rose Promissory Note and the Winning Rose Call Option as detailed in Note 18(a);

(b) disposal of certain loans and other receivables in the carrying amount of HK$79,598,533 to an independent third party by Green Capital for the Puregood Promissory Note and the Puregood Call Option as detailed in Note 18(b);

(c) fair value change of put option directly recognised within equity (Note 32);

(d) conversion of convertible bonds (Notes 24(a)(i) and (ii));

(e) issue of certain convertible bonds pursuant to acquisition of subsidiaries (Notes 25(a) and (d)); and

(f) written back or reversal of the equity components of Marsa CB and Marsa CCP, pursuant to the profit guarantee, directly recognised within equity.

32 ACQUISITION OF SUBSIDIARIES

On 21 November 2014, the Company, Mr. Chung and Ms. Au entered into a sale and purchase agreement pursuant to which the Company has conditionally agreed to purchase the 100% equity interests of Rainbow Star, a company incorporated in the BVI, from Mr. Chung and Ms. Au at a maximum aggregate consideration of HK$217,000,000, out of which HK$54,250,000 shall be settled in cash and the remaining consideration of not more than HK$162,750,000 shall be settled by the 1st Marsa CB (Note 25(d)) and the Marsa CCP (Note 27(a)).

Rainbow Star is an investment holding company, its principal asset being 70% indirect equity interests in 深圳市瑪莎嘉兒連鎖實業有限公司 (literally translated as Shenzhen Marsa Guer Chain Enterprise Limited, "Marsa"). Marsa and its subsidiaries are principally engaged in the provision of beauty and wellness related services.

Pursuant to the terms of the sale and purchase agreement (as supplemented by a supplemental agreement dated 16 December 2014), deposits in an aggregate amount of HK$20,000,000 were paid to Mr. Chung and Ms. Au before 31 December 2014. The acquisition was subsequently completed in May 2015, the remaining cash consideration of HK$34,250,000 was paid and the 1st Marsa CB (Note 25(d) was issued to Mr. Chung and Ms. Au as partial satisfaction of the consideration. The remaining convertible bonds (the Marsa CCP) shall be issued on the 1st and the 2nd anniversary of the date of acquisition.

The 1st Marsa CB and the Marsa CCP comprise the profit guarantee as provided by Mr. Chung and Ms. Au, who have undertaken that the audited consolidated net profit after tax of Marsa for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than RMB20,000,000 for each year. In the event that it is less than RMB20,000,000, the Company shall redeem and cancel in whole or part of the corresponding convertible bonds at HK$1 based on the shortfall with reference to the profit guarantee of RMB20,000,000.

32 ACQUISITION OF SUBSIDIARIES *(Continued)*

Besides, in the case that all of the audited consolidated net profit after tax of Marsa for each of the three years ending 31 December 2015, 2016 and 2017 are less than RMB20,000,000, the Company shall have the right to request Mr. Chung and Ms. Au to repurchase the 100% equity interest in Rainbow Star at the aggregate consideration paid to them. The fair value of this put option was initially recognised at the date of acquisition at approximately HK$24,990,000 by using the binomial tree pricing model. The fair value estimates were based on assumed expected volatility of 31.606% and risk-free rate of 0.662%. The put option was recorded as a derivative financial instrument under non-current assets. This put option was subsequently measured as at 31 December 2016 at fair value of approximately HK$6,150,000 (2015: HK$5,910,000), with the fair value change recognised directly in equity within other reserves.

Revenue and net profit of approximately HK$21,668,000 and HK$6,246,000, respectively, from Rainbow Star and its subsidiaries were contributed to the Group during the period from May 2015 to 31 December 2015.

The following table summarises the recognised fair values of the consideration for the acquisition of Marsa and its subsidiaries, the assets acquired and liabilities assumed.

	Fair values recognised *HK$'000*
Purchase consideration	
Cash deposits paid in 2014	20,000
Cash paid in 2015	34,250
Fair value of the 1st Marsa CB issued on completion of acquisition *(Note 25(d))*	
—Liability component	41,000
—Equity component	22,847
—Early redemption option	(20,200)
Fair value of the Marsa CCP *(Note 27(a))*	
—Liability component	69,033
—Equity component	53,061
—Early redemption option	(50,036)
Total purchase consideration	169,955
Identifiable assets acquired and liabilities assumed on acquisition date	
Property, plant and equipment *(Note 14)*	12,179
Trademark user right and technical know-how *(Note 16)*	222,222
Other intangible assets *(Note 16)*	279
Inventories	13,571
Trade receivables	8
Prepayments, deposits and other receivables	2,001
Cash and cash equivalents	4,712
Trade payables	(1,847)
Other payables, accruals and deposits received	(13,879)
Amount due to a director	(8,809)
Deferred tax liability *(Note 28)*	(22,222)
Total identifiable net assets acquired	208,215
Non-controlling interests	(1,342)
Gain on bargain purchase on acquisition of subsidiaries	(36,918)
	169,955

Notes to the Consolidated Financial Statements

32 ACQUISITION OF SUBSIDIARIES *(Continued)*

An analysis of the net outflow of cash and cash equivalents during the year ended 31 December 2015 in respect of the acquisition is as follows:

	Fair values recognised *HK$'000*
Cash and cash equivalents acquired	4,712
Less: Consideration satisfied by cash	(34,250)
Net cash outflow on acquisition of subsidiaries	(29,538)

33 DISPOSAL OF A SUBSIDIARY

On 8 April 2016, 格林致福投資咨詢（深圳）有限公司, a wholly-owned subsidiary of the Company, disposed of its 100% equity interests in 東莞市金翊玩具有限公司（"金翊"）to independent third parties at a consideration of RMB500,000. 金翊 was principally engaged in the manufacturing of toys in the PRC. The net liabilities of 金翊 on 8 April 2016 are as follows:

	HK$'000
Assets disposed of and liabilities transferred	
Property, plant and equipment *(Note 14)*	**460**
Inventories	**1,960**
Trade receivables	**2,230**
Prepayments, deposits and other receivables	**1,291**
Cash and cash equivalents	**317**
Trade payables	**(3,267)**
Other payables and accruals	**(5,120)**
Tax payable	**(37)**
Net liabilities disposed of	**(2,166)**
Cumulative exchange differences reclassified from equity to profit or loss on disposal of the subsidiary	**(240)**
Gain on disposal of a subsidiary	**3,005**
	599
Satisfied by	
Cash	**599**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

	HK$'000
Cash consideration received	**599**
Less: Cash and cash equivalents disposed of	**(317)**
Net cash inflow on disposal of a subsidiary	**282**

34 COMMITMENTS

(a) Capital commitments

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

	2016 HK$'000	2015 HK$'000
Authorised but not contracted for:		
– Construction of property, plant and equipment	**25,850**	25,850
Contracted but not provided for:		
– Construction of property, plant and equipment	**–**	1,519
	25,850	27,369

Save as disclosed above, as detailed in Note 18(a) and (b), the Group will also be committed in certain investments upon exercise of the Winning Rose Call Option and the Puregood Call Option.

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 HK$'000	2015 HK$'000
Not later than 1 year	**17,083**	18,407
Later than 1 year but not later than 5 years	**37,774**	48,681
	54,857	67,088

Notes to the Consolidated Financial Statements

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Key management compensation

	2016	2015
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**8,178**	7,283
Pension costs – defined contribution plans	**72**	72
	8,250	7,355

(b) Transactions

In addition to the transactions and the balances detailed elsewhere in the consolidated financial statements, the Group has the following transactions with related parties:

	2016	2015
	HK$'000	*HK$'000*
Interest expense to Ms. Tan *(Note 8)*	**24**	–
Rentals paid	**50**	300

(c) Balance with a related party

	2016	2015
	HK$'000	*HK$'000*
Loans from Ms. Tan *(Note 30(ii))*	**2,793**	–

The Group has been provided loans at rates comparable to the average commercial rate of interest. The loans from Ms. Tan are unsecured.

36 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2016 and 2015.

37 SUBSEQUENT EVENTS

(a) Extension of 1st 2016 CB

The 1st 2016 CB has matured on 15 January 2017. On 16 January 2017, the Company has provided written consent in respect of the request by Yuanta Securities (Hong Kong) Company Limited, the nominee of Mr. Yang Yuezhou, to assign the convertible bonds to Mr. Yang Yuezhou. On the same day, changes have been made to the Register of Bondholders accordingly. In addition, the maturity date of the 1st 2016 CB shall be extended for three months from 15 January 2017 to 15 April 2017 to provide flexibility to the Company's working capital management and deployment of its financial resources to fund its operation. The Company shall have the right to redeem any portion of the 1st 2016 CB outstanding at an amount equals to the principal amount of the 1st 2016 CB together with any interest accrued thereon in its sole and absolute discretion at any time prior to the maturity date of the 1st 2016 CB. Save as the above-mentioned amendments, each and every condition shall remain unchanged and valid.

(b) Litigation

After the end of the reporting period, on 9 February 2017, the Company has received a writ of summons (the "Writ") dated 9 February 2017 issued by the High Court of Hong Kong. The plaintiff is Nu Kenson Limited ("Nu Kenson") and the Company is named as the defendant in the Writ (the "Legal Proceeding").

Pursuant to the Statement of Claim attached to the Writ, Nu Kenson seeks, inter alia, the following reliefs:

(i) a declaration that Nu Kenson is the legal and lawful owner and/or holder of the 1st 2016 CB;

(ii) a declaration that Nu Kenson is entitled to (a) a certificate of the 1st 2016 CB in its name, to be issued by the Company; (b) have its name entered into the register of bondholder by the Company; and (c) convert the 1st 2016 CB into shares of the Company in accordance with the terms and conditions of the 1st 2016 CB;

(iii) specific performance of the 1st 2016 CB; and/or

(iv) damages to be assessed.

Given that the litigation process is at an early stage, the Board, after consulting legal opinion, is yet to evaluate the likelihood of an unfavourable outcome and provide an estimate on any liability and the amount of damages. The Legal Proceeding thereby do not materially affect the normal operation of the Company.

The Company is seeking legal advice in respect of the Legal Proceeding and will make further announcement(s) to keep its shareholders and investors informed of any significant development of the Legal Proceeding as and when appropriate.

37 SUBSEQUENT EVENTS *(Continued)*

(c) Issue of convertible bonds

On 13 February 2017, the Company entered into a subscription agreement with 浙銀天勤（深圳）投資有限公司 (literally translated as "Zheyin Tianqin (Shenzhen) Investment Limited","Zheyin Tianqin") in relation to the issue of convertible bonds in an aggregate principal amount of HK$25,000,000. The convertible bonds are denominated in Hong Kong dollars, unsecured, bear interest at 8% per annum and will be matured on the date falling on the first anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if the convertible bonds are neither converted nor redeemed prior to the maturity date.

The convertible bonds are convertible into shares of the Company at the holder's option before maturity at an initial conversion price of HK$0.20 per share (subject to adjustments). The proceeds is intended to be used as working capital and for business development of the Group.

The convertible bonds were issued to Zheyin Tianqin on 3 March 2017.

Due to the completion of issue of the above convertible bonds, the conversion prices of the 1st Tai Cheng CB, the 2nd Tai Cheng CB and the 3rd Tai Cheng CB were adjusted from HK$0.42 per share to HK$0.41 per share with effect from 3 March 2017.

(d) Termination of 1st Tai Cheng CB

On 15 March 2017, the Company and Tai Shing entered into a side letter pursuant to which the Company and Tai Shing agreed to terminate all of the Company's obligations under the 1st Tai Cheng CB, issued in three tranches pursuant to the completion of an acquisition in 2012, and issue a promissory note (the "Tai Cheng Promissory Note") for a principal amount of HK$6,163,639.

The Tai Cheng Promissory Note is denominated in Hong Kong dollars, 2% per annum accruing from 1 December 2016 and will be matured on 30 November 2017.

The maturity dates and terms and conditions of the 2nd Tai Cheng and 3rd Tai Cheng CB shall remain unchanged.

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY
As at 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**10**	–
Investments in subsidiaries *(Note (a))*	**169,955**	169,955
Derivative financial instruments		
– Put option	**6,150**	5,910
– Early redemption option	**12,743**	22,546
	188,858	198,411
Current assets		
Prepayments, deposits and other receivables	**7,576**	5,091
Amounts due from subsidiaries *(Note (b))*	**111,695**	407,883
Cash and cash equivalents	**1,869**	21,487
	121,140	434,461
Total assets	**309,998**	632,872
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital *(Note 24)*	**19,725**	19,725
Share premium	**544,946**	544,946
Other reserves	**73,793**	74,802
Accumulated losses	**(506,182)**	(130,188)
Total equity	**132,282**	509,285
LIABILITIES		
Non-current liabilities		
Convertible bonds	**64,921**	44,669
Bonds payable	**16,031**	9,705
Contingent consideration payables	**38,771**	49,247
	119,723	103,621
Current liabilities		
Other payables, accruals and deposits received	**3,770**	14,484
Convertible bonds	**54,223**	5,482
	57,993	19,966
Total liabilities	**177,716**	123,587
Total equity and liabilities	**309,998**	632,872
Net current assets	**63,147**	414,495
Total assets less current liabilities	**252,005**	612,906

On behalf of the Board

Yang Wang Jian
Director

Yang Jun
Director

Notes to the Consolidated Financial Statements

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

(a) The following is a list of the subsidiaries which, in the opinion of the Directors, principally affected the results of the Group for the years ended 31 December 2016 and 2015 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Company name	Places of incorporation/ establishment and kind of legal entity	Issued and fully paid-up share capital/ registered or paid-in capital	Equity interests attributable to the Company				Principal activities and places of operations
			Direct		Indirect		
			2016	2015	**2016**	2015	
Sino Front Limited	Hong Kong, limited liability	HK$1	**100%**	100%	**–**	–	Trading of toys in Hong Kong
格林致福投資咨詢(深圳)有限公司	The PRC, wholly-owned foreign enterprise	HK$1,000,000	**–**	–	**100%**	100%	Investment holding in the PRC
東莞市金詡玩具有限公司[1]	The PRC, wholly-owned foreign enterprise	RMB500,000	**–**	–	**–**	100%	Manufacturing of toys in the PRC
Green Capital (Hong Kong) Limited	Hong Kong, limited liability	HK$1	**100%**	100%	**–**	–	Investment holding in Hong Kong and the PRC
Cheerful Top Group Limited	The BVI, limited liability	US$1	**100%**	100%	**–**	–	Investment holding in Hong Kong
Tai Cheng International Limited	Hong Kong, limited liability	HK$10,000	**–**	–	**55%**	55%	Trading of toys in Hong Kong
格林銀湖健康養生(深圳)有限公司	The PRC, wholly-owned foreign enterprise	RMB14,696,820	**–**	–	**100%**	100%	Operations of clubhouse business in the PRC
深圳市瑪莎嘉兒連鎖實業有限公司[2]	The PRC, wholly-owned foreign enterprise	RMB10,000,000	**–**	–	**70%**	70%	Operations of beauty and wellness business in the PRC

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: (Continued)

(a) *(Continued)*

Company name	Places of incorporation/ establishment and kind of legal entity	Issued and fully paid-up share capital/ registered or paid-in capital	Equity interests attributable to the Company				Principal activities and places of operations
			Direct		Indirect		
			2016	2015	**2016**	2015	
深圳市瑪莎康盈生物科技有限公司[2]	The PRC, wholly-owned foreign enterprise	RMB1,000,000	**–**	–	**100%**	100%	Operations of beauty and wellness business in the PRC
深圳市瑪莎麗之莎諮詢管理有限公司[2]	The PRC, wholly-owned foreign enterprise	RMB10,000,000	**–**	–	**100%**	100%	Operations of beauty and wellness business in the PRC
Marsa Management Limited[2]	Hong Kong, limited liability	HK$10	**–**	–	**100%**	100%	Intangible assets management in Hong Kong and the PRC
Green Securities Limited	Hong Kong, limited liability	HK$10,000,000	**–**	–	**100%**	100%	Trading of securities

1 Disposed of in April 2016 (Note 33)

2 Acquired in May 2015 (Note 32)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities and places of operations of these subsidiaries are summarised as follows:

Principal activities and places of operations	Number of subsidiaries	
	2016	2015
Operations of clubhouse business in the PRC	**1**	1
Investment holding in Hong Kong	**9**	9
Investment holding in the PRC	**2**	2
	12	12

As no subsidiary has material non-controlling interests, details of non-wholly owned subsidiaries of the Company are not disclosed.

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: (Continued)

(b) The amounts due from subsidiaries are denominated in Hong Kong dollars. The balances are unsecured, interest-free and repayable on demand.

(c) Reserves

	Share premium	Share-based equity reserve*	Convertible bonds – equity component reserve*	Put option reserve*	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	495,054	11,394	57,203	–	(136,336)	427,315
Loss for the year	–	–	–	–	(25,615)	(25,615)
Acquisition of subsidiaries *(Note 32)*	–	–	75,908	24,990	–	100,898
Issue of shares upon conversion of convertible bonds *(Note 24(a)(i))*	24,419	–	(25,000)	–	–	(581)
Issue of convertible bonds *(Note 25(c))*	–	–	6,929	–	–	6,929
Issue of shares upon conversion of convertible bonds *(Note 24(a)(ii))*	25,473	–	(26,080)	–	–	(607)
Issue of convertible bonds *(Note 25(a))*	–	–	301	–	–	301
Fair value change of put option *(Note 32))*	–	–	–	(19,080)	–	(19,080)
Convertible bonds equity reserve written back pursuant to profit guarantee *(Note 27(a))*	–	–	(31,763)	–	31,763	–
At 31 December 2015	**544,954**	**11,394**	**57,498**	**5,910**	**(130,188)**	**489,560**
Loss for the year	**–**	**–**	**–**	**–**	**(379,780)**	**(379,780)**
Issue of convertible bonds *(Note 25(e))*	**–**	**–**	**1,312**	**–**	**–**	**1,312**
Issue of convertible bonds *(Note 25(f))*	**–**	**–**	**1,225**	**–**	**–**	**1,225**
Fair value change of put option *(Note 32)*	**–**	**–**	**–**	**240**	**–**	**240**
Convertible bonds equity reserve written back pursuant to profit guarantee *(Note 27(a))*	**–**	**–**	**(3,786)**	**–**	**3,786**	**–**
At 31 December 2016	**544,946**	**11,394**	**56,249**	**6,150**	**(506,182)**	**112,557**

* The other reserves as presented in the statement of financial position are comprised of these reserve accounts.

39 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

5 Years' Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last 5 financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**46,960**	45,620	160,940	583,057	441,551
Costs of sales	**(8,813)**	(18,595)	(147,899)	(572,393)	(363,017)
Gross profit	**38,147**	27,025	13,041	10,664	78,534
Other income and gains, net	**883**	2,055	1,021	531	994
Gain on bargain purchase on acquisition of subsidiaries	**–**	36,918	–	–	–
Gain on disposal of a subsidiary	**3,005**	–	–	–	–
Selling expenses	**(29,940)**	(29,767)	(25,877)	(1,215)	(1,385)
Administrative expenses	**(60,995)**	(69,256)	(41,627)	(22,778)	(31,935)
Fair value change of derivative financial instruments					
– Early redemption option	**(9,803)**	(47,690)	–	–	–
– Call Options	**(23,999)**	–	–	–	–
Provision for impairment of trademark user right and technical know-how	**(64,972)**	–	–	–	–
Provision for impairment of property, plant and equipment	**(406)**	(10,240)	–	(1,128)	–
Provision for impairment of goodwill	**–**	(160,877)	(29,759)	(1,744)	–
Discount on past due balances of trade receivables	**–**	–	(10,601)	(28,846)	(4,369)
Finance income/(costs), net	**11,090**	45,605	(4,255)	225	(7,790)
(LOSS)/PROFIT BEFORE INCOME TAX	**(136,990)**	(206,227)	(98,057)	(44,291)	34,049
Income tax credit/(expense)	**4,047**	(2,624)	(728)	(1,444)	(12,145)
(LOSS)/PROFIT FOR THE YEAR	**(132,943)**	(208,851)	(98,785)	(45,735)	21,904
(Loss)/Profit for the year attributable to:					
Equity holders of the Company	**(134,537)**	(205,103)	(99,147)	(48,947)	18,769
Non-controlling interests	**1,594**	(3,748)	362	3,212	3,135
	(132,943)	(208,851)	(98,785)	(45,735)	21,904

5 Years' Financial Summary

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
TOTAL ASSETS	**457,680**	539,127	499,372	516,392	394,429
TOTAL LIABILITIES	**(236,455)**	(191,128)	(37,766)	(299,057)	(194,052)
Non-controlling interests	**(5,428)**	(4,257)	(6,876)	(6,580)	(3,216)
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**215,797**	343,742	454,730	210,755	197,161