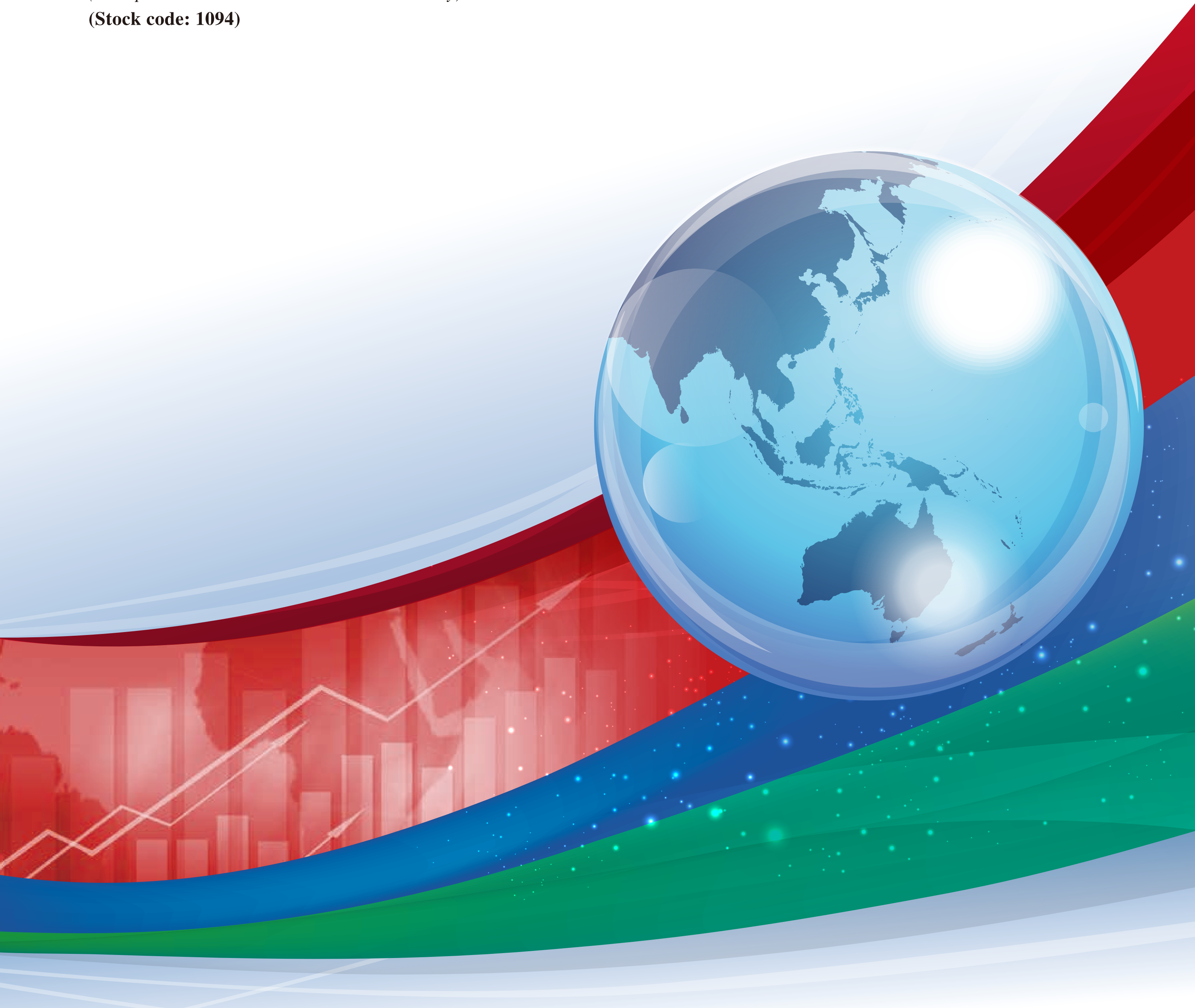
CHINA PUBLIC PROCUREMENT LIMITED
中國公共採購有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1094)



ANNUAL REPORT
2016

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Zheng Jinwei, *EMBA, BEng*
(Chairman and Chief Executive)
Mr. Ho Wai Kong *(Honorary Chairman)*
Ms. He Qian, *EMBA*, *BAcc, CPA (PRC)*

Non-executive Directors

Mr. Chen Limin, *Solicitor (PRC), LLB*
Ms. Liu Lizhen, *BEE*

Independent Non-executive Directors

Mr. Deng Xiang, *BSc*, *BEcon, CPA (PRC)*
Ms. Wong Yan Ki, Angel, *MBA, BA*

BOARD COMMITTEES

Audit Committee

Ms. Wong Yan Ki, Angel *(Chairman)*
Mr. Chen Limin
Mr. Deng Xiang

Remuneration Committee

Ms. Wong Yan Ki, Angel *(Chairman)*
Ms. Liu Lizhen

Nomination Committee

Mr. Zheng Jinwei *(Chairman)*
Ms. Wong Yan Ki, Angel

COMPANY SECRETARY AND HEAD OF LEGAL

Ms. Ma Wai Sze, Aceya, *Solicitor, LLM, PCLL, LLB(Hon), LLB (Tsinghua)*

SHARE REGISTRAR

Hong Kong

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1802, 18/F.
No.88 Gloucester Road
Wanchai, Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISORS

As to Hong Kong law

Chiu & Partners

As to Bermuda law

Conyers Dill & Pearman

As to PRC law

Beijing Zhongzhou Law Firm
Zhong Lun Law Firm
Zhongyin Law Firm

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank Corporation Hong Kong branch

STOCK CODE

1094

Chairman's Statement

To our shareholders,

On behalf of China Public Procurement Limited (the "Company" or "CPP"), we hereby present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

BUSINESS OPERATION

During the year, the Group continued to develop and operate electronic trading platforms and management systems for government procurement and electronic procurement platforms for universities and colleges. Given the expanding procurement scale of the PRC government and the gradual popularization of electronic procurement platforms, the volume of procurement transactions of provincial and municipal governments continued to grow and the number of suppliers for the user platform on the China Public Procurement Platform (http://www.china-cpp.com) exceeded 50,000 as of to date. The platform provided suppliers with services including procurement information enquiry, marketing as well as collection and refund of security deposits.

The Group continued to push forward digitalisation and standardisation of procurement for universities and colleges across the country. 46 universities and colleges covering Hubei, Hunan, Jiangxi, Heilongjiang and Shaanxi provinces have entered into agreements with us, and the number of suppliers of the procurement platform for universities and colleges has reached 5,100.

PROSPECTS

According to the "Proposal Relating to the Integration and Establishing of a Unified and Standardised Public Resources Trading Platform" issued by the Standing Committee of the State Council of the PRC, the consolidation of public resources trading platforms is in process in the majority of provinces, cities and autonomous regions in the PRC, gradually integrating and establishing a standardised public resource trading platform with the bidding and tendering process of construction projects and government procurements as the core. Capitalising on the advantage of the electronic public procurement market, the Group will continue to upgrade the technological R&D capability of the platform system, strengthen its efforts in market development, reinforce our branding advantages, further expand the market share of the Group and promote its leading position in the electronic procurement platform across the country.

On behalf of the Board, I would like to thank Shareholders, clients and business partners for their continuous support and trust. Our gratitude also extends to all the members of the Board and our employees for their contribution over the past year.

Yours faithfully,
For and on behalf of the Board

Zheng Jinwei
Chairman

Hong Kong, 31 March 2017

Management Discussion and Analysis

RESULTS AND BUSINESS REVIEW

For the year ended 31 December 2016, the Group recorded a turnover of HK$40.1 million as compared to a turnover of HK$2,516.1 million for the year ended 31 December 2015. Loss attributable to equity holders was HK$212.6 million (2015: HK$1,073.9 million). The basic and diluted loss per share for 2016 were both 1.59 HK cents (2015: 8.34 HK cents).

Our Procurement Business Segment recorded revenue of HK$6.4 million for the year ended 31 December 2016 as compared to HK$9.7 million for the year ended 31 December 2015. While the Group continued to develop and serve electronic public resource trading procurement platforms, our revenue earned from providing value added services to users of the trading platforms decreased 34% for the year. This is mainly attributable to increased challenges in sourcing new contracts and customers caused by the gradual liberalisation of the public procurement market in the PRC.

Our Corporate IT Solution business recorded revenue of HK$7.7 million for the year ended 31 December 2016 as compared to HK$13.0 million for the year ended 31 December 2015. The lower revenue in 2016 was affected by corporate restructuring in the first half of 2016.

Our trading revenue decreased to HK$26.0 million for the year ended 31 December 2016 from HK$2,493 million for the year ended 31 December 2015. This significant decrease is caused by the drop in the Group's trading business, which has been impacted by liquidity and the tightening of credit in the PRC.

No revenue was generated from the Energy Management Services Segment (EMC) in 2016 and 2015. The Group has decided to discontinue this segment and resources relocated to other segments.

The Group recorded a gross profit of HK$7.1 million for the year ended 31 December 2016 (2015: HK$9.9 million), which represented a decrease of approximately 28.2%. The decrease was mainly attributed to lower revenue for the year.

The Group recorded a loss of approximately HK$215.2 million for the year ended 31 December 2016 as compared to a loss of approximately HK$1,081.5 million last year.

The loss for this year included the following provision for impairment of assets:

As at 31 December 2016 the Group had trade receivable and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries of HK$51,001,000 and HK$40,233,000 and HK$70,686,000 respectively. Certain of these amounts were past due. The Group has commenced legal action to pursue collection. A provision for impairment of HK$54,963,000 for trade receivable and other receivables, and HK$60,300,000 for loan receivables had been made for the year ended 31 December 2016.

In addition, the Group has also made a provision for impairment for intangible assets and property, plant and equipment in the amount of HK$38.3 million (2015: HK$60.8 million).

Despite the above impairment provision, the loss for the year was less than that of the previous year. This is mainly attributable to the impairment loss recognized in respect of goodwill made for the year ended 31 December 2015 which amounted to HK$935.4 million. No such provision was made in the current year as all goodwill has since been fully impaired.

Administrative expenses for the Group amounted to HK$109.5 million (2015: 109.7 million) which included non cash share option expense of approximately HK$35.6 million (2015: HK$8.7 million).

Finance costs for the year amounted to approximately HK$2.0 million which was in line with that of the previous year.

FINAL DIVIDEND

Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

BUSINESS REVIEW

In the year under review, the Group continue to build the procurement platform and push further the digitalisation and standardisation of the procurement services for colleges and universities across the PRC. It has entered into agreements with 46 colleges and universities in 9 provinces, including Hubei, Hunan, Jiangxi, Heilongjiang and Shaanxi. In particular, the procurement platforms were extended to serve the municipalities and counties of Hainan Province and Inner Mongolia Autonomous Region. Regional and centralised connectivity in 10 districts in Shenzhen, Guangdong Province as well as 8 counties in Jining, Shandong Province were also achieved. We now have 50,000 suppliers registered on the user platform ("公採通") using our services for sourcing pertinent procurement and marketing information, requesting for collection and refund of security deposits, and purchasing certified authenticated certificates.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had unpledged cash and cash equivalents of HK$37.9 million, mainly denominated in RMB, and HK dollar (as at 31 December 2015: HK$51.5 million). As at 31 December 2016, the Group's working capital and current ratio were net current assets of approximately HK$113.8 million (2015: HK$262.3 million) and 2.1X (2015: 3.03X) respectively.

GEARING RATIOS

As at 31 December 2016, the Group's gearing ratios, calculated as total interest-bearing bank and other borrowings divided by total shareholders' equity is 16.4% (2015: 6.9%).

PLEDGE OF ASSETS

As at 31 December 2016, the Group had pledged bank deposit of HK$11.1 million (2015: HK$11.9 million) to secure a credit facility of a similar amount.

As at 31 December 2016, certain buildings, prepaid lease payments and investment properties with aggregate carrying amounts of HK$80.1 million were pledged to secure loans of HK$14.5 million granted by independent third parties.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

On 21 December 2015, the Group entered into an acquisition agreement to acquire Pioneer Spot Limited for a total consideration of HK$1,250.6 million. The consideration shall be satisfied by cash payment of HK$30 million and issuance of a combination of the Company's shares at HK$0.242 per share and convertible bonds. HK$15 million of the cash consideration had been paid during the year ended 31 December 2016. The balance of the cash consideration should be paid within 10 business days after the date of the despatch of the circular. The business and financial due diligence are currently in progress. The acquisition agreement is pending regulatory and shareholder's approval.

FOREIGN EXCHANGE EXPOSURE

For the year ended 31 December 2016, the Group mainly earns revenue in RMB and incurred costs in HK$, RMB and US$. Although the Group currently does not have any foreign currency hedging policies, it does not foresee any significant currency exposure in the near future. However, any permanent or significant changes in RMB against HK$, may have possible impact on the Group's results and financial positions.

STAFF AND REMUNERATION POLICY

The Group determines staff remuneration in accordance with market terms and individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. For the year ended 31 December 2016, the Group employed 143 (2015: 160) employees and the total remuneration of the employees (including directors) was approximately HK$36.2 million (2015: HK$64.1 million). The Company maintains a share option scheme (the "Share Option Scheme"), pursuant to which share options are granted to selected directors or employees of the Group, with a view to attracting and retaining quality personnel and providing them with incentive to contribute to the business and operation of the Group.

FUNDING ACTIVITIES

In January 2016, the Company received net proceeds of HK$10,500,000 pursuant to a placement agreement to issue 50,000,000 shares an issued price of HK$0.22 per share. The proceeds were used for general working capital purposes.

In May 2016, the Company issued 87,000,000 new ordinary shares at HK$0.28 per share pursuant to a loan capitalization agreement.

In June 2016, the Company issued 4,284,725 fully paid shares upon conversion of 4,284,725 preferred shares of the Company.

In December 2016, the Company raised cash of HK$30,000,000 by way of issuance of a two years Convertible Bonds. Interest is payable semiannually at 7% to the bondholder. The bonds are convertible into ordinary shares within the conversion period at any time before maturity date at HK$0.07625 per share. The proceeds from the issue of the Convertible Bonds are intended for general working capital purposes.

SUBSEQUENT EVENTS

The Group settled an interest bearing loan of approximately RMB6,000,000 (equivalent to approximately HK$6,698,000 as at 31 December 2016) in January 2017.

MAJOR AND CONNECTED TRANSACTION

On 21 December 2015, the Board announced that Million Treasure Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the acquisition agreement (the "Acquisition Agreement") with Moonride Holdings Limited (the "Vendor") and the China Public Procurement (Hong Kong) Technology Company Limited (the "Warrantor"), pursuant to which, the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the 50,000 ordinary shares of nominal value US$1.00 each in the issued share capital of the Pioneer Spot Limited (the "Target Company", a company wholly-owned by the Vendor) (the "Sale Shares"), representing 100% of the issued share capital of the Target Company, at the consideration of HK$1,250,551,063, which shall be subject to adjustments in accordance with the terms of the Acquisition Agreement. The consideration of HK$1,250,551,063 comprises: (a) the first consideration of HK$625,275,531.5 (which shall be satisfied by the Purchaser procuring the Company to (i) pay to the Vendor the deposit of HK$30,000,000 ("Deposit") by cashier's order within 30 business days after the date of the Acquisition Agreement; and (ii) allot and issue the first consideration shares at the issue price of HK$0.242 per Share to the Vendor) upon Completion; (b) the second consideration of HK$312,637,765.75 (which shall be satisfied by the Purchaser procuring the Company to allot and issue the second consideration shares and the first consideration convertible bonds with a principal amount of not exceeding HK$44,662,538); and (c) the third consideration of HK$312,637,765.75 (which shall be satisfied by the Purchaser procuring the Company to allot and issue the second consideration convertible bonds with a principal amount of not exceeding HK$312,637,765.75), subject to adjustments in accordance with the terms of the Acquisition Agreement. The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser after taking into consideration of the signed professional valuation report on the Target Company dated 30 November 2015.

The consideration shares and the conversion shares (upon exercise of the conversion rights attached to the convertible bonds) will be allotted and issued pursuant to the specific mandate to be sought from the independent shareholders of the Company at a special general meeting of the Company to be convened and held (the "SGM").

As at the date of the Acquisition Agreement, each of the Vendor and the Warrantor is ultimately wholly-owned by 國採科技股份有限公司 (Guocai Science & Technology Company Limited*) ("PRC Partner"), which is a connected person of the Company under Rule 14A.07 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the PRC Partner is a substantial shareholder of the Company. Accordingly, the acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

In addition, the PRC Partner, which holds approximately 14.07% of the total issued share capital of the Company as at the date of the Acquisition Agreement, and its associates are required to abstain from voting on the resolution(s) in respect of the Acquisition Agreement and transactions contemplated thereunder at the SGM. As at the date of the report, the PRC Partner holds less than 5% of the total issued share capital of the Company.

On 3 February 2016, the Board announced that the Purchaser, the Vendor and the Warrantor entered into a supplemental agreement to the Acquisition Agreement and agreed that the Purchaser shall procure the Company to pay the Deposit, comprising (i) HK$14,000,000 to the Vendor by cashier's order or such other method(s) as agreed between the Vendor and the Purchaser within 30 Business Days after the date of the Acquisition Agreement; and (ii) HK$16,000,000 to the Vendor by cashier's order or such other method(s) as agreed between the Vendor and the Purchaser within 60 Business Days after the date of the Acquisition Agreement.

On 21 March 2016, the Board announced that, the Purchaser, the Vendor and the Warrantor entered into a second supplemental agreement to the Acquisition Agreement and agreed that Purchaser shall procure the Company to pay HK$16,000,000 of the Deposit to the Vendor by cashier order or such other method(s) as agreed between the Vendor and the Purchaser within 90 business days after the date of the Acquisition Agreement (i.e. 6 May 2016).

On 6 May 2016, the Board announced that, the Purchaser, the Vendor and the Warrantor entered into a third supplemental agreement to the Acquisition Agreement and agreed that the Purchaser shall procure the Company to pay HK$16,000,000 to the Vendor by cashier order or such other method(s) as agreed between the Vendor and the Purchaser within 10 Business Days after the date of the despatch of the circular.

On 17 May 2016, the Board announced that, 北京易安通寶電子商務有限公司 (Beijing Yian Tongbao Electronic Commercial Company Limited*, "Yian Tongbao") has become a wholly-owned subsidiary of 珠海恒信鋭捷信息技術服務有限公司 (Zhuhai Hengxin Ruijie Information Technology Service Company Limited*, "WFOF") upon completion of reorganization and entered into a cooperation framework agreement (the "Cooperation Framework Agreement") with ChinaPay and Yiwu China Commodities City Information and Technology Company Limited* (義烏中國小商城信息技術有限公司, "Yiwu China"). According to the Cooperation Framework Agreement, Yian Tongbao has the exclusive right to provide certain settlement solutions regarding cross-border payment in Renminbi and foreign currency to Yiwu China and its customers. Also, as stated in the Cooperation Framework Agreement, (i) in Yiwu City, there are about 500,000 commercial entities, of which more than 100,000 are owned by foreign procurement companies requiring cross-border payment services; and (ii) the annual amount of Yiwu City's export exceeds RMB2 trillion. As one of the world's largest small commodities distribution centre, there are sizable demand for procurement and cross-border payment services in Yiwu City.

On 17 June 2016, the Board announced that the parties to the Acquisition Agreement entered into a fourth supplemental agreement to extend the long stop date from 30 June 2016 to 31 December 2016 or such later date as the Vendor and the Purchaser may agree in writing.

On 29 December 2016, the Board announced that the parties to the Acquisition Agreement entered into a fifth supplemental agreement to extend the long stop date from 31 December 2016 to 30 June 2017 or such later date as the Vendor and the Purchaser may agree in writing. As additional time is required to gather the information to prepare for the relevant and necessary disclosures in the circular, the dispatch date of the circular will be further postponed to a date on or before 30 April 2017.

As to the acquisition, the business and financial due diligence are currently in progress and the outcome of which is yet to be determined.

Details of the above were published in the Company's announcements dated 21 December 2015, 3 February 2016, 21 March 2016, 6 May 2016, 17 May 2016, 17 June 2016 and 29 December 2016 respectively.

* *The English translation is for identification purpose only*

Biography of Directors and Company Secretary

DIRECTORS

Executive Directors

Mr. Zheng Jinwei, aged 47, joined the Company in December 2014, is an Executive Director, Chairman of the Board, Chief Executive and Chairman of the Nomination Committee as well as a director of several subsidiaries of the Company. He obtained a degree of bachelor of engineering from Beijing University of Chemical Industry in 1991, and a degree of executive master of business administration from Cheung Kong Graduate School of Business in 2014. With previous work experience in Beijing University of Chemical Industry, he worked as a director of Beijing Tiandi Jingwei Technology & Trade Limited* (北京天地經緯科貿有限公司) and Beijing Tiandi Ruiqi Technology & Trade Limited* (北京天地瑞祺科貿有限公司) from 1996 to 2006. Since 2006, he has served as a director in Zhao Wei International Enterprise Limited* (兆偉國際企業有限公司).

Mr. Ho Wai Kong, aged 61, joined the Company in January 2010, is an Executive Director and Honorary Chairman of the Board, as well as a director of several subsidiaries of the Company. Mr. Ho is an entrepreneur who for the last 30 years has been actively involved in China/Hong Kong cross border business development. Mr. Ho's extensive experience, far-reaching network and business acumen will be invaluable for the Company in its business development in the PRC.

Ms. He Qian, aged 45, joined the Company in January 2015, is an Executive Director. She obtained a bachelor's degree in accounting from University of International Business and Economics in 2006 and a degree of executive master of business administration from Cheung Kong Graduate School of Business in 2011, and she is a certified accountant and certified tax agent. She began her career in accounting in 1994, and served as the head of Tianrui Tax Agency Firm* (天瑞税務師事務所) and Zhejiang Yuehua Certified Public Accountants* (浙江岳華會計師事務所) founded by her from 2001 to 2004. She became a partner of RSM China Certified Public Accountants (中瑞岳華會計師事務所) from 2009 to July 2013, where she was responsible for the operation of the Zhejiang branch as its head. Highly experienced in accounting, she was a contracted project partner for The Potevio (普天集團), a state-owned key enterprise, Hangzhou Industrial Investment Group Co.,Ltd.* (杭州實業投資集團), a state-owned enterprise, and listed companies such as Eastcom (東方通信), Jiangsu Akcome (江蘇愛康), EastcomPeace (東信和平) and Zhonghen Electric (中恒電氣), as well as the initial public offering of dozens of other companies. She was a partner and the head of Zhejiang Branch of Ruihua Certified Public Accountants (瑞華會計師事務所) from August 2013 to April 2015. She has been working for Zhejiang Yueyou Investment Management Co., Ltd (浙江岳佑投資管理有限公司) since May 2015.

Non-executive Directors

Mr. Chen Limin, aged 53, joined the Company in July 2015, is a Non-executive Director and a member of the Audit Committee. He graduated from the faculty of law of the Southwest University of Political Science & Law in 1985, and was qualified as a lawyer in the PRC in 1987. Since 1992, he has been engaged in securities-related legal affairs in the PRC and served as a lawyer and partner in a number of law firms in Shenzhen and Beijing. Currently he is a lawyer and partner serving in Zhong Lun Law Firm in Beijing. He worked in Hidili Industry International Development Limited and is now an independent director of People.cn Co. Ltd.

Ms. Liu Lizhen, aged 41, joined the Company in July 2015, is a Non-executive Director and a member of the Remuneration Committee. She graduated from Hangzhou Dianzi University (formerly known as Hangzhou Dianzi Industry School) with a bachelor degree in 1997. From 1997 to 2007, she worked in Taikoo (Xiamen) Aircraft Engineering Co. Ltd. and Beijing Orient Huibo Human Resource Consulting Services Limited. From 2007 to 2014, she worked in various positions, including consultant and consultant manager, in 51JOB (NASDAQ: JOBS). During this period, she had been a human resource manager of Longfor Group. She has been the human resource director of 國採（北京）投資有限公司 since 2014.

Independent Non-executive Directors

Mr. Deng Xiang, aged 44, joined the Company in September 2014, is an Independent Non-executive Director and a member of the Audit Committee. He graduated from Sichuan University with a bachelor degree of science and also possesses a bachelor degree in Economics. He is also a certified public accountant in the PRC. Prior to joining the Company, Mr. Deng was the financial manager of Chengdu Branch of Dapeng Securities Co., Ltd.* (大鵬證券有限責任公司), the audit manager of Chengdu Shenlan Group Co., Ltd.* (成都深藍集團有限公司), head of internal audit department in the PRC of Asia Pulp & Paper Co., Ltd. (APP) and the senior manager of Guosen Securities Co., Ltd.* (國信證券有限責任公司). He joined Xizang Haisco Pharmaceutical Group Co., Ltd. (stock code in the Shenzhen Stock Exchange: 002653) since November 2009 and served as deputy general manager, financial controller and board secretary of the group. He is currently the vice president in charge of financial matters of the group and the board secretary of the company.

Ms. Wong Yan Ki, Angel, aged 45, joined the Company in December 2015, is an Independent Non-executive Director, Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. She obtained a Bachelor of Arts degree, majoring in international accounting, from Xiamen University in July 1994, a postgraduate certificate in professional accounting from the City University of Hong Kong in November 2000 and a master degree of business administration from Cheung Kong Graduate School of Business (長江商學院) in PRC in October 2009. Ms. Wong also obtained a certificate in taxation and accounting in the PRC from the China Business Centre of The Hong Kong Polytechnic University in October 2002. Ms. Wong has been admitted as fellow member of the Institute of Financial Accountants in the United Kingdom since October 2003, full member of the Society of Registered Financial Planners in Hong Kong since November 2003, full member of the Singapore Institute of Directors since October 2009, member of the Hong Kong Institute of Directors since November 2014, fellow member (FIPA, Australia) of the Institute of Public Accountants since April 2015 and founding member of the Hong Kong Independent Non-Executive Director Association since October 2015. Ms. Wong was also the honorary secretary from 2007 to 2008 and council member of Institute of Financial Accountants in the United Kingdom from 2008 to 2009, and a part-time professor at Xiamen University from April 2006 to June 2009.

Ms. Wong worked for Deloitte Touche Tohmatsu from September 1995 to November 1999. She later served a number of roles at Great East Packaging Holdings Limited (偉東包裝製品集團有限公司) from October 1999 to March 2003, including group financial controller, financial controller, finance manager and assistant finance manager. Between April 2003 and December 2007, she held various positions at Benefit Capital Limited (百富達融資有限公司) including vice president and executive director. From April 2005 to November 2005, she also acted as the chief financial officer of Shengda (Group) Holdings Ltd. (勝達國際控股有限公司). Since January 2008 Ms. Wong has been the president and executive director of Advanced Capital Limited (匯財資本有限公司), where she provides consultancy services for both listed companies and companies preparing for listing.

Ms. Wong was appointed as a non-executive director of Duty Free International Limited, a company listed on SESDAQ of the Singapore Exchange Limited (Stock Code: DutyFree) from August 2009 to January 2011, during which she acted as the chairman of the board from February 2010 to January 2011. Ms. Wong was appointed as an independent non-executive Director of China Best Group Holding Limited, a company listed on the Stock Exchange (Stock Code: 370) since June 2011 to September 2014. She was appointed as an independent non-executive director of Oriental Unicorn Agricultural Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8120) from October 2011 to May 2013. She was also appointed as an independent non-executive director of China Shengda Packaging Group Inc. (NASDAQ:CPGI) since August 2014 to September 2015. Since March 2013, Ms. Wong is an independent non-executive director of Hengxing Gold Holding Company Limited, a company listed on the Stock Exchange (Stock Code: 2303). Since November 2015, Ms. Wong is an independent non-executive director of 500.com Limited (NYSE: WBAI).

COMPANY SECRETARY

Ms. Ma Wai Sze, Aceya, aged 51, joined the Company in August 2005, is the head of legal, company secretary (the "Company Secretary") and authorized representative of the Company.

Ms. Ma graduated with a Bachelor of Laws Degree from The University of Hong Kong in 1989 and obtained the Postgraduate Certificate in Laws in 1990. She also obtained a Master of Laws Degree from The University of Hong Kong in 1993. She was admitted as a solicitor in Hong Kong in 1992 and in the United Kingdom in 1997. In 2007, Ms. Ma obtained a Second Degree in China Law from The Beijing Tsinghua University. She is a member of The Law Society of Hong Kong and The Hong Kong Institute of Directors and is a practicing solicitor in Hong Kong.

She has more than 20 years of legal experiences. She was a solicitor in private practice in Hong Kong for more than 10 years and with more than 10 years working experiences as in-house legal counsel in companies listed on the Main Board of the Stock Exchange.

* *The English translation is for identification purpose only*

The Company recognises that good corporate governance standards maintained throughout the Group serve as an effective risk management for the Company. The Board is committed to leading the Group growing in an efficient manner followed by corporate missions in terms of business strategies and improved operational planning and procedures which are enforced under high corporate governance standard. The Directors acknowledge their responsibility for preparing the Company's accounts.

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the corporate governance code (the "CG Code") as set out in Appendix 14 of the Listing Rules, which provides code provisions (the "Code Provision(s)") and recommended best practices for corporate governance practices by listed companies. The Company considered that its prevailing structures and systems satisfied the requirements of the Code Provisions. The Company will continuously enhance the corporate governance standards throughout the Group and ensure further standards to be put in place by reference to the recommended best practices whenever suitable and appropriate. The Company has complied throughout the year with the CG Code except for the following deviations.

Under the 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. All Independent Non-executive Directors and other Non-executive Directors except Mr. Wu Fred Fong, were not able to attend the annual general meeting held on 31 May 2016 due to their respective business engagements. Other Board members who attend the annual general meeting were already of sufficient calibre and number for answering questions raised by the Shareholders at that annual general meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by Directors and relevant employees of the Group. All the Directors have confirmed that they have complied with the required standards set out in the Model Code. The Company has engaged external professional parties to review and update its code of conduct with a view to upholding the high standard of corporate governance of the Company.

NON-COMPLIANCE WITH RULE 3.10(1) AND RULE 3.10A OF THE LISTING RULES

On 31 May 2016, following the retirement of Mr. Shen Shaoji, the composition of the Board comprises five Executive Directors, five Non-executive Directors and four Independent Non-executive Directors. The number of Independent Non-executive Directors on the Board represents less than one-third of the members of the Board as required under Rule 3.10A of the Listing Rules.

On 14 July 2016, following the resignation of Mr. Wong Wei Kit and Mr. Yue Yifeng, the composition of the Board comprises four Executive Directors, four Non-executive Directors and four Independent Non-executive Directors. The number of Independent Non-executive Directors on the Board represents one-third of the members of the Board as required under rule 3.10A of the Listing Rules.

On 15 August 2016, following the resignation of Mr. Wu Fred Fong, the composition of the Board comprises four Executive Directors, four Non-executive Directors and three Independent Non-executive Directors. The number of Independent Non-executive Directors on the Board represents less than one-third of the members of the Board as required under Rule 3.10A of the Listing Rules.

On 18 November 2016, following the resignation of Mr. Hu Wei, the composition of the Board comprises four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The number of Independent Non-executive Directors on the Board represents one-third of the members of the Board as required under rule 3.10A of the Listing Rules.

On 2 March 2017, following the resignation of Mr. Chan Tze See, Kevin, the composition of the Board comprises four Executive Directors, two Non-executive Directors and two Independent Non-executive Directors. As a result, the composition of the Board fell below the requirements under Rule 3.10(1) and Rule 3.10A of the Listing Rules.

On 27 March 2017, following the resignation of Mr. Cheng Yuanzhong, the composition of the Board comprises three Executive Directors, two Non-executive Directors and two Independent Non-executive Directors. The composition of the Board remains below the requirements under Rule 3.10(1) and Rule 3.10A of the Listing Rules.

The Company will take all necessary measures as soon as practicable to meet the requirements under the Listing Rules. The Company will make further announcement(s) as and when appropriate.

BOARD OF DIRECTORS

Composition

For the year ended 31 December 2016 and as at the date of this report, the Board consists of 3 Executive Directors, 2 Non-executive Directors and 2 Independent Non-executive Directors:

Executive Directors

Mr. Zheng Jinwei, *EMBA, BEng* *(Chairman and Chief Executive)*	(appointed as Chairman on 7 June 2016)
Mr. Ho Wai Kong *(Honorary Chairman)*	
Ms. He Qian, *EMBA, BAcc, CPA (PRC)*	
Mr. Wong Wei Kit, *BA, CPA (Canada) CA*	(resigned on 14 July 2016)
Mr. Cheng Yuanzhong, *B.Phill*	(resigned on 27 March 2017)

Non-executive Directors

Mr. Chen Limin, *LLB*	
Ms. Liu Lizhen, *BEE*	
Mr. Yue Yifeng, *BCS*	(resigned on 14 July 2016)
Mr. Wang Ning, *BEcon*	(resigned on 30 September 2016)
Mr. Hu Wei, *BF, CPA (PRC)*	(resigned on 8 November 2016)

Independent Non-executive Directors

Mr. Deng Xiang, *BSc, BEcon, CPA (PRC)*	
Ms. Wong Yan Ki, Angel, *MBA, BA*	
Mr. Shen Shaoji, *BEcon*	(retired on 31 May 2016)
Mr. Wu Fred Fong, *MBA, CPA (Canada), CA*	(resigned on 15 August 2016)
Mr. Chan Tze See, Kevin*, MBA, BSc*	(resigned on 2 March 2017)

Attendance of the Directors at the Board and general meetings

For the year ended 31 December 2016, 21 Board meetings and 1 general meeting have been held. Details of the attendance of the Directors are as follows:

Board members	Number of meetings attended/ Number of meetings held Board meetings	General meeting
Executive Directors		
Mr. Zheng Jinwei, *EMBA, BEng* (appointed as Chairman on 7 June 2016)	16/21	1/1
Mr. Ho Wai Kong	18/21	1/1
Mr. Cheng Yuanzhong, *B.Phill*	1/21	0/1
Ms. He Qian, *EMBA, BAcc, CPA (PRC)*	8/21	0/1
Mr. Wong Wei Kit, *BA, CPA (Canada) CA* (resigned on 14 July 2016)	10/12	1/1
Non-executive Directors		
Mr. Chen Limin, *LLB*	4/21	0/1
Ms. Liu Lizhen, *BEE*	20/21	0/1
Mr. Yue Yifeng, *BCS* (resigned on 14 July 2016)	5/12	0/1
Mr. Wang Ning, *BEcon* (resigned on 30 September 2016)	4/17	0/1
Mr. Hu Wei, *BF, CPA (PRC)* (resigned on 8 November 2016)	16/19	0/1
Independent Non-executive Directors		
Mr. Chan Tze See, Kevin, *MBA, BSc*	14/21	0/1
Mr. Deng Xiang, *BSc, BEcon, CPA (PRC)*	15/21	0/1
Ms. Wong Yan Ki, Angel, *MBA, BA*	17/21	0/1
Mr. Shen Shaoji, *BEcon* (retired on 31 May 2016)	2/7	0/1
Mr. Wu Fred Fong, *MBA, CPA (Canada), CA* (resigned on 15 August 2016)	9/13	1/1

Responsibilities of the Board and management

The Board reviews and approves corporate matters such as business strategies and investments, mergers and acquisitions, as well as the general administrative and management of the Group. The Board has overall responsibility in monitoring the process of corporate reporting and control system throughout the Group. The corporate reporting standards are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, SFO and other applicable regulations are delegated to the company secretarial department. The management of the Company reviews and briefs the reporting systems with the Executive Directors regularly and the Audit Committee and the Remuneration Committee annually.

Save as disclosed in the section of "Biography of Directors and Company Secretary", there is no financial, business, family or other material/relevant relationship between the chairman and the chief executive and among the members of the Board.

Directors' training

According to the Code Provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

For the year ended 31 December 2016, the Directors participated in the following continuous professional development:

Name of Directors		Training organized by professional organization[1]	Reading materials updating on new rules and regulations
Executive Directors			
Mr. Zheng Jinwei		✓	✓
Mr. Ho Wai Kong		✓	✓
Mr. Cheng Yuanzhong		✓	✓
Ms. He Qian		✓	✓
Mr. Wong Wei Kit	(resigned on 14 July 2016)	NA	NA
Non-Executive Directors			
Mr. Chen Limin		✓	✓
Ms. Liu Lizhen		✓	✓
Mr. Yue Yifeng	(resigned on 14 July 2016)	NA	NA
Mr. Wang Ning	(resigned on 30 September 2016)	NA	NA
Mr. Hu Wei	(resigned on 8 November 2016)	NA	NA
Independent Non-executive Directors			
Mr. Chan Tze See, Kevin		✓	✓
Mr. Deng Xiang		✓	✓
Ms. Wong Yan Ki, Angel		✓	✓
Mr. Shen Shaoji	(retired on 31 May 2016)	NA	NA
Mr. Wu Fred Fong	(resigned on 15 August 2016)	NA	NA

Notes:

1. Professional training namely "Practical Tips in Dealing with Investigations from Regulatory Bodies" and "Manners for Directors to Deal with Sustainable Development Requirements of Environmental, Social and Governance" were arranged by the Company to update the Directors' knowledge.

2. The Company received from each of the Directors the confirmations on taking continuous professional training.

CHAIRMAN AND CHIEF EXECUTIVE

According to code A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

As at the date of this report, the Group does not at present separate the roles of the chairman and the Chief Executive. The current chairman is jointly performed by Mr. Zheng Jinwei and Mr. Ho Wai Kong who is the honorary chairman. Mr. Zheng Jinwei is both the chairman of the Board and the Chief Executive. The Board considers that vesting the roles of chairman and Chief Executive in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of the Chief Executive when necessary.

NON-EXECUTIVE DIRECTORS

The term of office of Non-executive Directors (including Independent Non-executive Directors) is 3 years and subject to retirement by rotation in accordance with the Bye-laws.

BOARD COMMITTEES

There are three committees established under the Board, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

Role and function

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants, and have been updated on terms no less exacting those set out in the Code Provisions. Audit Committee must meet, at least twice a year, with the Company's auditor.

The functions of the Audit Committee include but not limited to the following:

- Considering and reviewing the appointment, resignation and removal of external auditor and their fees;
- Reviewing the interim and annual results of the Group;
- Discussing with the external auditor problems and issues of significance during the annual audit of the Group; and
- Overseeing the financial reporting system, risk management and internal control systems of the Company.

Composition

As at the date of this report, the Audit Committee comprises three members as follows:

Ms. Wong Yan Ki, Angel *(Chairman)* (appointed on 15 August 2016)
Mr. Chen Limin (appointed on 15 August 2016)
Mr. Deng Xiang

Mr. Chen Limin is Non-executive Director whereas the other two are Independent Non-executive Directors, two of whom possess recognised professional qualification in accounting and have proven experience in audit and accounting.

Attendance record

For the year ended 31 December 2016, 2 Audit Committee meetings have been held. Details of the attendance of the Audit Committee members are as follows:

Audit Committee members	**Number of meetings attended/ Number of meetings held**
Ms. Wong Yan Ki, Angel *(Chairman)* (appointed as chairman on 15 August 2016)	1/1
Mr. Chen Limin (appointed on 15 August 2016)	1/1
Mr. Deng Xiang	2/2
Mr. Wu Fred Fong (resigned on 15 August 2016)	1/1
Mr. Chan Tze See, Kevin (resigned on 15 August 2016)	1/1

Summary of the work

The work done by the Audit Committee for the year ended 31 December 2016 included:

- Reviewed the 2016 interim results and 2015 annual results of the Group;
- Discussed with the management of the Company over the completeness, fairness, adequacy and compliance of accounting standards and policies of the Group in the preparation of the 2016 interim and 2015 annual financial statements;
- Reviewed and discussed with the external auditors over the financial reporting of the Company; and
- Reviewed adequacy and effectiveness of internal control system maintained within the Group.

Each Audit Committee meeting was supplied with the necessary financial information of the Group for the Audit Committee members to consider, review and assess matters of significance arising from the work conducted.

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

Remuneration Committee

Role and function

The terms of reference of the Remuneration Committee follow the Code Provisions. The Remuneration Committee shall meet at least once a year.

The functions of the Remuneration Committee include but not limited to the following:

- Establishing and applying a formal and transparent procedure for setting policy on remuneration for executive Directors and senior management;

- Fixing the remuneration packages for all Directors and senior management; and

- Ensuring levels of remuneration of Directors commensurate with their qualifications and competencies, and that such remuneration is sufficient to attract and retain Directors and senior management.

Composition

As at the date of this report, the Remuneration Committee comprises two members as follows:

Ms. Wong Yan Ki, Angel *(Chairman)* (appointed as member on 7 June 2016 and chairman on 31 August 2016)
Ms. Liu Lizhen (appointed on 31 August 2016)

Ms. Liu Lizhen is Non-executive Director whereas Ms. Wong Yan Ki, Angel is Independent Non-executive Director.

Attendance record

For the year ended 31 December 2016, 5 Remuneration Committee meetings have been held. Details of the attendance of the Remuneration Committee members are as follows:

Remuneration Committee members	Number of meetings attended/ Number of meetings held
Ms. Wong Yan Ki, Angel *(Chairman)* (appointed as member on 7 June 2016 and chairman on 31 August 2016)	4/4
Ms. Liu Lizhen (appointed on 31 August 2016)	1/1
Mr. Chan Tze See, Kevin	5/5
Mr. Shen Shaoji (resigned on 31 May 2016)	1/1
Mr. Wu Fred Fong (resigned on 15 August 2016)	3/3

Summary of the work

The work done by the Remuneration Committee for the year ended 31 December 2016 included:

- Reviewed and approved the current remuneration policy and structure for all Directors' and senior management remuneration by reference to the prevailing rate with companies listed on the Main Board of the Stock Exchange in Hong Kong;

- Reviewed the remuneration package of the Executive Directors, Non-executive Directors and senior management;

- Made recommendations of the above remuneration policy and remuneration packages to the Board; and

- Approved the terms of Executive Directors' service contracts.

The Remuneration Committee meetings were supplied with the necessary information on specific remuneration package of Directors and senior management of the Group for the members to consider, review and make recommendation to the Board on the remuneration policy.

Nomination Committee

Role and function

The Nomination Committee was established on 29 March 2012. The terms of reference of the Nomination Committee follow the Code Provisions. The Nomination Committee shall meet at least once a year.

The functions of the Nomination Committee include but not limited to the following:

- Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually;
- Identifying and nominating for the approval of the Board candidates to fill Board vacancies; and
- Identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

Board Diversity Policy

The Nomination Committee adopted the board diversity policy on 2 July 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Composition

As at the date of this report, the Nomination Committee comprises two members as follows:

Mr. Zheng Jinwei *(Chairman)* (appointed on 7 June 2016)
Ms. Wong Yan Ki, Angel (appointed on 7 June 2016)

Mr. Zheng Jinwei is Executive Director whereas Ms. Wong Yan Ki, Angel is Independent Non-executive Director.

Attendance record

For the year ended 31 December 2016, 5 Nomination Committee meetings have been held. Details of the attendance of the Nomination Committee members are as follows:

Nomination Committee members	**Number of meetings attended/ Number of meetings held**
Mr. Zheng Jinwei *(Chairman)* (appointed on 7 June 2016)	3/4
Mr. Chan Tze See, Kevin	5/5
Ms. Wong Yan Ki, Angel (appointed on 7 June 2016)	4/4
Mr. Shen Shaoji (retired on 31 May 2016)	1/1
Mr. Cheng Yuanzhong (resigned on 7 June 2016)	0/1
Mr. Wu Fred Fong (resigned on 15 August 2016)	2/3
Mr. Ho Wai Kong (resigned on 31 August 2016)	4/4

Summary of the work

The work done by the Nomination Committee for the year ended 31 December 2016 included:

- Reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; and

- Identified individuals suitably qualified to become Board members and made recommendations to the Board on the selection of individuals nominated for directorships.

Corporate Governance Functions

Role and function

The Board is responsible for performing corporate governance functions (the "Corporate Governance Functions"). The terms of reference of Corporate Governance Functions pursuant to the Board resolution of the Company was passed on 29 March 2012. The Board shall hold Corporate Governance Functions meeting at least once a year.

The Corporate Governance Functions include but not limited to the following:

- Developing and reviewing the policies and practices of the Group on corporate governance and compliance with legal and regulatory requirements and making recommendations; and

- Reviewing and monitoring the training and continuous professional development of directors and senior management.

Summary of the work

The work done by the Corporate Governance Functions for the year ended 31 December 2016 included:

- Developed and reviewed the policies and practices of the Group on corporate governance and compliance with legal and regulatory requirements and made recommendations;

- Reviewed and monitored the training and continuous professional development of directors and senior management; and

- Reviewed the Group's compliance with the CG Code and disclosure in the "Corporate Governance Report" of the Company.

AUDITOR'S REMUNERATION

Remuneration paid to the Group's external auditor for annual audit services and services other than annual audit provided for the year ended 31 December 2016 was HK$800,000 and HK$600,000 respectively.

Financial reporting

The Directors acknowledged that they are responsible for the preparation of the consolidated financial statements for the accounting period that are truly and fairly reflect the business, property and cash flows of the Company for that year.

The statement of the auditor regarding their reporting responsibility for the consolidated financial statements is set out in the Independent Auditor's Report on pages 59 to 64.

COMPANY SECRETARY

For the year ended 31 December 2016, Ms. Ma Wai Sze, Aceya is the Company Secretary. She took no less than 15 hours of relevant professional training pursuant to rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

Pursuant to Bye-law 58 of the Bye-laws, 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 Company Secretary, to require a special 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 months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy on 29 March 2012. Under the Shareholders' communication policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's and the Stock Exchange's websites.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for a requisition for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition.

INVESTOR RELATIONS

To foster effective communications, the Company provided all necessary information to the Shareholders in its annual report and interim report. The Directors host the annual general meeting each year to meet the Shareholders and answer to their enquiries. The Directors make efforts to attend the annual general meeting so that they may answer any questions from the Shareholders.

The Directors, the Company Secretary or other appropriate members of senior management of the Company will also respond to inquiries from Shareholders and investors promptly.

For the year ended 31 December 2016, these were no amendments to the existing Memorandum of Association and Bye-laws.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

Environmental, Social and Governance Report

The Group is committed to promoting sustainable development, which is extremely important to create long-term value for the Group's shareholders, clients, employees, other stakeholders, as well as general public. The Company cares about the impact of its daily operation on environment and society, strives to set a good example for the public, while conducting business operation, it makes effort to meet the interests of all stakeholders, economy, environment, society and corporate governance and does its best to achieve a fine balance.

Environment

A1. Policy on emission of exhaust gas and greenhouse gas, discharging pollution through water and land, producing hazardous and non-hazardous wastes

Protecting environment is one of our key concerns; we are committed to protecting environment and focusing on environmental protection in our operation, hoping that through rigorous supervision and control to reduce our long-term negative impact on environment.

1. Energy Management

The indirect greenhouse gas emission, which generated from our daily electricity power consumption, is the main source of the Group's carbon footprint, we will keep monitoring and disclosing the Company's carbon footprint to find out and control the impact of our daily operation on environment. At the same time, we will implement the following energy-saving and energy efficiency measures at various office locations to reduce greenhouse gas emission:

a. Install high-performance electrical equipments

b. Purchasing department is required to purchase energy-efficient products

c. Employ automatic lighting control system

d. Deploy Light-Emitting Diode lighting on office floors

e. The employees must turn off light and unnecessary energy device to reduce energy consumption and avoid unnecessary waste of energy

f. Deploy natural light as much as possible on office floors

g. Install auxiliary electricity meter to monitor electricity consumption

h. Other energy-saving and energy efficiency measures

Our finance department should collect information about usage of electricity annually for the management to disclose in their Environmental, Social and Governance ("ESG") report in the financial year starts from January 1, 2017 or later.

2. *Waste Management*

In order to lighten the load of landfills, we adopt a responsible waste management policy, including waste avoidance, reducing waste from its source and reuse, recycling and responsible disposal of waste. Our offices should post memos and notices everywhere, encouraging the employees to reduce the production of waste. We have introduced waste separation measures from the start:

a. Waste paper (excluding paper cup, paper plate, etc.)

b. Metal (aluminum can and other metal cans)

c. Plastics (plastic bottle, container and packaging materials)

d. Other recyclables (such as old cloth, electrical appliance, computer, magazine, etc.)

A2. Policy on effective use of resources (including energy, water and other raw materials)

1. *Reducing electricity consumption*

Comply with the Group's policy on emission of exhaust gas and greenhouse gas, discharging pollution through water and land, producing hazardous and non-hazardous wastes to reduce electricity consumption.

2. *Paper reduction*

In order to reduce waste paper, we have developed the following measures:

a. Deploy recycling bins to collect used paper products such as waste paper, poster, letter and envelope;

b. Place waste paper recycling bin next to printer and set aside the papers that already printed once so that you can choose whether reuse it or put it into the bin;

c. Saving paper by double-sided printing

d. Writing on both sides of papers

e. Bring your own cup and avoid using paper cup

f. Reuse stationeries such as file folder and envelope

g. Reuse packaging box

h. Other than the waste paper that contains confidential information, waste paper should be shipped to paper mill or scrap paper company so as to be recycled into new paper.

Each year, our finance department shall collect information about the paper products the Company purchased and the waste paper that shipped to scrap paper company or paper mill for the management to disclose in their ESG report in the financial year starts from January 1, 2017 or later.

3. Water conservation

In Hong Kong, fresh water is a precious resource, we should economize water, try to protect water resource, and for which we have developed the following measures:

a. Repair dripping faucet or hose in a timely manner

b. Adopt effective water-saving production methods and instruments

c. Check water consumption regularly

d. Minimize water pressure

4. Green procurement

Green procurement is based on reducing environmental load. Quality, cost, delivery time are the main focuses when the Company procures goods or chooses supplier, but other than that, we give priority to environmentally friendly and energy-saving products.

a. Give priority to energy-efficient products at the highest level

b. Give priority to effective water-saving products

c. We require the suppliers to reduce packaging material

d. Send the message to suppliers that we value environmental protection, energy saving

A3. Policy on mitigating the Group's significant impact on environment and natural resources

The Group manages and minimizes the impact it may cause environment, directly or indirectly, through the following methods:

1. Make sure its business operation comply with the environmental law in Hong Kong and its operating locations

2. Establish and improve environmental protection mechanism to ensure its operation does not pollute water and land

3. Monitor gas emission and use of resource, establish emission reduction target

4. Make sure that in our daily business operation, with all efforts, we conserve energy, water and other raw materials to reduce direct impact on environment

5. Whenever the Company holds banquet, shark fin is out of question and sustainable seafood should be served. Order reasonable quantity and reduce waste

6. Urge the employees to reduce paper usage and adopt other energy-saving measures

7. Cooperate with government agencies and support environmental organizations' activities

Society

Employment and Labor convention

Employee is an important asset of the Company, we care about their well-being, respect their personal traits, make sure that all employees are subject to legislative protection and have equal opportunity in their career path, also, we strive to increase their sense of belonging.

B1. Policy on salary, dismissal, recruitment, promotion, working hours, day off, equal opportunity, diversity, anti-discrimination and other benefits

1. Salary

We offer competitive pay and benefits to the employees according to their job requirement and individual performance. We will annually review the overall salary and benefits to ensure the Company's competitiveness in local market, we even refer to the relevant industries and similar organizations. Each year, Key Performance Indicators will provide direction and guidance to the employees' individual work plan. We also assess the achievements and contributions of the employees to appraise and reward them.

2. *Dismissal*

We ensure that all employees under the employment protection laws of Hong Kong, including:

a. Whenever an employee offers to resign or being laid off, human resource should interview him or her before quitting to find out the reason of quitting;

b. It is required to issue employment verification document to the dismissed employee;

c. When the employer terminates employment contract, the dismissed employee shall be given due notice or wages in lieu of notice, and the notice should not be given during his or her annual leave and maternity leave;

d. An employee cannot be dismissed when she has been confirmed pregnant or given notice of pregnancy;

e. An employee cannot be dismissed when he or she takes a paid sick leave;

f. An employee cannot be dismissed due to he or she gives evidence or information in any legal proceeding relating to enforcement of labor laws, industrial accident or breach of work safety regulation;

g. An employee cannot be dismissed due to he or she joins in labor union or participates in labor union activities; and

h. If an employee is injured on duty, if a compensation agreement has not yet been reached or the relevant evaluation certificate has not yet been issued, the employee cannot be dismissed.

3. *Recruitment and promotion*

In the Company, recruitment and promotion should be fair and open for all employees, and cannot be affected by age, sex, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation and other factors, the employees will be recognized and rewarded by their contribution, work performance and skills, the Company will do its best to provide them with good working environment and development opportunity.

4. *Working hours and day-off*

The employees shall enjoy deserved days-off under the laws of Hong Kong or the location they work at

Hong Kong employees are entitled to enjoy the following days-off:

a. Each employee can take two days off in every 7 days;

b. If the day-off falls on a statutory holiday, compensatory time off shall be offered on the following day;

c. Manager can ask employee to work on the day off, but employee can choose not to. If the employee agrees, a day off can be arranged in other time, but the said day off shall be planned before the scheduled day off in the same month, or within 30 days after it;

d. Statutory holidays;

e. Paid annual leave prescribed by employment contract;

f. Sick leave;

g. Female employee can take maternity leave so long as she comply with the continuous contract to serve the employer and give notice of pregnancy before the leave; and

h. Maternity leave cannot be substituted by wage.

5. *Policy on equal opportunity, diversity, anti-discrimination and other benefits*

Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance must be complied with, equal opportunity must be provided on recruitment, training, promotion, transfer, remuneration, benefits and termination of contract. Such opportunities shall not be affected by factors such as age, gender, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation.

B2. Policy on safe working environment and safeguarding the employees from occupational hazards

We are committed to protecting the health and safety of the employees and the community, we require all employees to comply with all relevant occupational health and safety regulations, and do our utmost to provide them with safe and healthy working environment, as a result, we have implemented the following methods:

1. Develop internal guidelines to ensure that office and work environment is in line with or higher than the requirements of relevant laws;

2. Establish safety procedures for the recognized dangerous work;

3. Provide necessary protective equipment and medical insurance to the employees;

4. Ensure that office and working environment is healthy and safe, regularly check machinery and equipment;

5. Establish emergency measures such as fire or explosion emergency plan;

6. Regularly arrange rescue, fire and evacuation drills;

7. Establish mechanism to record industrial injury and analyze the cause;

8. Provide and maintain an environmental, healthy and safe working condition;

9. Unless prior approval, purchasing alcoholic beverage and illegal drugs is prohibited in the workplace;

10. Actively promote environmental protection, health and safety awareness of the employees, and support development of environmental protection, health and safety in the industry; and

11. Provide all employees with needed job information, guidance, training and supervision.

B3. Policy on improving the employees' knowledge and skills to perform their responsibilities

Talent development is an important part of our human resource strategy. We understand that the employees' knowledge and skills are essential to the Company's operation and business growth, good development plan lays a good foundation for the employees to face business challenge in the future, it also helps them to grasp promotion opportunities, fulfill their career aspirations. We provide the employees with effective training and develop a clear promotion ladder, ensuring that the employees have the required skills; we also nurture outstanding successors for the Group's and breed academic atmosphere. The Group conducts performance evaluation annually, and based on the assessment result to provide the staff with appropriate training, and offer job, development and promotion opportunities for outstanding employees. Under the Group's Human Resource Management System requirements, Human Resources ("HR") manager is responsible for carrying out related assessment and training.

B4. *Policy on preventing child labor or forced labor*

The Group firmly adopts a zero-tolerance policy on child labor and forced labor, such conduct is prohibited by international standard and relevant domestic legislation and shall never be tolerated in here. In any part of the business process (including our subcontractors or suppliers), child labor or forced labor is not allowed, we see child labor or forced labor as a serious crime. The following is the policy on preventing child labor or forced labor:

1. Child labor refers to employment of people under 16 years of age, if any country or region in which the Company or its subsidiary operates has a more stringent definition of child labor, the definition shall prevail;

2. Forced labor refers to people provide labor or service against their will and under the threat of punishment;

3. The hired employees must be at least 16 years of age, the Group shall never recruit child labor and forced labor, and if it knows child labor or forced labor exists in its suppliers or subcontractors, the Group will not conduct business with them anymore;

4. The employees under 18 may not engage in any possible hazardous work and prohibited to work at night, because it might affect their education;

5. Before hiring any job applicant, HR should take effective procedures to verify their age. HR should check documents that prove the age of the applicant, including government-issued photo identification and birth certificate, driver's license, household register, academic certificates or any other credentials that prove the date of birth. And HR must ensure that the applicant's looks is consistent with the photograph on the identity card;

6. HR department should carry out prevention training about child labor and forced labor, especially those responsible for recruitment;

7. If employment of child labor under the legal minimum age is found in the Group, we will see to the best interests of the child, and take the following measures in line with relevant legislations:

   a. Take the child away from workplace immediately, ensure the safety of the child;

   b. Immediately notify the person in charge of HR to verify all relevant information, confirm whether the child under 16 years of age, sever labor relations with the child, notify the local social welfare institution, and take remedial measures to protect the child's best interest;

   c. Send the child to a special occupational health labor inspection institution to do medical check-up, it is required to confirm the child's physical and mental health, and conduct investigation to fully understand the child's situation;

d. When the child reaches legal minimum age for employment, we will provide the child with re-employment opportunity; and

e. Immediately find out the problems exist in the hiring process of the operating location and take improvement measures within 90 working days.

8. If forced labor is found in the Group, we will take the following measures in accordance with the requirements of the relevant legislation:

   a. Take the labor away from workplace immediately, ensure the safety of the labor;

   b. Immediately notify the person in charge of HR to verify all relevant information, confirm whether the person is subject to compulsory labor;

   c. Send the labor to a special occupational health labor inspection institution to do medical check-up, it is required to confirm the labor's physical and mental health, and conduct investigation to fully understand the labor's situation; and

   d. Immediately find out the problems exist in the hiring process of the operating location and take improvement measures within 90 working days.

Operating Practice

B5. Policy on controlling environmental and social risk in supply chain

We attach importance to developing and maintaining long-term relationships with our suppliers, looking forward to forming long-term partnerships with them. We will take a fair and open principle on procurement of materials and services. We will only cooperate with the suppliers that share common moral values and standards with us, the Company also supports and encourages the suppliers to promote efficient use of resources and environmental protection and fulfill corporate social responsibility:

1. We advocate the principle of fair and open competition, and based on mutual trust, we develop and maintain long-term relationships with the suppliers and contractors;

2. We have strict ethical standards in procurement of materials and services to ensure the quality of the finished products and maintain the continued confidence of the clients, suppliers and general public;

3. We review our suppliers, assess them based on price, quality, suitability and demands, only those being rated as qualified are our approved suppliers, we only purchase from the approved suppliers;

4. We conduct follow-up assessment on the suppliers, and, if necessary, review them through a third party organization. When a supplier is found to be inconsistent with the Company's policy or contractual requirements, the Company will terminate future cooperation until the situation has been improved;

5. In an unprejudiced way, we choose appropriate, responsible and capable suppliers;

6. Support and encourage the suppliers to improve their environmental products and services, and their employees' benefits and protection;

7. The suppliers must comply with the relevant laws, regulations and contractual obligations; and

8. We shall adopt effective monitoring and management system to detect and prevent bribery, fraud or other misconducts in procurement and bidding processes.

B6. Policy on health, safety, advertising, labeling, privacy and remedies of the products and services

Health and safety of products and services

We are committed to providing the customers with high-quality products and services and settling customer complaints effectively, continuously improving service level and ensuring customer satisfaction.

1. Make sure that the products and services comply with related laws and guidelines;

2. Provide the customers with accurate product information and high-quality products, and develop recovery policy and after-sale service for related products;

3. If there is a problem with a product, we will take the initiative to explain the problem and find a mutually satisfactory solution for the customers; and

4. After handling a customer complaint, a document should be archived properly, and the relevant department shall review the complaint and develop measures to prevent the recurrence of similar complaints, so that the Company's service quality keeps improving.

Advertising, labeling and protection of customer information

Customer information will only be used for business purpose, not for other unrelated purposes. All employees should handle and use customer information with extreme caution, protect customer information, and comply with statutory requirements in privacy law.

B7. Policy on preventing bribery, extortion, fraud and money laundering

Ethics and integrity is the cornerstone of the Company's success, we adopts a Zero Tolerance approach to bribery, extortion, fraud and money laundering, in their daily work, the directors, management and staff must comply with related national and local government laws and regulations on prevention of bribery, extortion, fraud and money laundering. All employees not only have responsibility to understand and comply with the above regulations, but also have obligation to report violation to the fit and appropriate person. Any person, who contravenes the regulations, will be subject to disciplinary sanction. We will make every effort to protect the informer and received information. However, if an informer's intention is to harm others, they may be subject to disciplinary punishment.

1. Soliciting or accepting benefit

Any employee (including the directors, management and all full-time, part-time, hourly, temporary workers) cannot directly, indirectly, or in any form, solicit or accept any form of benefits or do anything that might be seen as bribe from a third party, including, but not limited to, money, gift, excessive entertainment and hospitality, subsidized travel and accommodation, loan, pledging as guarantor, extending preferential credit terms, fee, reward, position, employment, contract, service, privilege, exemption of all or part of the responsibilities that ought to be fulfilled. The employees should reject any direct or indirect interests and benefits relating to the Group's business, should such benefits being accepted, their objective attitude would hamper, or the interests of the Company would be harmed or invaded, or causing bias or misconduct.

In social events such as festivals, activities, entertainments and other daily routine, refusing to accept a modest gift may be considered impolite or lack of social grace, with that in mind, under the following principles, the employees may consider accepting benefits on a voluntary basis:

a. Receiving related benefits will not affect performance and decision of the employee;

b. The employee will not feel the need to reciprocate;

c. The employee can openly discuss the benefits;

d. Holiday or banquet gift, prize or souvenir, its value shall not more than HK$500.

For gift, prize or souvenir worth more than HK$500, the employee shall file a declaration form, if the employee has questions about admissibility of the related benefits, he or she could consult HR manager or general manager.

If the Company finds out any employee's inappropriate behavior of soliciting or accepting benefits, it will call the police and terminate labor relations with the employee.

2. *Providing benefits*

In any case, any employee shall not provide bribe or improper benefits to any person or organization in order to seek personal gain or group interests. If the Company finds out any employee has conducted bribery, it will call the police and terminate labor relations with the employee.

3. *Extortion*

Any person who seeks for benefit for his own or another person, or with intent to cause loss to another person, and makes any unwarranted demand by extortion, such conduct shall be considered as extortion. All employees shall not participate in, assist, cover up any kind of extortion, if the Company finds out any employee has conducted extortion, it will call the police and terminate labor relations with the employee.

4. *Fraud*

Any person, who uses any means of deception to benefit himself or another person, or with intent to cause loss to another person, such conduct shall be considered fraud, the common employee fraud includes embezzlement, wage fraud and stealing company assets. All employees shall not participate in, assist, cover up any fraud, if the Company finds out any employee has conducted fraud, it will call the police and terminate labor relations with the employee.

5. *Money Laundering*

Money laundering refers to an individual or institution attempts to conceal the source of illicit money, or makes such money look legitimate in any way. The Company will not tolerate any employee conduct, support, and assist any form of money laundering.

The Company should establish an anti money laundering team, general manager should be the team leader and responsible for organizing the anti money laundering team. The team's main responsibilities include organizing, implementing anti money laundering task, investigating reported money laundering, arranging anti money laundering training, working with regulatory and judiciary authorities to investigate suspicious transactions of funds, as well as paying attention to requirements and updates in anti money laundering laws and regulations.

Anti money laundering procedures include identifying clients, keeping transaction record, reporting and follow-up investigating of suspicious transaction, and anti money laundering training.

a. Identifying clients

In the development of clients, sales people must establish a high degree of awareness of anti money laundering, through communication with prospective clients to comprehensively grasp the clients' information, running the first check on the clients. After successful client acquisition, regular contact is required to grasp the clients' updates. If an abnormal situation occurs, the sales person needs to timely communicate with the relevant departments.

b. Keeping transaction record

Sales people and accounting personnel should keep customer identification information, including registering customer identification and related information, all sorts of records and information reflecting payment authority's customer identification process, and keep transaction records such as each transaction's information, business voucher, ledger and documents reflecting real situation of each transaction and other relevant information to ensure that each transaction is traceable.

c. Reporting and follow-up investigating of suspicious transaction

Sales people and accounting staff, should they find out a suspicious transaction, need to report it immediately to the corporate headquarters' anti money laundering team. The team analyzes and investigates all suspicious transaction reported, if there are reasonable grounds to believe that the transaction or the customer has ties with money-laundering, terrorism and other criminal activities, the Hong Kong Special Administrative Region Government Joint Financial Intelligence Unit should be notified.

d. Anti money laundering training

All employees should join in anti money laundering training at least once a year, the training includes learning the danger of money laundering, anti money laundering regulations, the role of the employees in anti-money laundering, how to identify suspicious transactions, ways to report suspicious transaction, the consequences if one fails to comply with anti money laundering regulations.

Community

B8. Policy on finding out the needs of the community, at which the Company operates, by means of community involvement, and ensuring that its business activities will take into account the interests of the community

For the Company's long-term development, community participation is important, we are committed to promoting development and construction activities of the community, at which we operate. We benefit the community through a variety of actions, such as investment, contributing money, time, products, services, influence, management knowledge and other resources.

We participate in community building through three main ways:

1. Organize, facilitate and support the staff to take part in volunteer services, such as regularly visiting people who need help, arranging outdoor activities for disadvantaged groups, holding Blood Donation Day.

2. By means of donation, we donate money, goods or services, directly supporting or funding projects of various social service agencies. In addition to donation itself, we also appeal to the Company's stakeholders (including the employees and customers) to donate.

3. We endeavor to provide employment opportunities for the disadvantaged and create a win-win situation. The Company is willing to hire the disabled people who have completed retraining courses, and give priority to purchasing from the suppliers who hired the said disabled people, or participate in a variety of mentorship programs.

Directors' Report

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in the public procurement related businesses, including bulk commodity trading, Energy Management Contracting (EMC), the development and operation of electronic public procurement platforms and provision of procurement information and other added value services to users of the procurement platforms. Services include such as the supplier authentication, financial services, and supply chain management, etc.

BUSINESS REVIEW

The business review of the Group for the year is set out in the sections of Financial Summary, Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. No important event affecting the Group has occurred since the end of the year.

KEY RISK FACTORS

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

Impact of Local and International Regulations

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

Third-Party Risks

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

SEGMENT INFORMATION

An analysis of the Group's results, assets and liabilities by segment for the year is set out in Note 8 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the Consolidated Statement of Profit or Loss on page 65.

DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 31 December 2016.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 158.

PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment, prepaid lease payments and investment properties of the Group during the year are set out in Notes 17, 18 and 19 to the consolidated financial statements respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's, capital, convertible preference shares and share options during the year are set out in Notes 32, 33 and 34 to the consolidated financial statements respectively.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 42 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-laws") or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2016, there were increases in the issued shares of the Company through the following issuance of ordinary shares of the Company:

Convertible Preferred Shares

The Company issued a total of 4,284,725 fully paid ordinary shares upon conversion of the preferred shares of the Company during the year.

Placing of New Shares

On 21 December 2015, the Company entered into a placing agreement with Changjiang Securities Brokerage (HK) Limited, pursuant to which the Company conditionally agreed to place up to 700,000,000 new ordinary shares of HK$0.01 each in the capital of the Company, on a best-effort basis to not less than six independent placees at a price of HK$0.22 per placing share (the "Placing"). The Board considered that the Placing would further strengthen the capital base and financial position of the Group.

The closing price per ordinary share as quoted on the Stock Exchange on 21 December 2015, being the date of the placing agreement was HK$0.2420. The Placing was completed on 20 January 2016. An aggregate of 50,000,000 placing shares has been successfully placed to one placee, China Chuanglian Education Group Limited, at a price of HK$0.22 per placing share, raising gross proceeds and net proceeds of HK$11.0 million and HK$10.9 million respectively. The net price for each placing share was approximately HK$0.2178. The net proceeds from the Placing would be used for general working capital of the Group.

Details of the above Placing were published in the Company's announcements dated 21 December 2015 and 20 January 2016.

The equity fund raising activities conducted by the Company as at the date of the report are set out below:

Date of announcements	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds	HK$	percentages
21 December 2015 and 20 January 2016	Placing of 50,000,000 new ordinary shares under general mandate	HK$10.89 million	For general working capital of the Group	Payment for business development	HK$10.89 million	100%

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

Loan Capitalization

On 25 April 2016, the Company, an individual based in the PRC, who is a third party independent from and not connected with the Company and its connected persons (the "Subscriber") and 公采網絡科技有限公司 (Gongcai Network Technology Company Limited*, "CPP Subsidiary") entered into the loan capitalisation agreement in relation to the subscription of the consideration shares of 87,000,000 ordinary shares by the Subscriber at the issue price of HK$0.28 for capitalising the debts owed by the CPP Subsidiary to the Subscriber. The Company completed the allotment of 87,000,000 new ordinary shares pursuant to the loan capitalisation agreement at the issue price of HK$0.28 each on 4 May 2016.

Details of the above were published in the Company's announcement dated 25 April 2016.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

EQUITY-LINKED AGREEMENTS

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

Share Option Scheme

Old Scheme

The Company adopted the share option scheme pursuant to the ordinary resolution passed by the Shareholders on 12 June 2002 and the share option scheme expired on 11 June 2012 (the "Old Scheme").

The purpose of the Old Scheme is to attract and retain quality personnel and provide them with incentive to contribute to the business and operation of the Group.

Participants under the Old Scheme include Directors and employees of the Group.

The principal terms of the Old Scheme are summarised as follows:

The Old Scheme was adopted for a period of 10 years commencing from 12 June 2002 and expired on 11 June 2012.

Share options may be granted without any initial payment. The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(i) The nominal value of the shares;

(ii) The closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the share option; and

(iii) The average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the share option.

Under the Old Scheme, the total number of shares which may be allotted and issued upon exercise of all share options to be granted under the Old Scheme shall not in aggregate exceed 10% of the number of shares in issue at the date of approval of the Old Scheme provided that, inter alia, the Company may seek approval of the Shareholders at a general meeting to refresh the general scheme limit. The maximum number of shares in respect of which share options may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the Old Scheme may not, subject to Shareholders' approval, exceed 30% of the share capital of the Company in issue from time to time. As at the date of this report, there are no outstanding share options and no shares are available for issue under the Old Scheme.

The maximum number of shares issued and to be issued upon exercise of the share options granted to each grantee under the Old Scheme (including both exercised and outstanding share options) in any 12-month period shall not exceed 1% of the share of the Company in issue. Any further grant of share options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approval by its Shareholders in accordance with the Old Scheme.

New Scheme

The Company adopted a new share option scheme pursuant to the ordinary resolution passed by the Shareholders on 13 June 2013 (the "New Scheme").

The purpose of the New Scheme is to attract and retain quality personnel and provide them with incentive to contribute to the business and operation of the Group.

Participants under the New Scheme include Directors and employees of the Group.

The principal terms of the New Scheme are summarised as follows:

The New Scheme was adopted for a period of 10 years commencing from 13 June 2013 and was due to expire on 12 June 2023.

Share options may be granted without any initial payment. The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(i) The nominal value of the shares;

(ii) The closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the share option; and

(iii) The average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the share option.

Under the New Scheme, the total number of shares which may be allotted and issued upon exercise of all share options to be granted under the New Scheme shall not in aggregate exceed 10% of the number of shares in issue at the date of approval of the New Scheme provided that, inter alia, the Company may seek approval of the Shareholders at a general meeting to refresh the general scheme limit. The maximum number of shares in respect of which share options may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme may not, subject to Shareholders' approval, exceed 30% of the share capital of the Company in issue from time to time.

During the year ended 31 December 2016, 319,000,000 options were lapsed and no options were granted, cancelled and exercised.

As at the date of this report, the total number of shares available for issue of the New Scheme is 1,888,842,782, representing approximately 14.07% of the issued share capital of the Company.

The maximum number of shares issued and to be issued upon exercise of the share options granted to each grantee under the New Scheme (including both exercised and outstanding share options) in any 12-month period shall not exceed 1% of the share of the Company in issue. Any further grant of share options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approval by its Shareholders in accordance with the New Scheme.

Details of the share options movements during the year under the New Scheme are as follows:

Name of category	Date of grant of share options	Number of share options: Outstanding as at 01.01.2016	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31.12.2016	Vesting period	Validity period of share options	Exercise price (HK$)
Directors										
Zheng Jinwei	22.12.2015	20,000,000	–	–	–	–	20,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Ho Wai Kong	22.12.2015	20,000,000	–	–	–	–	20,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Cheng Yuanzhong	22.12.2015	20,000,000	–	–	–	–	20,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
He Qian	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Chen Limin	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Liu Lizhen	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Chan Tze See, Kevin	02.07.2013	3,000,000	–	–	3,000,000	–	–	–	02.07.2013 to 01.07.2016	0.762
	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Deng Xiang	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Wong Yan Ki, Angel	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Shen Shaoji (retired on 31 May 2016) *(Note 1)*	02.07.2013	5,000,000	–	–	5,000,000	–	–	–	02.07.2013 to 01.07.2016	0.762
	22.12.2015	5,000,000	–	–	5,000,000	–	–	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Wong Wei Kit (resigned on 14 July 2016) *(Note 2)*	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Yue Yifeng (resigned on 14 July 2016) *(Note 3)*	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Wu Fred Fong (resigned on 15 August 2016) *(Note 4)*	02.07.2013	3,000,000	–	–	3,000,000	–	–	–	02.07.2013 to 01.07.2016	0.762
	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Wang Ning (resigned on 30 September 2016) *(Note 5)*	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Hu Wei (resigned on 8 November 2016) *(Note 6)*	22.12.2015	5,000,000	–	–	–	–	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Subtotal		131,000,000	–	–	16,000,000	–	115,000,000			
Employees and others	02.07.2013	158,000,000	–	–	158,000,000	–	–	–	02.07.2013 to 01.07.2016	0.762
	02.07.2013	110,000,000	–	–	110,000,000	–	–	–	02.07.2013 to 01.07.2016	0.64
	18.10.2013	15,000,000	–	–	15,000,000	–	–	–	18.10.2013 to 17.10.2016	0.762
	06.06.2014	120,000,000	–	–	20,000,000	–	100,000,000	–	06.06.2014 to 05.06.2017	0.415
	22.12.2015	331,340,000	–	–	–	–	331,340,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Subtotal		734,340,000	–	–	303,000,000	–	431,340,000			
Total		**865,340,000**	**–**	**–**	**319,000,000**	**–**	**546,340,000**			

Notes:

1. Mr. Shen Shaoji, who was an Independent Non-executive Director, retired on 31 May 2016. His share options are still valid for six months after his retirement.

2. Mr. Wong Wei Kit, who was an Executive Director, resigned on 14 July 2016 but remained as the Chief Financial Officer of the Company. His share options are still valid for being Chief Financial Officer.

3. Mr. Yue Yifeng, who was a Non-executive Director, resigned on 14 July 2016. His share options are still valid for six months after his resignation.

4. Mr. Wu Fred Fong, who was an Independent non-executive Director, resigned on 15 August 2016. His share options are still valid for six months after his resignation.

5. Mr. Wang Ning, who was a Non-executive Director, resigned on 30 September 2016. His share options are still valid for six months after his resignation.

6. Mr. Hu Wei, who was a Non-executive Director, resigned on 8 November 2016. His share options are still valid for six months after his resignation.

   Information on the accounting policy for share options granted and the weighted average value per share is set out in Notes 3 and 34 to the consolidated financial statements respectively.

CONVERTIBLE PREFERENCE SHARES

Details of the convertible preference shares of the Company are set out in the note 33 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Company are set out in the note 31 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Zheng Jinwei, *EMBA, BEng* *(Chairman and Chief Executive)*	(appointed as Chairman on 7 June 2016)
Mr. Ho Wai Kong *(Honorary Chairman)*	
Ms. He Qian, *EMBA, BAcc, CPA (PRC)*	
Mr. Wong Wei Kit, *BA, CPA (Canada) CA*	(resigned on 14 July 2016)*
Mr. Cheng Yuanzhong, *B.Phill*	(resigned on 27 March 2017)*

Non-executive Directors

Mr. Chen Limin, *LLB*	
Ms. Liu Lizhen, *BEE*	
Mr. Yue Yifeng, *BCS*	(resigned on 14 July 2016)*
Mr. Wang Ning, *BEcon*	(resigned on 30 September 2016)*
Mr. Hu Wei, *BF, CPA (PRC)*	(resigned on 8 November 2016)*

Independent Non-executive Directors

Mr. Deng Xiang, *BSc, BEcon, CPA (PRC)*	
Ms. Wong Yan Ki, Angel, *MBA, BA*	
Mr. Shen Shaoji, *BEcon*	(retired on 31 May 2016)*
Mr. Wu Fred Fong, *MBA, CPA (Canada), CA*	(resigned on 15 August 2016)*
Mr. Chan Tze See, Kevin, *MBA, BSc*	(resigned on 2 March 2017)*

* Mr. Wong Wei Kit resigned as Executive Director in order to spend more time to focus on the position of the chief financial officer of the Company. Mr. Yue Yifeng, Mr. Wang Ning, Mr. Hu Wei, Mr. Wu Fred Fong and Mr. Chan Tze See, Kevin resigned as Directors due to other business commitments. Mr. Cheng Yuanzhong resigned as Executive Director due to other business development. Mr. Shen Shaoji retired as Independent Non-executive Director due to his retirement.

Pursuant to Bye-law 87 of the Bye-laws, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting provided that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring director shall be eligible for re-election.

In accordance with Bye-law 87 of the Bye-laws, Mr. Zheng Jinwei, Ms. Liu Lizhen and Mr. Deng Xiang will retire from their offices by rotation, and will offer themselves for re-election.

The Company has received from each of the Independent Non-executive Directors an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors are independent to the Company.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into formal service contracts with the Company for a term of 3 years and are subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-laws.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting have a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

INDEMNITY OF DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on Directors for the year ended 31 December 2016 are as follows:

Name of Directors	Details of changes
Mr. Zheng Jinwei *(Executive Director, Chairman and Chief Executive)*	His emolument was a monthly director's fee of HK$50,000. He has been appointed as the chairman of nomination committee of the Company on 7 June 2016.
Mr. Ho Wai Kong *(Executive Director and Honorary Chairman)*	His emolument was a monthly director's fee of HK$50,000. He has been appointed as a director of a subsidiary of the Company on 12 December 2016.
Mr. Cheng Yuanzhong *(Executive Director)*	His emolument was a monthly director's fee of HK$10,000.
Ms. He Qian *(Executive Director)*	Her emolument was a monthly director's fee of HK$10,000.
Mr. Chen Limin *(Non-executive Director)*	His emolument was a monthly director's fee of HK$25,000. He has been appointed as a member of audit committee of the Company on 15 August 2016.
Ms. Liu Lizhen *(Non-executive Director)*	Her emolument was a monthly director's fee of HK$25,000. She has been appointed as a member of remuneration committee of the Company on 31 August 2016.
Mr. Chan Tze See, Kevin *(Independent Non-executive Director)*	His emolument was a monthly director's fee of HK$25,000.
Mr. Deng Xiang *(Independent Non-executive Director)*	His emolument was a monthly director's fee of HK$25,000.
Ms. Wong Yan Ki, Angel *(Independent Non-executive Director)*	Her service contract as an Independent Non-executive Director has been renewed for a term of 3 years commencing from 7 December 2016 to 6 December 2019. Her emolument was a monthly director's fee of HK$30,000. She has been appointed as the chairman of audit committee of the Company on 15 August 2016, a member of remuneration committee and nomination committee of the Company on 7 June 2016 and the chairman of remuneration committee of the Company on 31 August 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of the directors and the Chief Executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in ordinary shares of HK$0.01 each of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Percentage of the issued share capital as at 31 December 2016
Zheng Jinwei	Corporate interest	60,000,000 *(Note 3)*	–	0.45%
	Beneficial interest	–	20,000,000 *(Note 4)*	0.15%
Ho Wai Kong	Corporate interest	641,672,725 *(Note 1)*	–	4.78%
	Beneficial interest	48,800,000	20,000,000 *(Note 4)*	0.51%
	Spousal interest	279,348,000 *(Note 2)*	–	2.08%
Cheng Yuanzhong	Beneficial interest	17,808,000	20,000,000 *(Note 4)*	0.28%
He Qian	Beneficial interest	–	5,000,000 *(Note 4)*	0.03%
Chen Limin	Beneficial interest	–	5,000,000 *(Note 4)*	0.03%
Liu Lizhen	Beneficial interest	–	5,000,000 *(Note 4)*	0.03%
Chan Tze See, Kevin	Beneficial interest	–	5,000,000 *(Note 4)*	0.03%
	Spousal interest	352,000 *(Note 5)*	–	0.00%

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Percentage of the issued share capital as at 31 December 2016
Deng Xiang	Beneficial interest	–	5,000,000 *(Note 4)*	0.03%
Wong Yan Ki, Angel	Beneficial interest	–	5,000,000 *(Note 4)*	0.03%
Shen Shaoji (retired on 31 May 2016)	Beneficial interest	–	10,000,000 *(Note 4)*	0.07%
Wong Wei Kit (resigned on 14 July 2016)	Beneficial interest	–	5,000,000 *(Note 4)*	0.03%
Yue Yifeng (resigned on 14 July 2016)	Beneficial interest	–	5,000,000 *(Note 4)*	0.03%
Wu Fred Fong (resigned on 15 August 2016)	Beneficial interest	20,000,000	5,000,000 *(Note 4)*	0.18%
Wang Ning (resigned on 30 September 2016)	Beneficial interest	–	5,000,000 *(Note 4)*	0.03%
Hu Wei (resigned on 8 November 2016)	Beneficial interest	–	5,000,000 *(Note 4)*	0.03%

Notes:

1. Mr. Ho Wai Kong is interested in 641,672,725 shares under controlled corporation, of which 641,172,725 shares are held by Master Top Investments Limited, an associated corporation of the Company, and 500,000 shares are held by Similan Limited. Both companies are beneficially owned by Mr. Ho Wai Kong.

2. Mr. Ho Wai Kong is the spouse of Ms. Guo Binni and is therefore deemed to be interested in 279,348,000 shares held by Ms. Guo Binni under the SFO.

3. These 60,000,000 shares are held by Samway International Enterprise Limited which is incorporated in British Virgin Islands with limited liability and wholly-owned by Mr. Zheng Jinwei.

4. These share options were granted by the Company under the New Scheme.

5. Mr. Chan Tze See, Kevin is the spouse of Ms. Lam Lai Chong and is therefore deemed to be interested in the 352,000 shares held by Ms. Lam Lai Chong under the SFO.

Save as disclosed above, as at 31 December 2016, none of the Directors nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 December 2016, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executives of the Company, had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in ordinary shares of HK$0.01 each of the Company

Name of Shareholders	Capacity	Number of share options interested	Number of Preferred Shares interested	Number of shares interested	Percentage of the issued share capital as at 31 December 2016
Champion Union Investments Limited *(Note 1)*	Beneficial interest	–	–	1,539,708,000	11.46%
Fan Xiulian *(Note 2)*	Corporate interest	–	–	1,539,708,000	11.46%
Guo Binni *(Note 3)*	Beneficial interest	–	–	279,348,000	2.08%
	Spousal interest	20,000,000	–	690,472,725	5.29%

Notes:

1. Champion Union Investments Limited directly, wholly and beneficially owns Metro Factor Limited, Haiwei International Group Limited and Weijia Limited, which are the Shareholders.

2. Ms. Fan Xiulian owns Champion Union Investments Limited, which directly, wholly and beneficially owns Metro Factor Limited, Haiwei International Group Limited and Weijia Limited.

3. Ms. Guo Binni is the spouse of Mr. Ho Wai Kong and is therefore deemed to be interested in 641,672,725 shares under his controlled corporation. She is also deemed to be interested in 68,800,000 shares held by Mr. Ho Wai Kong, including 20,000,000 Share option granted under the New Scheme.

Save as disclosed above, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 December 2016.

COMPETING INTERESTS

As at 31 December 2016, none of the Directors, the management Shareholders or substantial Shareholders or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 82.8% of the total sales for the year, in which sales to the largest customer represented approximately 65.0% of the total sales of the year. One of the top five customers which accounted for 11.6% of total sales is a non-controlling shareholder of a subsidiary of the Group.

The cost of sales mainly consists of purchase, depreciation, staff cost and sub-contractor fee. The purchases from the Group's five largest suppliers for trading and services rendered, amounted to 96.1% of the total purchases for the year, in which purchases from the largest suppliers represented approximately 92.4% of the total purchases of the year. One of the top five suppliers which accounted for 2.0% of total purchases is a non-controlling shareholder of a subsidiary of the Group.

None of the Directors, their close associates or any substantial shareholder has an interest in the major suppliers or customers noted above.

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules for the year ended 31 December 2016 and up to the date of this report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

SHINEWING will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

For and on behalf of the Board

Zheng Jinwei
Chairman

Hong Kong, 31 March 2017

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CHINA PUBLIC PROCUREMENT LIMITED
(incorporated in the Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Public Procurement Limited (the "Company") and its subsidiaries set out on pages 65 to 157, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR QUALIFIED OPINION

As set out in our report dated 31 March 2016 on the Group's consolidated financial statements for the year ended 31 December 2015, we were not provided with sufficient appropriate audit evidence we considered necessary to assess whether the carrying amounts of trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries of approximately HK$159,637,000, HK$100,534,000 and HK$66,942,000 as at 31 December 2015 could be recovered in full. Accordingly, we qualified our opinion on the Group's consolidated financial statements for the year ended 31 December 2015 in respect of the above scope limitation.

Therefore, related opening balances and comparatives figures shown in respect of the above may not be comparable and any adjustments found to be necessary of the prior year's qualification would have an effect on the opening balances of the Group as at 1 January 2016 and a consequential effect on the consolidated loss of the year ended 31 December 2016.

As at 31 December 2016, the Group had deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries of approximately HK$15,000,000, HK$51,001,000, HK$40,233,000 and HK$70,686,000, respectively. We were not provided with sufficient appropriate audit evidence to assess whether the carrying amounts of deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries of approximately HK$15,000,000, HK$37,089,000, HK$40,200,000 and HK$70,686,000 could be recovered in full or whether the provisions for impairment loss recognised of approximately nil, HK$54,963,000, HK$60,300,000 and nil are adequate. In addition, we were unable to obtain direct confirmations to verify the accuracy of the balances of trade and other receivables and amounts due from a shareholder and its subsidiaries of approximately HK$33,442,000 and HK$70,686,000 as at 31 December 2016 included in the aforesaid balances.

There were no practical alternative audit procedures that we could perform to satisfy ourselves that the carrying amount of the Group’s deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries and the relevant provision for impairment losses were fairly stated as at 31 December 2016. Any adjustment found to be necessary to the carrying amount of the above balances as at 31 December 2016 would affect the Group’s net assets as at 31 December 2016 and the Group’s loss for the year then ended and the related note disclosures to the consolidated financial statements.

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

Material uncertainty relating to going concern

We draw attention to note 1 to the consolidated financial statements, which indicates the Group incurred a net loss of approximately HK$215,183,000 and net operating cash outflows of approximately HK$47,144,000 during the year ended 31 December 2016. In addition, as stated in the basis for qualified opinion paragraph, the timing and recoverability of the Group’s deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries are uncertain. These indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. 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. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

IMPAIRMENT ON INTANGIBLE ASSETS

Refer to note 22 to the consolidated financial statements and the accounting policies on page 83.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the Group has intangible assets of approximately HK$10,178,000, including computer software, online platform promotion right, online platform development and technical support right, software technology knowhow as at the end of the reporting period. The Group recognised impairment of intangible assets totalling of approximately HK$35,651,000 during the year. We have identified impairment on intangible assets as a key audit matter because the assessment of the recoverable amount of these assets is based on forecasting and discounting future cash flows which entail a significant degree of management judgement and may be subject to management bias.	Our audit procedures were designed to evaluate the application of the Group's impairment assessment on intangible assets. We obtained the discounted cash flow models and challenged the principles, and methodology adopted. We critically assessed the Group's valuation assumptions for its cash flow projections, with reference to internally and externally derived sources and taking into account the Group's historical forecasts. We assessed the inputs based on historical data and sensitivity analysis.

VALUATION OF INVESTMENT PROPERTIES

Refer to note 20 to the consolidated financial statements and the accounting policies on page 86.

The key audit matter	How the matter was addressed in our audit
The Group has investment properties of approximately HK$243,264,000 which makes up 49% of the total asset of Group as at 31 December 2016. The valuation of investment property is highly dependent on a range of estimates and assumptions made by the management and the external appraisers. We have identified the valuation of investment properties as a key audit matter because the estimation and the assumption on which the valuation is based entail a significant degree of management judgement and may be subject to management bias.	Our audit procedures included a critical assessment of the assumptions and methods used by the Group. We assessed the principles and methodology adopted. We also assessed the reasonableness of source data used as input for the valuations. We also analysed the valuations and challenge the underlying assumptions.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the provision for impairment losses and the accuracy on the balances of deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries as at 31 December 2016. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE 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, solely to you, as a body, in accordance with our agreed terms of engagement, 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.

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

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

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

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

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

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
31 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000 (Restated)
Continuing operations			
Revenue	8	**40,127**	2,516,060
Cost of sales		**(33,047)**	(2,506,197)
Gross profit		**7,080**	9,863
Other income and gains	9	**59,492**	22,499
Impairment loss recognised in respect of goodwill	21	**–**	(935,361)
Impairment loss recognised in respect of intangible assets	22	**(35,651)**	(58,478)
Impairment loss recognised in respect of property, plant and equipment	18	**(2,683)**	(2,313)
Impairment/write-off of trade, other and loan receivables	24	**(118,998)**	(2,384)
Administrative expenses		**(109,477)**	(109,668)
Finance costs	10	**(2,006)**	(1,992)
Loss before tax		**(202,243)**	(1,077,834)
Income tax (expenses) credit	11	**(12,940)**	2,349
Loss for the year from continuing operation	12	**(215,183)**	(1,075,485)
Discontinued operations			
Loss for the year from discontinued operation	13	**–**	(5,976)
Loss for the year		**(215,183)**	(1,081,461)
Loss for the year attributable to owners of the Company			
– From continuing operations		**(212,606)**	(1,067,926)
– From discontinued operation		**–**	(5,976)
		(212,606)	(1,073,902)
Loss for the year attributable to non-controlling interests			
– From continuing operations		**(2,577)**	(7,559)
– From discontinued operation		**–**	–
		(2,577)	(7,559)
Loss for the year		**(215,183)**	(1,081,461)
Loss per share (HK cents)	17		
From continuing and discontinued operations			
Basic and diluted		**(1.59)**	(8.39)
From continuing operations			
Basic and diluted		**(1.59)**	(8.34)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016	2015
	HK$'000	HK$'000 (Restated)
Loss for the year	**(215,183)**	(1,081,461)
Other comprehensive expenses		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(24,546)**	(75,577)
Items that may not be reclassified subsequently to profit or loss:		
Changes in fair value of properties transferred to investment properties	**–**	5,478
Income tax relating to changes in fair value	**–**	(1,986)
	–	3,492
Total comprehensive expenses for the year	**(239,729)**	(1,153,546)
Total comprehensive expenses attributable to:		
Owners of the Company	**(237,152)**	(1,145,305)
Non-controlling interests	**(2,577)**	(8,241)
	(239,729)	(1,153,546)

Consolidated Statement of Financial Position

As at 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	18	**5,322**	13,101
Prepaid lease payments	19	**4,319**	4,727
Investment properties	20	**243,264**	236,288
Goodwill	21	**–**	–
Intangible assets	22	**10,178**	49,155
Interest in an associate	23	**1,307**	1,307
Deposit paid for potential acquisition of a subsidiary	40	**15,000**	–
Deferred tax assets	32	**811**	866
		280,201	305,444
Current assets			
Trade and other receivables	24	**51,001**	159,637
Loan receivables	25	**40,233**	100,534
Prepaid lease payments	19	**95**	95
Amount due from a director	40	**–**	1,000
Amounts due from a shareholder and its subsidiaries	40	**70,686**	66,942
Financial assets through profit or loss	26	**2,233**	–
Pledged bank deposit	27	**11,142**	11,917
Bank balances and cash	27	**37,860**	51,529
		213,250	391,654
Current liabilities			
Trade and other payables	28	**29,696**	41,008
Amounts due to a shareholder and its subsidiaries	40	**2,620**	9,606
Tax payable		**40,726**	42,921
Bank and other borrowings	29	**26,423**	35,792
		99,465	129,327
Net current assets		**113,785**	262,327
Total assets less current liabilities		**393,986**	567,771

		2016	2015
	NOTES	**HK$'000**	HK$'000
Non-current liabilities			
Deferred income	30	**16,282**	17,713
Convertible bonds	31	**24,861**	–
Deferred tax liabilities	32	**41,716**	32,064
		82,859	49,777
		311,127	517,994
Capital and reserves			
Share capital	33	**134,293**	132,880
Convertible preference shares	34	**–**	43
Reserves		**178,427**	384,245
Equity attributable to owners of the Company		**312,720**	517,168
Non-controlling interests		**(1,593)**	826
		311,127	517,994

The consolidated financial statements on pages 65 to 157 were approved and authorised for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Director

Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2015

	Share capital	Preference share capital	Share premium	Merger reserve	Share-based compensation reserve	Statutory reserve	Translation reserve	Revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000 (note i)	HK$'000	HK$'000 (note ii)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	120,837	589	6,924,166	8,390	76,022	15,599	236,398	–	(5,942,146)	1,439,855	10,241	1,450,096
Loss for the year	–	–	–	–	–	–	–	–	(1,073,902)	(1,073,902)	(7,559)	(1,081,461)
Other comprehensive expenses for the year:												
Exchange differences arising on translation	–	–	–	–	–	–	(74,895)	–	–	(74,895)	(682)	(75,577)
Changes in fair value of properties transferred to investment properties	–	–	–	–	–	–	–	5,478	–	5,478	–	5,478
Income tax relating to changes in fair value	–	–	–	–	–	–	–	(1,986)	–	(1,986)	–	(1,986)
Total comprehensive expenses for the year	–	–	–	–	–	–	(74,895)	3,492	(1,073,902)	(1,145,305)	(8,241)	(1,153,546)
Issue of shares	10,000	–	151,500	–	–	–	–	–	–	161,500	–	161,500
Capitalisation of other payable (note 33)	1,497	–	19,608	–	–	–	–	–	–	21,105	–	21,105
Conversion of preference shares	546	(546)	–	–	–	–	–	–	–	–	–	–
Transfers to statutory reserve	–	–	–	–	–	39	–	–	(39)	–	–	–
Share options granted	–	–	–	–	40,013	–	–	–	–	40,013	–	40,013
Share options lapsed	–	–	–	–	(27,539)	–	–	–	27,539	–	–	–
Dividend to non-controlling interest	–	–	–	–	–	–	–	–	–	–	(1,174)	(1,174)
At 31 December 2015	132,880	43	7,095,274	8,390	88,496	15,638	161,503	3,492	(6,988,548)	517,168	826	517,994

Consolidated Statement of Changes In Equity

For the year ended 31 December 2016

	Share capital	Preference share capital	Share premium	Merger reserve	Share-based compensation reserve	Statutory reserve	Translation reserve	Revaluation reserve	Convertible bond equity reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000 (note i)	HK$'000	HK$'000 (note ii)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	132,880	43	7,095,274	8,390	88,496	15,638	161,503	3,492	–	(6,988,548)	517,168	826	517,994
Loss for the year	–	–	–	–	–	–	–	–	–	(212,606)	(212,606)	(2,577)	(215,183)
Other comprehensive expenses for the year:													
Exchange differences arising on translation	–	–	–	–	–	–	(24,546)	–	–	–	(24,546)	–	(24,546)
Total comprehensive expenses for the year	–	–	–	–	–	–	(24,546)	–	–	(212,606)	(237,152)	(2,577)	(239,729)
Issue of shares	500	–	10,500	–	–	–	–	–	–	–	11,000	–	11,000
Capitalisation of other borrowing (note 33)	870	–	11,397	–	–	–	–	–	–	–	12,267	–	12,267
Conversion of preference shares	43	(43)	–	–	–	–	–	–	–	–	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	–	–	5,139	–	5,139	–	5,139
Transfers to statutory reserve	–	–	–	–	–	16	–	–	–	(16)	–	–	–
Share-based payment expenses	–	–	–	–	4,298	–	–	–	–	–	4,298	–	4,298
Share options lapsed	–	–	–	–	(36,517)	–	–	–	–	36,517	–	–	–
Capital injection	–	–	–	–	–	–	–	–	–	–	–	1,911	1,911
Dividend to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(1,753)	(1,753)
At 31 December 2016	134,293	–	7,117,171	8,390	56,277	15,654	136,957	3,492	5,139	(7,164,653)	312,720	1,593	311,127

Note i: The merger reserve of the Group represents the difference between the aggregate of the nominal value of the ordinary shares of the subsidiaries acquired and the nominal value of the ordinary shares of the Company issued pursuant to the Group reorganisation.

Note ii: In accordance with the People's Republic of China (the "PRC") Company Law and the PRC subsidiaries' Articles of Association, a subsidiary registered in the PRC is required to appropriate 10% of its annual statutory net profit as determined in accordance with relevant statutory rules and regulations applicable to enterprises established in the PRC (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory reserve must be maintained at a minimum of 25% of the capital after such usages.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016	2015
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(202,243)**	(1,083,810)
Adjustments for:		
Equity-settled share-based payment expenses	**36,180**	8,131
Impairment loss recognised in respect of goodwill	**–**	935,361
Impairment loss recognised in respect of intangible assets	**35,651**	58,478
Impairment loss recognised in respect of property, plant and equipment	**2,683**	2,313
Depreciation of property, plant and equipment	**4,368**	4,669
Amortisation of intangible assets	**134**	4,999
Amortisation of prepaid lease payments	**100**	100
Impairment of trade and other receivables	**118,998**	2,384
Gain in fair value changes of investment properties	**(23,394)**	–
Gain on disposal of property, plant and equipment	**–**	(380)
Gain on settlement of other payable	**–**	(2,095)
Gain on settlement of other borrowing	**(12,093)**	–
Government grant	**(292)**	(7,295)
Investment income	**–**	(924)
Written off of property, plant and equipment	**40**	–
Written off of prepayment	**–**	5,976
Write-back of agency payable	**(8,180)**	–
Finance costs	**2,006**	1,992
Interest income	**(3,744)**	(179)
Operating cash flows before movements in working capital	**(49,786)**	(70,280)
Decrease in trade and other receivables	**12,501**	38,567
Decrease in trade and other payables	**(8,957)**	(96,674)
Increase in amount due from a shareholder and its subsidiaries	**(358)**	(3,164)
Increase in amount due to a shareholder and its subsidiaries	**–**	583
Cash used in operations	**(46,600)**	(130,968)
Taxes paid	**(544)**	(5,316)
NET CASH USED IN OPERATING ACTIVITIES	**(47,144)**	(136,284)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016	2015
	HK$'000	HK$'000
INVESTING ACTIVITIES		
Advance to a shareholder and its subsidiaries	**(11)**	(7,317)
Purchase of intangible assets	**–**	(725)
Purchase of property, plant and equipment	**(127)**	(496)
Purchase of financial assets at fair value through profit or loss	**(2,233)**	–
Loan advances made	**–**	(534)
Proceed from disposal of property, plant and equipment	**–**	380
Loan advances repaid	**–**	4,452
Repayment from (advance to) a director	**1,000**	(1,000)
Repayment from a shareholder and its subsidiaries	**47**	–
Deposit paid for potential acquisition of a subsidiary	**(15,000)**	–
Placement of pledged bank deposit	**–**	(11,917)
Investment income received	**–**	924
Interest received	**93**	179
NET CASH USED IN INVESTING ACTIVITIES	**(16,231)**	(16,054)
FINANCING ACTIVITIES		
Bank and other borrowings raised	**14,513**	35,792
Government grant received	**–**	7,469
Proceeds from issue of shares	**11,000**	170,500
Transaction cost for issue of shares	**–**	(9,000)
Repayment to a shareholder and its subsidiaries	**(1,653)**	(11,342)
Advance from a shareholder and its subsidiaries	**11**	1,653
Dividend paid to non-controlling interest	**(1,753)**	(1,174)
Interest paid	**(1,646)**	(1,992)
Capital injection from non-controlling interest	**1,911**	–
Proceeds from issue of convertible bonds	**30,000**	–
NET CASH FROM FINANCING ACTIVITIES	**52,383**	191,906
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**(10,992)**	39,568
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**51,529**	19,926
Effect of foreign exchange rate changes	**(2,677)**	(7,965)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**37,860**	51,529

1. GENERAL AND BASIS OF PREPARATION

China Public Procurement Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 41.

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

During the year ended 31 December 2016, the Group incurred a net loss of approximately HK$215,183,000 and net operating cash outflows of approximately HK$47,144,000 during the year ended 31 December 2016. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

In order to improve the Group's financial position, liquidity and cash flows, the directors of the Company have adopted or in the process of adopting the following measures:

(a) The Group has been taking stringent cost controls; and

(b) The Group is able to obtain the additional financing by pledging the Group's non-current assets whenever necessary.

Taking into account the above measures and after assessing the Group's current and future cash flow positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of assets to their estimated recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
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

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 5	Annual improvements to HKFRS 2014-2016 Cycle[5]

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 date not yet been determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The Directors anticipate that, except as described below, the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect an overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company are in the process of assessing the impacts on the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company are in the process of assessing the impacts on the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

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

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

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16.

The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendment to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Company obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less subsequent accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Fair value measurement

When measuring fair value, except for the Group's share-based payment transactions, and value in use of certain property, plant and equipment, intangible assets and goodwill for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

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

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

Financial assets

Financial assets are classified into loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables, amounts due from a director and a shareholder and its subsidiaries, pledged bank deposit, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Convertible preference shares

Convertible preference shares are classified as equity if it is non-redeemable and any dividends are discretionary.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to a shareholder and its subsidiaries, and bank and other borrowings and liability component of convertible bonds are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash and short-term deposits as defined above.

Revenue recognition

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retained 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Service income is recognised when the service has been rendered.

Rental income under operating leases of buildings is recognised on a straight-line basis over the lease term.

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

Borrowing costs

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and mandatory provident fund schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities for such investment property are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the property will be recovered).

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, tax effect is included in the accounting for the business combination.

Share-based payment transactions

Equity settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Equity settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are lapsed or forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated losses.

Share options granted to consultants

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

4. CRITICAL ACCOUNTING JUDGMENT

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

The estimates and underlying assumptions (further details are set out in note 5) are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see note 5), that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENT (Continued)

Critical judgements in applying accounting policies (Continued)

Going concern consideration

The assessment of the going concern assumptions involves making judgements by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions. For details, please refer to note 1.

Useful lives of intangible assets

The Group's acquired software technology knowhow, online platform promotion right, and online platform development and technical support right are classified as an indefinite-lived intangible assets in accordance with HKAS 38 "Intangible Assets". This conclusion is supported by the fact that there were no specific terms for the rights and the directors of the Company expected that the business underlying the rights can be operated perpetually. Under HKAS 38, the Group re-evaluates the useful lives of the software technology knowhow at the end of each reporting period to determine whether events and circumstances continue to support the view of indefinite useful life for the assets. At 31 December 2016, the carrying amount of software technology knowhow, online platform promotion right, and online platform development and technical support right of the Group are approximately HK$8,646,000, nil and nil (2015: HK$47,380,000, nil and nil) respectively.

Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in the PRC are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties located in the PRC, the directors of the Company have determined that the presumption that the carrying values of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group recognised deferred taxes on changes in fair value of investment properties based on the tax exposure on disposal of its investment properties.

At 31 December 2016, the carrying amount of deferred tax in respect of investment properties of the Group is approximately HK$41,716,000 (2015: HK$32,064,000). Details of deferred tax on investment properties are set out in note 32.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated. The carrying amount of property, plant and equipment as at 31 December 2016 is approximately HK$5,322,000 (2015: HK$13,101,000).

Estimated impairment on goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected, a material impairment loss may arise. At 31 December 2016, the carrying amount of goodwill is nil, (2015: nil) net of accumulated impairment of approximately HK$6,153,118,000 (2015: HK$6,581,367,000). Details of impairment testing on goodwill are set out in note 21.

Estimated impairment on intangible assets

Determining whether intangible assets are impaired requires an estimation of the value-in-use of the intangible assets. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected, a material impairment loss may arise. At 31 December 2016, the carrying amount of intangible assets of the Group is approximately HK$10,178,000 (2015: HK$49,155,000), net of accumulated impairment loss of approximately HK$96,781,000 (2015: HK$61,130,000). Details of impairment testing on intangible assets are set out in note 22.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment on trade and other receivables, loan receivables, amounts due from a director and a shareholder and its subsidiaries

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, loan receivables and amounts due from a director and a shareholder and its subsidiaries, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. At 31 December 2016, the carrying amounts of trade and other receivables, loan receivables and amounts due from a director and a shareholder and its subsidiaries are approximately HK$51,001,000 (2015: HK$159,637,000), HK$40,233,000 (2015: HK$100,534,000), nil (2015: HK$1,000,000) and HK$70,686,000 (2015: HK$66,942,000) (net of accumulated impairment of HK$98,726,000 (2015: HK$128,153,000), HK$60,300,000 (2015: nil), nil (2015: nil) and nil (2015: nil)) respectively.

Estimated fair value of investment properties

The Group's investment properties were carried in the consolidated statement of financial position at its fair value of approximately HK$243,264,000 (2015: HK$236,288,000). The fair value was based on valuation of these properties conducted by an independent firm of professional valuers using direct market comparison approach which involve certain assumption of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

6. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt which includes bank and other borrowings disclosed in note 29, amounts due to a shareholder and its subsidiaries disclosed in note 40, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and risks associated thereto. The Group will balance its overall capital structure through the payment of dividends, new share issues and the issue or redemption of borrowings.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016	2015
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**190,223**	267,462
Financial assets at FVTPL – held for trading	**2,233**	–
Financial liabilities		
Amortised cost	**74,786**	85,723

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, bank balances and cash, pledged bank deposits and financial assets at FVTPL, trade and other payables, amounts due from (to) a director and a shareholder and its subsidiaries, and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure relating to financial instruments or the manner in which it manages and measures the risks.

7. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

Currency risk

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group did not have material transactional currency exposures as most of its income and expenses are denominated in functional currency of the respective group entity recording the income/expenses.

The carrying amounts of the Group's material monetary assets and monetary liabilities at the end of the reporting period that are denominated in currencies other than the functional currency of the respective entity are as follows:

	Assets	
	2016	2015
	HK$'000	HK$'000
HK$	**2,022**	2,093
Renminbi ("RMB")	**3,396**	8,475

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2015: 5%) change in respective functional currencies against the relevant foreign currencies. 5% (2015: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates. A negative number below indicates an increase (2015: increase) in loss after tax for the year where respective functional currencies strengthen 5% (2015: 5%) against the relevant currencies. For a 5% (2015: 5%) weakening of respective functional currencies against the relevant currencies, there would be an equal but opposite impact on the loss for the year and the balances below would be positive.

	2016	2015
	HK$'000	HK$'000
HK$	**(76)**	(78)
RMB	**(142)**	(354)

7. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowing (note 29) and amounts due from a shareholder and its subsidiaries (note 40). The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances (note 27) and bank borrowing (note 29). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. During the year ended 31 December 2016, a 100 basis point (2015: 100 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis point (2015: 100 basis point) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2016 would decrease/increase by approximately HK$225,000 (2015: HK$385,000).

Credit risk

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

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

7. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The directors of the Company consider that the credit risk associated with loan receivables and amounts due from a director, a shareholder and its subsidiaries are under control since the directors of the Company have exercised due care in granting credit and check the financial position of the debtors on a regular basis.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group's concentration of credit risk by geographical locations is mainly in the PRC (2015: the PRC), which accounted for 100% (2015: 100%) of the total trade receivable as at 31 December 2016. The Group has concentration of credit risk as 70% (2015: 76%) and 72% (2015: 59%) of the total trade receivables and other receivables was due from the Group's largest debtor of the respective category.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and other source of fundings and considers the risk is minimal. The Group relies on bank and other borrowings as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

7. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	Less than 1 year	1 to 2 years	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
2016				
Trade and other payables	**28,401**	**–**	**28,401**	**28,401**
Amounts due to a shareholder and its subsidiaries	**2,620**	**–**	**2,620**	**2,620**
Bank and other borrowings	**27,202**	**–**	**27,202**	**26,423**
Convertible bonds	**2,100**	**32,100**	**34,200**	**17,342**
	60,323	**32,100**	**92,423**	**74,786**
2015				
Trade and other payables	40,325	–	40,325	40,325
Amounts due to a shareholder and its subsidiaries	9,606	–	9,606	9,606
Bank and other borrowings	36,846	–	36,846	35,792
	86,777	–	86,777	85,723

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities not measured at fair value are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term or immediate maturities.

7. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments (Continued)

Fair value measurements recognised in the consolidated statement of financial position on a recurring basis

	Level 2	
	2016	2015
	HK$'000	HK$'000
Financial assets at FVTPL		
– Structured deposit	**2,233**	–

The following table gives information about how the fair values of these financial instruments were determined (in particular, the valuation technique and inputs used).

Financial assets	**Fair value hierarchy**	**Valuation technique**	**Key inputs and significant unobservable input(s)**
Structured deposit	Level 2	Income approach: discounted cash flow method was used to capture the presented value of the expected future economic benefits to be derived from the financial assets, based on an appropriate discount rate.	Discount rate (Note)

Note:

The fair value of structured deposit was determined by using discounted cash flow method with the key inputs of quoted market prices and prevailing observable interest rates discounted at a rate that reflected the credit risk of various counterparties.

There were no transfers into or out of Level 1 and Level 2 during the year ended 31 December 2016 (2015: N/A).

8. REVENUE AND SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and performance assessment are as follows:

(1) Public procurement segment engages in the provision of public procurement services;

(2) Trading business segment engages in trading of different products; and

(3) Provision of corporate IT solution segment engages in the development of software and provision of maintenance services to the customers.

During the current year, the Group decided to cease its business on EMC which engages in the provision of energy management services.

The chief operating decision maker assesses the performance of the operating segments based on types of goods delivered or services provided.

8. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

For the year ended 31 December 2016

	Public procurement	Trading business	Provision of corporate IT solution	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
SEGMENT REVENUE					
External sales	6,358	26,081	7,688	–	40,127
Inter-segment sales	–	–	6,126	(6,126)	–
	6,358	26,081	13,814	(6,126)	40,127
Contribution to segment profit	2,731	48	4,301	–	7,080
Impairment loss on intangible assets	(35,651)	–	–	–	(35,651)
Impairment loss on property, plant and equipment	(2,683)	–	–	–	(2,683)
Impairment (write-off) of trade and other receivables	–	(35,684)	(4,027)	–	(39,711)
Segment (loss) profit	(35,603)	(35,636)	274	–	(70,965)
Unallocated income and gains					59,492
Unallocated expenses					(109,477)
Impairment of other and loan receivables					(79,287)
Finance costs					(2,006)
Consolidated loss before tax (continuing operation)					(202,243)

8. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

For the year ended 31 December 2015

	Public procurement	Trading business	Provision of corporate IT solution	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
SEGMENT REVENUE					
External sales	9,700	2,493,334	13,026	–	2,516,060
Inter-segment sales	752	–	981	(1,733)	–
	10,452	2,493,334	14,007	(1,733)	2,516,060
Contribution to segment profit	5,075	2,747	2,041		9,863
Amortisation of deferred income	6,984	–	–		6,984
Impairment loss on goodwill	(935,361)	–	–		(935,361)
Impairment loss on intangible assets	(48,191)	–	(10,287)		(58,478)
Impairment loss on property, plant and equipment	(2,313)	–	–		(2,313)
Impairment of trade receivable	–	–	(1,201)		(1,201)
Segment (loss) profit	(973,806)	2,747	(9,447)		(980,506)
Unallocated income and gains					15,515
Unallocated expenses					(109,668)
Impairment of other receivable					(1,183)
Finance costs					(1,992)
Consolidated loss before tax (Continuing operations)					(1,077,834)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned (loss incurred) by each segment without allocation of central administration costs, directors' emoluments, other income and gains, change in fair value of investment properties, impairment of certain receivables and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

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

	2016	2015
	HK$'000	HK$'000
Rendering of services	**14,046**	22,726
Sales of goods	**26,081**	2,493,334
	40,127	2,516,060

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities from continuing operations by reportable and operating segments.

	Continuing operations At 31 December	
	2016	2015
	HK$'000	HK$'000
Segment assets		
Public procurement	**9,903**	56,511
Trading business	**33,699**	92,090
Provision of corporate IT solution	**3,383**	5,742
Total segment assets	**46,985**	154,343
Unallocated corporate assets	**446,466**	542,755
Consolidated assets	**493,451**	697,098

8. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

	Continuing operations At 31 December	
	2016	2015
	HK$'000	HK$'000
Segment liabilities		
Public procurement	**3,470**	12,164
Trading business	**761**	1,856
Provision of corporate IT solution	**565**	578
Total segment liabilities	**4,796**	14,598
Unallocated corporate liabilities	**177,528**	164,506
Consolidated liabilities	**182,324**	179,104

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interest in an associate, loan receivables, certain property, plant and equipment, investment properties, prepaid lease payments, certain intangible assets, deferred tax asset, certain other receivables, amounts due from a director and a shareholder and its subsidiaries, financial assets at fair value, pledged bank deposit and bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to operating segments other than certain other payables, tax payable, amounts due to a shareholder and its subsidiaries, bank and other borrowings, convertible bonds, deferred income and deferred tax liabilities as these liabilities are managed on a group basis.

8. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Other segment information

Year ended 31 December 2016

Continuing operations

	Public procurement	Trading business	Provision of corporate IT solution	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Additions to non-current assets (Note)	127	–	–	–	127
Impairment loss recognised in respect of intangible assets	35,651	–	–	–	35,651
Impairment loss recognised in respect of property, plant and equipment	2,683	–	–	–	2,683
Depreciation of property, plant and equipment	2,337	–	13	2,018	4,368
Amortisation of intangible assets	–	–	–	134	134
Impairment (written off) of trade and other receivables	–	35,684	4,027	79,287	118,998

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Finance costs	–	–	–	2,006	2,006
Interest in an associate	1,307	–	–	–	1,307
Amortisation of prepaid lease payments	–	–	–	100	100

Note: Non-current assets exclude deferred tax assets and deposit paid for acquisition of a subsidiary.

8. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

Year ended 31 December 2015

Continuing operations (Continued)

	Public procurement	Trading business	Provision of corporate IT solution	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Additions to non-current assets (Note)	58	655	102	406	1,221
Impairment loss recognised in respect of goodwill	935,361	–	–	–	935,361
Impairment loss recognised in respect of intangible assets	48,191	–	10,287	–	58,478
Impairment loss recognised in respect of property, plant and equipment	2,313	–	–	–	2,313
Depreciation of property, plant and equipment	2,490	6	128	2,045	4,669
Amortisation of intangible assets	–	–	4,878	121	4,999
Impairment of trade and other receivables	–	–	1,201	1,183	2,384

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Finance costs	–	–	–	1,992	1,992
Interest in an associate	1,307	–	–	–	1,307
Amortisation of prepaid lease payments	–	–	–	100	100

Note: Non-current assets exclude deferred tax assets.

8. REVENUE AND SEGMENT INFORMATION (Continued)

(d) Geographical information

The Group operates principally in the PRC (the county of domicile).

The Group's revenue from external customers based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Carrying amounts of non-current assets (Note)	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**40,127**	2,516,060	**264,286**	304,410
Hong Kong	**–**	–	**104**	168
	40,127	2,516,060	**264,390**	304,578

Note: Non-current assets excluded deposit paid for potential acquisition of a subsidiary and deferred tax assets.

(e) Information about major customers

Revenue from customers of the Group contributing over 10% of the total sales of the Group are as follows:

	2016	2015
	HK$'000	HK$'000
– Customer A[1]	**4,671**	–
– Customer B[2]	**26,081**	–
– Customer C[2]	**–**	429,648

Notes:

1 From the Group's provision of corporate I.T. solution segment and is a non-controlling shareholder of a subsidiary.

2 From the Group's trading business segment.

9. OTHER INCOME AND GAINS

Continuing operations

	2016	2015
	HK$'000	HK$'000
Government grants		
– amortisation of deferred income (note 30)	**292**	7,295
Rental income	**11,089**	8,962
Exchange gain	**278**	1,631
Bank interest income	**93**	179
Interest income from a shareholder and its subsidiaries	**3,651**	–
Gain on settlement of indebtedness (note 33)	**12,093**	2,095
Investment income	**–**	924
Gain on change in fair value of investment properties (note 20)	**23,394**	–
Gain on disposal of property, plant and equipment	**–**	380
Write-back of agency fee payable to a shareholder	**8,180**	–
Sundry income	**422**	1,033
	59,492	22,499

10. FINANCE COSTS

Continuing operations

	2016	2015
	HK$'000	HK$'000
Interest on:		
– bank loans	**165**	–
– other borrowing	**1,841**	1,992
	2,006	1,992

11. INCOME TAX EXPENSES (CREDIT)

Continuing operations

	2016	2015
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT") – current year provision	**–**	1,362
Under provision in prior years	**591**	–
	591	1,362
Deferred taxation (note 32)	**12,349**	(3,711)
	12,940	(2,349)

Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda.

No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2016 and 2015.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25% in both 2016 and 2015.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("the New Tax Law"). Pursuant to the New Tax Law, 10% withholding tax is levied on the foreign investor in respect of dividend distributions arising from the profits of a foreign investment enterprise in the PRC earned after 1 January 2008.

11. INCOME TAX EXPENSES (CREDIT) (Continued)

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

	2016	2015
	HK$'000	HK$'000
Loss before tax	**(202,243)**	(1,083,810)
Tax at the income tax rate of 25% (2015: 25%)	**(50,561)**	(270,952)
Tax effect of income not taxable for tax purpose	**(3,831)**	(344)
Tax effect of expenses not deductible for tax purpose	**50,926**	256,036
Tax effect of losses not recognised	**2,909**	10,615
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**1,680**	3,819
Tax effect of land appreciation tax	**12,349**	–
Utilisation of tax losses previously not recognised	**(1,123)**	(1,784)
Tax effect of preferential tax rate	**–**	–
Withholding tax on dividend	**–**	261
Under-provision in respect of prior years	**591**	–
Income tax expenses (credit) for the year	**12,940**	(2,349)

Details of deferred taxation are set out in note 32.

12. LOSS FOR THE YEAR

Continuing operations

Loss for the year has arrived at after charging (crediting):

	2016	2015
	HK$'000	HK$'000
Staff costs		
– Directors' emoluments (note 14)	10,454	16,930
– Other staff costs	21,603	39,918
– Retirement scheme contributions	3,398	5,415
– Equity-settled share-based payment expenses	775	1,822
Total staff costs	36,230	64,085
Auditor's remunerations	800	2,300
Amortisation of prepaid lease payments	100	100
Rental income from investment properties*	(12,673)	(8,962)
Written off of property, plant and equipment	40	–
Cost of inventories recognised as expense	26,033	2,490,587
Depreciation of property, plant and equipment	4,368	4,669
Amortisation of intangible assets	134	4,999
Minimum lease payments under operating leases	7,459	13,431
Equity settled share-based payment expenses (excluding directors and employees)	31,272	610

* The direct operating expenses and net rental income amounted to HK$364,000 (2015: HK$454,000) and HK$12,309,000 (2015: HK$8,508,000) respectively.

13. DISCONTINUED OPERATION

During the current year, due to the dissatisfaction of the performance of the EMC segment in the prior years, the Group decided to cease the EMC operation.

As at 31 December 2016 and 2015, there are no assets or liabilities that are attributable to the EMC segment.

For the year ended 31 December 2016, no revenue nor expenses were attributable to the EMC segment.

For the year ended 31 December 2015, no revenue was contributed by the EMC segment while the EMC segment contributed approximately HK$5,976,000 (representing write-off of prepayments) to the Group's administrative expenses, loss for the year and loss for the year attributable to the owners of the Company.

The EMC segment did not contribute to any cash flows of the Group for the year ended 31 December 2016 and 2015.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 15 (2015: 20) directors and the chief executive were as follows:

For the year ended 31 December 2016

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings				
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Cheng Yuanzhong *(Chairman)*	287	426	–	757	1,470
Mr. Ho Wai Kong *(Honorary Chairman)*	1,338	–	–	757	2,095
Mr. Wong Wei Kit[2]	595	–	–	118	713
Mr. Zheng Jinwei *(Chief executive)*	861	–	–	757	1,618
Ms. He Qian	507	–	–	189	696
	3,588	426	–	2,578	6,592
Non-executive directors					
Mr. Chen LiMin	348	–	–	189	537
Mr. Hu Wei[5]	270	–	–	–	270
Mr. Wang Ning[4]	422	–	–	–	422
Mr. Yue YiFeng[2]	202	–	–	–	202
Ms. Liu LiZhen	348	–	–	189	537
	1,590	–	–	378	1,968
Independent non-executive directors					
Mr. Chan Tze See, Kevin	307	–	–	189	496
Mr. Deng Xiang	307	–	–	189	496
Mr. Shen Shaoji[1]	118	–	–	–	118
Mr. Wu Fred Fong[3]	268	–	–	–	268
Ms. Wong Yan Ki Angel	327	–	–	189	516
	1,327	–	–	567	1,894
	6,505	426	–	3,523	10,454

1 Resigned on 31 May 2016.
2 Resigned on 14 July 2016.
3 Resigned on 15 August 2016.
4 Resigned on 30 September 2016.
5 Resigned on 8 November 2016.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2015

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings				
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Cheng Yuanzhong *(Chairman)*	1,180	576	–	1,051	2,807
Mr. Ho Wai Kong *(Honorary Chairman)*	1,656	–	–	1,051	2,707
Mr. Mao Dai[6]	267	–	–	–	267
Mr. Peng Zhiyong[7]	480	–	–	–	480
Mr. Wong Wei Kit	1,287	–	–	263	1,550
Mr. Yang Lei *(Chief executive)*[7]	506	–	–	–	506
Mr. Yan Wei[7]	261	–	–	–	261
Mr. Zhang Zhongmin[7]	540	–	–	–	540
Mr. Zheng Jinwei *(Chief executive)*[9]	960	–	–	1,051	2,011
Ms. He Qian[8]	45	–	–	263	308
	7,182	576	–	3,679	11,437
Non-executive directors					
Mr. Chen LiMin[10]	166	–	–	263	429
Mr. Hu Wei[10]	166	–	–	263	429
Mr. Wang Ning	600	–	–	263	863
Mr. Yue YiFeng[10]	166	–	–	263	429
Ms. Liu LiZhen[10]	166	–	–	263	429
	1,264	–	–	1,315	2,579
Independent non-executive directors					
Mr. Chan Tze See, Kevin	300	–	–	263	563
Mr. Deng Xiang	300	–	–	263	563
Mr. Shen Shaoji	289	–	–	263	552
Mr. Wu Fred Fong	420	–	–	263	683
Ms. He Qian[11]	270	–	–	–	270
Ms. Wong Yan Ki Angel[8]	20	–	–	263	283
	1,599	–	–	1,315	2,914
	10,045	576	–	6,309	16,930

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2015 (Continued)

[6] Appointed on 15 July 2015 and resigned on 7 December 2015
[7] Resigned on 15 July 2015
[8] Appointed on 7 December 2015
[9] Redesignated from executive director to chief executive on 15 July 2015
[10] Appointed on 15 July 2015
[11] Appointed on 13 January 2015 and resigned on 7 December 2015

The Group's chief executive for the period from 1 January 2015 to 14 July 2015 was Mr. Yan Wei and Mr. Zheng Jinwei took the role of chief executive since 15 July 2015. Their emoluments as chief executive have been included in their emoluments disclosed above.

Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2016 and 2015. No emoluments were paid by the Group to any directors and the chief executive as an incentive payment for joining the Group or as compensation for loss of office, and neither of them had emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking in the year ended 31 December 2016 and 2015.

15. EMPLOYEES' EMOLUMENTS

The five individuals with the highest emoluments in the Group included four* directors (2015: four), details of whose emoluments are set out in note 14 above. Details of the emoluments of the remaining two* (2015: one) highest paid non-director individuals were as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits	**1,974**	915
Contributions to retirement benefits scheme – defined contribution plan	**111**	18
Equity-settled share-based payment expenses	**71**	161
	2,156	1,094

15. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments were within the following band:

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

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the five highest paid individuals, directors or the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the chief executive of the Company and the five highest paid individuals waived or agreed to waive any emoluments paid by the Group.

The remuneration of directors and the chief executive of the Company is determined by the remuneration committee having regard to the performance of individual and market trends.

* Included Mr. Wong Wei Kit who resigned as an executive director of the Company but remained as an employee of the Group.

16. DIVIDENDS

No dividend was paid or proposed during both years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

17. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share for the year attributable to the owners of the Company is based on the following data:

	2016	2015
	HK$'000	HK$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(212,606)**	(1,073,902)

	Number of shares	
	2016	2015
	'000	'000
Weighted average number of ordinary shares and preference shares for the purpose of basic and diluted loss per share	**13,398,471**	12,797,715

As the exercise prices of the outstanding share options are higher than the average market price for shares, the computation of diluted loss per share for the year ended 31 December 2016 and 2015 does not assume the exercise of the Company's outstanding share options.

As the exercise of the Group's outstanding convertible bonds will result in a reduction of loss per share, the computation of diluted loss per share to the year ended 31 December 2016 (2015: N/A) does not assume the conversion of the Group's outstanding convertible bonds.

17. LOSS PER SHARE (Continued)

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2016	2015
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(212,606)**	(1,073,902)
Less:		
Loss for the year from discontinued operations	**–**	5,976
Loss for the purpose of basic and diluted loss per share from continuing operations	**(212,606)**	(1,067,926)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic and diluted earnings per share for the discontinued operation is nil per share (2015: loss per share of HK0.05 cents per share), based on the loss for the year from the discontinued operations of nil (2015: HK$5,976,000) and the denominators detailed above for both basic and diluted loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 January 2015	6,639	25,895	11,637	7,651	51,822
Additions	–	250	–	246	496
Disposal	–	(11)	(5,394)	–	(5,405)
Transfer to investment properties	(3,562)	–	–	(2,151)	(5,713)
Exchange realignment	(164)	(1,465)	(390)	(385)	(2,404)
At 31 December 2015 and 1 January 2016	**2,913**	**24,669**	**5,853**	**5,361**	**38,796**
Additions	**–**	**127**	**–**	**–**	**127**
Written-off	**–**	**(426)**	**–**	**(1,883)**	**(2,309)**
Exchange realignment	**(190)**	**(1,769)**	**(153)**	**(100)**	**(2,212)**
At 31 December 2016	**2,723**	**22,601**	**5,700**	**3,378**	**34,402**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2015	523	11,179	10,213	4,485	26,400
Charge for the year	98	3,992	303	276	4,669
Eliminated on disposal	–	(11)	(5,394)	–	(5,405)
Eliminated on transfer to investment properties	(295)	–	–	(464)	(759)
Impairment recognised for the year	–	2,313	–	–	2,313
Exchange realignment	(56)	(807)	(326)	(334)	(1,523)
At 31 December 2015 and 1 January 2016	**270**	**16,666**	**4,796**	**3,963**	**25,695**
Charge for the year	**92**	**3,588**	**420**	**268**	**4,368**
Eliminated on written-off	**–**	**(409)**	**–**	**(1,860)**	**(2,269)**
Impairment recognised for the year	**–**	**2,683**	**–**	**–**	**2,683**
Exchange realignment	**(32)**	**(1,208)**	**(103)**	**(54)**	**(1,397)**
At 31 December 2016	**330**	**21,320**	**5,113**	**2,317**	**29,080**
CARRYING VALUES					
At 31 December 2016	**2,393**	**1,281**	**587**	**1,061**	**5,322**
At 31 December 2015	2,643	8,003	1,057	1,398	13,101

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	5%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Leasehold improvements	Over the term of the lease or 25%, whichever is the shorter

The buildings are situated in the PRC.

As at 31 December 2016, certain of the Group's buildings with a carrying value of approximately HK$1,428,000 (2015: nil) has been pledged to secure credit facilities granted to the Group (note 37).

During the year ended 31 December 2015, property, plant and equipment of approximately HK$4,954,000 (2016: nil) were transferred to investment properties.

As at 31 December 2016, the directors of the Company conducted review on the Group's furniture, fixtures and equipment which are used in the Group's CGU of public procurement and determined that a number of assets were impaired due to adverse market conditions and recognised an impairment loss of approximately HK$2,683,000 (2015: HK$2,313,000) due to the change in the economic circumstances surrounding the Group's public procurement operation. Details of impairment testing were set out in note 20.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments analysed for reporting purposes as:

	2016	2015
	HK$'000	HK$'000
Current assets	**95**	95
Non-current assets	**4,319**	4,727
	4,414	4,822

As at 31 December 2016, the Group's prepaid lease payments with a carrying value of approximately HK$4,414,000 (2015: nil) has been pledged to secure credit facilities granted to the Group (note 37).

During the year ended 31 December 2015, prepaid lease payments of approximately HK$9,361,000 (2016: nil) were transferred to investment properties.

20. INVESTMENT PROPERTIES

FAIR VALUE

	HK$'000
At 1 January 2015	229,673
Transfer from property, plant and equipment and prepaid lease payments	19,793
Exchange realignment	(13,178)
At 31 December 2015 and 1 January 2016	**236,288**
Gain on change in fair value	**23,394**
Exchange realignment	**(16,418)**
At 31 December 2016	**243,264**

During the year ended 31 December 2015, certain buildings and prepaid lease payments with a carrying amount of approximately HK$4,954,000 (2016: nil) and HK$9,361,000 (2016: nil) were transferred to investment properties as these properties are held for rental income or appreciation purpose.

The fair value of the Group's investment properties as at 31 December 2016 and 2015 and at the date of transfer to investment properties has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer not connected within the Group.

The fair value was determined by using the direct comparison approach, and making reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc. between the comparable properties and the subject investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

	Level 2	Fair value as at 31 December 2016
	HK$'000	HK$'000
Commercial property units located in the PRC at the end of year	**243,264**	**243,264**

20. INVESTMENT PROPERTIES (Continued)

During the year ended 31 December 2015, the aggregate fair value of buildings and prepaid lease payments transferred to investment properties at the date of transfer determined using level 2 fair value hierarchy was approximately HK$19,793,000.

	Level 2	Fair value as at 31 December 2015
	HK$'000	HK$'000
Commercial property units located in the PRC at the end of year	236,288	236,288

There were no transfers in/out from Level 2 fair value measurement during the years ended 31 December 2016 and 2015.

All the Group's investment properties are located in the PRC. As at 31 December 2016, investment properties with a carrying value of approximately HK$74,241,000 (2015: nil) have been pledged to secure credit facilities granted to the Group (note 37).

The following table gives information about how the fair values of the investment properties as at 31 December 2016 and 2015 are determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	**Fair value as at 31 December 2016**	Fair value as at 31 December 2015	Valuation technique
		HK$'000	HK$'000	
Commercial property units located in the PRC	Level 2	**243,264**	236,288	Direct comparison approach – by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly observable

21. GOODWILL

	Corporate IT Solution	Public Procurement	Total
	HK$'000	HK$'000	HK$'000
COST			
At 1 January 2015	11,424	6,937,013	6,948,437
Exchange realignment	(603)	(366,467)	(367,070)
At 31 December 2015 and1 January 2016	**10,821**	**6,570,546**	**6,581,367**
Exchange realignment	**(704)**	**(427,545)**	**(428,249)**
As 31 December 2016	**10,117**	**6,143,001**	**6,153,118**
ACCUMULATED IMPAIRMENT			
At 1 January 2015	11,424	5,949,482	5,960,906
Impairment loss recognised in the year	–	935,361	935,361
Exchange realignment	(603)	(314,297)	(314,900)
At 31 December 2015 and 1 January 2016	**10,821**	**6,570,546**	**6,581,367**
Exchange realignment	**(704)**	**(427,545)**	**(428,249)**
At 31 December 2016	**10,117**	**6,143,001**	**6,153,118**
CARRYING VALUES			
At 31 December 2016	**–**	**–**	**–**
At 31 December 2015	–	–	–

Goodwill acquired through business combination was allocated to the Group's cash generating units ("CGU") of provision of corporate IT solution and public procurement for impairment testing.

The goodwills had been fully impaired in prior year.

22. INTANGIBLE ASSETS

	Computer software	Online platform promotion right	Online platform development and technical support right	Software technology knowhow	Software copyrights	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2015	1,687	10,086	8,826	81,649	29,228	131,476
Additions	389	–	–	336	–	725
Exchange realignment	(105)	(533)	(466)	(4,327)	(1,544)	(6,975)
At 31 December 2015 and 1 January 2016	**1,971**	**9,553**	**8,360**	**77,658**	**27,684**	**125,226**
Exchange realignment	**(128)**	**(622)**	**(544)**	**(5,053)**	**(1,801)**	**(8,148)**
At 31 December 2016	**1,843**	**8,931**	**7,816**	**72,605**	**25,883**	**117,078**
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 1 January 2015	85	–	–	–	13,204	13,289
Charge for the year	121	–	–	–	4,878	4,999
Impairment loss recognised for the year	–	9,553	8,360	30,278	10,287	58,478
Exchange realignment	(10)	–	–	–	(685)	(695)
At 31 December 2015 and 1 January 2016	**196**	**9,553**	**8.360**	**30,278**	**27,684**	**76,071**
Charge for the year	**134**	**–**	**–**	**–**	**–**	**134**
Impairment loss recognised for the year	**–**	**–**	**–**	**35,651**	**–**	**35,651**
Exchange realignment	**(19)**	**(622)**	**(544)**	**(1,970)**	**(1,801)**	**(4,956)**
At 31 December 2016	**311**	**8,931**	**7,816**	**63,959**	**25,883**	**106,900**
CARRYING VALUES						
At 31 December 2016	**1,532**	**–**	**–**	**8,646**	**–**	**10,178**
At 31 December 2015	1,775	–	–	47,380	–	49,155

22. INTANGIBLE ASSETS (Continued)

Computer software and software copyrights

Computer software and software copyrights have finite useful lives. Such intangible assets are amortised on a straight-line basis over ten years. The carrying amount of the Group's intangible assets (net of accumulated amortisation and impairment) attributable to assets with finite useful lives was approximately HK$1,532,000 (2015: HK$1,775,000).

As at 31 December 2015, the directors of the Company conducted an impairment assessment of the Group's computer software and software copyrights and recognised an impairment loss of HK$10,287,000 on its software copyrights allocated to the provision of IT solution segment primarily due to the change in the Group's business strategy in which these software copyrights will no longer be used. The recoverable amount of such is estimated to be nil.

Online platform promotion right, online platform development and technical support right, software technology knowhow

The online platform promotion right, online platform development, technical support right and software technology knowhow (the "Procurement Intangible Assets") are considered to have an indefinite useful life as there were no specific terms for the rights and the directors of the Company expected that the business underlying the rights can be operated perpetually. Thus, they were tested for impairment at 31 December 2016 and 2015, as described in note 5. These intangible assets will not be amortised until the useful life is determined to be finite, instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

During the year ended 31 December 2015, due to the change in the economic circumstances and governmental policies, the Group's online platform promotion right and online platform development and technical support right were no longer enforceable and thus these assets were fully impaired during the year ended 31 December 2015. In addition, impairment of HK$30,278,000 was recognised on software technology knowhow during the year ended 31 December 2015.

As at 31 December 2016, the directors of the Company conducted a review of the Group's Procurement Intangible Assets used in the CGU of public procurement and determined that those assets were impaired due to adverse change in the market conditions and recognised an impairment loss of HK$35,651,000 (2015: HK$30,278,000) during the year ended 31 December 2016 in respect of software technology know-how. The details of impairment testing of this CGU were included in note 21.

The carrying amounts of the Group's intangible assets (net of accumulated amortisation and impairment) attributable to assets with indefinite useful life was approximately HK$8,646,000 (2015: HK$47,380,000).

23. INTERESTS IN ASSOCIATES

	2016	2015
	HK$'000	HK$'000
Unlisted investments in the PRC, at cost	5,277	5,277
Share of post-acquisition losses and other comprehensive income	(3,970)	(3,970)
	1,307	1,307

At the end of the reporting period, the Group had interest in the following immaterial associates:

Name	Form of entity	Place of incorporation and operation	Class of equity held	Proportion of nominal value of paid-up capital by the Group and portion of voting power held indirectly 2016	2015	Principal activities
國採華南金屬市場服務有限公司 Guocai South China Metal Exchange Service Limited*	Incorporated	The PRC	Paid-up capital	21.5%	21.5%	Inactive
中採博納(武漢)實業發展有限公司 Zhongcai Bona (Wuhan) Industrial Development Limited* ("Bona")	Incorporated	The PRC	Paid-up capital	–	30%	Inactive

* The English name is for identification purpose only

The associates are accounted for using the equity method in these consolidated financial statements.

23. INTERESTS IN ASSOCIATES (Continued)

The financial information and carrying amount of the Group's interest in associates that are not individually material are set out below:

	2016	2015
	HK$'000	HK$'000
The Group's share of results	**–**	–
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**–**	–
Aggregate carrying amount of the Group's interest in the immaterial associates	**1,307**	1,307

24. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Trade receivables	**17,590**	21,172
Impairment for trade receivables	**(9,045)**	–
	8,545	21,172
Other receivables	**46,336**	130,975
Impairment for other receivables	**(43,763)**	(128,153)
	2,573	2,822
Compensation income receivable	**8,473**	8,473
Impairment for compensation income receivable	**(5,084)**	–
	3,389	8,473
Prepayments for goods	**68,881**	75,402
Impairment for prepayments for goods	**(40,834)**	–
	28,047	75,402
Other prepayments	**7,652**	48,695
Deposits	**795**	3,073
	51,001	159,637

The Group does not hold any collateral over its trade and other receivables.

Included in trade receivables was an amount due from a non-controlling shareholder of a subsidiary of approximately HK$2,355,000 (2015: Nil).

24. TRADE AND OTHER RECEIVABLES (Continued)

The Group normally grants to its customers credit periods ranging from 30 days to 90 days which are subject to periodic review by management. The following is an aged analysis of the Group's trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	2016	2015
	HK$'000	HK$'000
Within 90 days	**2,514**	3,310
181 days to 365 days	**–**	16,124
Over 365 days	**6,031**	1,738
	8,545	21,172

At the end of the reporting period, included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK$6,031,000 (2015: HK$17,862,000) which were past due as at the reporting date for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and they are still considered as recoverable.

The aging analysis of trade receivables that were past due but not impaired is as follows:

	2016	2015
	HK$'000	HK$'000
91 days to 180 days past due	**–**	16,124
181 days to 365 days past due	**–**	386
Over 365 days past due	**6,031**	1,352
	6,031	17,862

24. TRADE AND OTHER RECEIVABLES (Continued)

The movements in impairment of trade and other receivables are as follows:

	2016	2015
	HK$'000	HK$'000
As 1 January	128,153	131,723
Recognised during the year	54,963	2,384
Reversed during the year	(292)	–
Written off as uncollectible	(78,148)	(1,201)
Exchange realignment	(5,950)	(4,753)
As 31 December	98,726	128,153

Included in the impairment loss recognised are individually impaired trade and other receivables with an aggregate balance of approximately HK$98,726,000 (2015: HK$128,153,000) which the Group does not hold any collateral over these balance. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or having disputes over the outstanding balances. The factors considered by management in determining the impairment are described in note 5. During the year, there was direct written off of accounts receivables of HK$4,027,000.

25. LOAN RECEIVABLES

The balance represented advances to independent third parties which are unsecured and interest-free.

Included in the loan receivables as at 31 December 2016 was a loan of HK$100,000,000 (2015: HK$100,000,000) repayable in June 2015 that is correlated to a cooperation arrangement with that independent third party. Pursuant to the cooperation arrangement, that independent third party had undertaken to engage the Group for procurement services for a transaction volume of no less than RMB950 million during the year ended 31 December 2014 at an agreed service charge of 1.5%.

Further details of such were set out in the Company's announcements dated 5 June 2014.

The remaining loan receivables were repayable on demand.

During the current year, an impairment of HK$60,300,000 was made on such receivables.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	HK$'000
Financial assets held for trading		
Structured deposit	**2,233**	–

27. PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

Pledged bank deposit represents deposit pledged to bank to secure short term banking facilities granted to the Group and is therefore classified as current asset.

The pledged deposit carries fixed interest rate of 2.5% (2015: 2.5%) per annum.

Bank balances and cash comprises cash held by the Group and bank balances that are interest-bearing at prevailing market interest rates ranging from 0.01% to 0.35% (2015: 0.01% to 0.35%) per annum and have original maturity of three months or less.

28. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	HK$'000
Trade payables	**1,178**	1,576
Accruals	**7,292**	10,404
Security deposits	**589**	9,662
Receipts in advance	**1,295**	683
Other payables*	**14,855**	12,270
Payables for acquisition of property, plant and equipment	**2,539**	4,060
Payables for acquisition of intangible assets	**1,948**	2,353
	29,696	41,008

* Included in the balance was unsecured interest-free advances of HK$1,061,000 (2015: HK$1,134,000) from an independent third party.

28. TRADE AND OTHER PAYABLES (Continued)

The average credit period on purchases of goods ranges from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. The following is an aged analysis of trade payable presented based on the invoice date at the end of the reporting period.

	2016	2015
	HK$'000	HK$'000
Within 90 days	**258**	592
91 days to 180 days	**–**	814
Over 365 days	**920**	170
	1,178	1,576

29. BANK AND OTHER BORROWINGS

		2016	2015
	Notes	**HK$'000**	HK$'000
Bank borrowing	(i)	**11,910**	11,910
Other borrowings	(ii)	**14,513**	23,882
		26,423	35,792

The bank and other borrowings are repayable within one year.

(i) The Group's bank borrowing was denominated in HKD carrying interest at variable-rate with an interest rate of 12 months Hong Kong Interbank Offered Rate ("HIBOR") plus 1.052% per annum.

At 31 December 2016, bank borrowings were secured by the Group's pledged deposit as disclosed in note 37.

(ii) The Group's other borrowings were unsecured and carrying fixed interest at 2.5% (2015: 1%) per month.

30. DEFERRED INCOME

In 2015, the Group received government subsidies of HK$7,469,000 (2016: Nil) for capital investments which had been treated as deferred income and are transferred to income over the useful lives of the relevant assets commencing when the relevant asset is available for use. These policies have resulted in a credit to income in the current period of HK$292,000 (2015: HK$7,295,000). As at 31 December 2016, an amount of HK$16,282,000 (2015: HK$17,713,000) remains to be amortised.

	2016	2015
	HK$'000	HK$'000
Balance as at 1 January	**17,713**	18,637
Grants received	**–**	7,469
Amortisation (included in other income and gains)	**(292)**	(7,295)
Exchange realignment	**(1,139)**	(1,098)
Balance as at 31 December	**16,282**	17,713

31. CONVERTIBLE BONDS

On 16 December 2016, the Company issued 7% convertible bonds ("CBs") which will be due on 15 December 2018 with an aggregate principal amount of HK$30,000,000. The CBs were denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$0.07625 per share at any time after issuance and up to the close of business on the fifth day prior to the maturity date. The Company may at any time before the maturity date and from time to time by serving at least five business days prior written notice redeem the CBs in whole together with payment of interest accrued up to the date of such early redemption but unpaid. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, on giving not less than 5 business days' notice to bondholders at any time prior to the maturity date redeem all the outstanding CBs.

At the issue date, the CBs were bifurcated into liability and equity components. The equity element is presented in equity under "Convertible bonds equity reserve" at initial recognition. The effective interest rate of the liability component is 18% per annum.

31. CONVERTIBLE BONDS (Continued)

The movements of the liability and equity components of the CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of CBs	Equity component of CBs	Total
	HK$'000	HK$'000	HK$'000
Issued during the year and at 31 December 2016	24,861	5,139	30,000

32. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016	2015
	HK$'000	HK$'000
Deferred tax assets	**811**	866
Deferred tax liabilities	**(41,716)**	(32,064)
	(40,905)	(31,198)

32. DEFERRED TAXATION (Continued)

The major deferred tax asset and liability recognised and movements thereof during the current year and prior year are summarised below:

	Unrealised profits	Intangible assets	Revaluation of investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	915	(3,924)	(31,799)	(34,808)
Charged to other comprehensive income	–	–	(1,986)	(1,986)
Credited to profit or loss	–	3,711	–	3,711
Exchange realignment	(49)	213	1,721	1,885
At 31 December 2015 and 1 January 2016	**866**	**–**	**(32,064)**	**(31,198)**
Charged to profit or loss	**–**	**–**	**(12,349)**	**(12,349)**
Exchange realignment	**(55)**	**–**	**2,697**	**2,642**
At 31 December 2016	**811**	**–**	**(41,716)**	**(40,905)**

At 31 December 2016, the Group had unused tax losses of approximately HK$216,945,000 (2015: HK$209,801,000) available for offset against future profits and deductible temporary differences of HK$1,638,000 (2015: HK$8,976,000). No deferred tax asset has been recognised in respect of such losses and deductible temporary differences due to the unpredictability of future profit streams. As at 31 December 2016, approximately HK$157,823,000 (2015: HK$150,679,000) included in the above unused tax losses will be expired after five years from the year of arising. Other losses may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Such undistributed profits of the PRC subsidiaries of the Group are subject to withholding tax. As at 31 December 2016, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the subsidiaries amounting to approximately HK$18,881,000 (2015: HK$22,462,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares
	'000	HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	20,000,000	200,000
Issued and fully paid:		
At 1 January 2015	12,083,731	120,837
Increase on conversion of preference shares (note a)	54,620	546
Issued by capitalisation of other payable (note b)	149,677	1,497
Issue of shares (note c)	1,000,000	10,000
At 31 December 2015 and 1 January 2016	**13,288,028**	**132,880**
Increase on conversion of preference shares (note a)	**4,284**	**43**
Issued by capitalisation of other borrowing (note d)	**87,000**	**870**
Issue of shares (note e)	**50,000**	**500**
At 31 December 2016	**13,429,312**	**134,293**

Notes:

a. During the year ended 31 December 2016, 4,284,000 (2015: 54,620,000) ordinary shares of HK$0.01 each was issued and allotted, credited as fully paid, upon conversion of 4,284,000 (2015: 54,620,000) preference shares.

b. On 3 August 2015, 149,677,419 ordinary shares of the Company of HK$0.01 each were issued for the settlement of other payables of HK$23,200,000. The aggregate fair values of the shares issued amounted to approximately HK$21,105,000 and a gain of HK$2,095,000 (note 9) was recognised.

c. On 29 May 2015, the Company issued 1,000,000,000 ordinary shares of HK$0.01 each for HK$0.1705 per share, raising total proceeds of HK$170,500,000, before direct issue costs of HK$9,000,000.

d. On 4 May 2016, 87,000,000 ordinary shares of the Company of HK$0.01 each were issued for the settlement of other borrowing of HK$24,360,000. The aggregate fair values of the shares issued amounted to approximately HK$12,267,000 and a gain of HK$12,093,000 (note 9) was recognised.

e. On 11 January 2016, the Company issued 50,000,000 ordinary shares of HK$0.01 each for HK$0.22 per share, raising total proceeds of HK$11,000,000, with no material direct issue costs.

These shares rank pari passu with the existing shares in all respects.

34. CONVERTIBLE PREFERENCE SHARES

Convertible preference shares at HK$0.01 each, issued and fully paid:

	Number of shares	Nominal value of preference shares
	'000	HK'$000
At 1 January 2015	58,904	589
Conversion into ordinary shares	(54,620)	(546)
At 31 December 2015	4,284	43
Conversion into ordinary shares	(4,284)	(43)
At 31 December 2016	–	–

The conversion rate of each convertible preference share is one ordinary share. The major terms of the convertible preference shares are set out below:

(i) The convertible preference shareholders has the right, exercisable at any time perpetual as from the date of issue, to convert the preference shares into fully paid ordinary shares, provided that (1) any conversion of the convertible preference shares does not trigger a mandatory offer obligation under rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the convertible preference shares holders and their concert parties who exercise the conversion rights; (2) the public float of the shares shall not be less than 25%.

(ii) The convertible preference shares are transferable and do not carry the right to vote at the Company's general meetings. The convertible preference shareholders shall be entitled to the dividend declared by the Company.

(iii) The convertible preference shares shall rank pari passu with any and all current and future preferred equity securities of the Company.

(iv) The convertible preference shares are non-redeemable.

Based on the above terms and conditions, the convertible preference shares have been classified as equity instrument in the consolidated statement of financial position.

During the year ended 31 December 2016, 4,284,000 preference shares (2015: 54,620,000 preference shares) of HK$0.01 each were converted, resulting in the issue and allotment of 4,284,000 ordinary shares (2015: 20,000,000 ordinary shares) of HK$0.01 each, credited as fully paid.

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "Scheme") which was adopted on 12 June 2002 for the purpose of attracting and retaining quality personnel and providing them with incentive to contribute to the business and operation of the Group. The Scheme will remain in force for a period of ten years from the date of adoption.

The directors may at their discretion grant options to any director, employee or consultant of the Group or their respective associate.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the share capital of the Company (the "Limit"). The Company may seek approval by shareholders in general meeting to refresh the Limit or to grant options beyond the Limit provided that the options in excess of the Limit are granted only to participants specifically identified by the Company before such approval is sought, subject to the limitation that the maximum number of shares which may be issued or issuable upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum number of shares (issued and to be issued) in respect of which options may be granted under the Scheme to any one participant in any 12-month period shall not exceed 1% of the share capital of the Company in issue on the last day of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Any grant of options to a director, chief executive or shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option).

Where options are proposed to be granted to a shareholder or an independent non-executive director or any of their respective associates, and the proposed grant of options would result in the shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the grant of such options to represent in aggregate over 0.1% of the total issued shares for the time being and have an aggregate value (based on the closing price of a share at each date of the grant of these options) exceeding HK$5 million, the proposed grant shall be subject to the approval of shareholders of the Company in general meeting (with all connected persons abstained from voting and votes taken on poll) in accordance with the requirements of the Listing Rules. Each option gives the holder the right to subscribe for one ordinary share in the Company.

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are to be settled by physical delivery of shares:

Option Type	Total number of instruments at the date of grant	Vesting conditions	Exercise price	Contractual life of options
	'000			
Options granted to directors:				
– on 28 May 2012	122,200	Immediately from the date of grant	0.762	3 years
– on 2 July 2013 A	67,000	Immediately from the date of grant	0.762	3 years
– on 18 October 2013 A	15,000	Immediately from the date of grant	0.762	3 years
– on 6 June 2014	20,000	Immediately from the date of grant	0.415	3 years
– on 22 December 2015	60,000	Immediately from the date of grant	0.228	3 years
– on 22 December 2015	60,000	Vest on 22 June 2017	0.228	1.5 years
Options granted to employees:				
– on 28 May 2012	74,200	Immediately from the date of grant	0.762	3 years
– on 2 July 2013 A	118,000	Immediately from the date of grant	0.762	3 years
– on 2 July 2013 B	110,000	Immediately from the date of grant	0.640	3 years
– on 3 June 2014	100,000	Immediately from the date of grant	0.400	1.5 years
– on 6 June 2014	100,000	Immediately from the date of grant	0.415	3 years
– on 22 December 2015	15,670	Immediately from the date of grant	0.228	3 years
– on 22 December 2015	15,670	Vest on 22 June 2017	0.228	1.5 years
Options granted for consultants:				
– on 22 December 2015	150,000	Immediately from the date of grant	0.228	3 years
– on 22 December 2015	150,000	Vest on 22 June 2017	0.228	1.5 years
Total share options	1,177,740			

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

	2016		2015	
	Weighted average exercise price	**Number of option**	Weighted average exercise price	Number of option
		'000		'000
Outstanding at the beginning of the year	**HK$0.420**	**865,340**	HK$0.631	695,100
Granted during the year	**–**	**–**	HK$0.228	451,340
Lapsed or cancelled during the year	**HK$0.817**	**(330,840)**	HK$0.633	(281,100)
Outstanding at the end of the year	**HK$0.174**	**534,500**	HK$0.420	865,340

The options outstanding at 31 December 2016 had a weighted average exercise price of HK$0.174 (2015: HK$0.420) and a weighted average remaining contractual life of 1.47 years (2015: 1.54 years).

(c) Fair value of share options and assumptions

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Grant date	**22 December 2015**
Fair value at measurement date	**HK$0.113**
Share price	**HK$0.258**
Exercise price	**HK$0.228**
Expected volatility	**80.19%**
Expected life	**1.5 to 3 years**
Expected dividends	**0%**
Risk free interest rate	**1.173%**

The expected volatility is based on the historical volatility. Expected dividend are based on historical dividends. Changes in the subjective input assumption could materially affect the fair value estimate.

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(c) Fair value of share options and assumptions (Continued)

The Group recognised total expense of approximately HK$4,298,000 (2015: HK$8,131,000) for the year ended 31 December 2016 in relation to share options granted by the Company to its directors and employees. In relation to share options granted to consultants by the Company, no expense had been recognised during the year ended 31 December 2015 and the fair value of the options of HK$31,882,000 was carried as a prepayment under trade and other receivables as at 31 December 2015. Such amounts were charged to profit or loss during the year ended 31 December 2016 upon completion of the relevant services by the consultants.

(d) Terms of outstanding and exercisable share options at the end of the reporting period are as follows:

For the year ended 31 December 2016

Exercise Period	Outstanding at 1 January 2016	Lapsed or cancelled during year	Outstanding at 31 December 2016
	'000	'000	'000
2 July 2013 to 1 July 2016	279,000	(279,000)	–
18 October 2013 to 17 October 2016	15,000	(15,000)	–
6 June 2014 to 5 July 2017	120,000	–	120,000
22 December 2015 to 21 December 2018	225,670	(25,000)	200,670
22 June 2017 to 21 December 2018	225,670	(11,840)	213,830
	865,340	(330,840)	534,500
Weighted average exercise price	HK$0.420	HK$0.662	HK$0.270

35. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(d) (Continued)

For the year ended 31 December 2015

Exercise Period	Outstanding at 1 January 2015	Granted during year	Lapsed or cancelled during year	Outstanding at 31 December 2015
	'000	'000	'000	'000
28 May 2012 to 27 May 2015	181,100	–	(181,100)	–
2 July 2013 to 1 July 2016	279,000	–	–	279,000
18 October 2013 to 17 October 2016	15,000	–	–	15,000
3 June 2014 to 2 December 2015	100,000	–	(100,000)	–
6 June 2014 to 5 July 2017	120,000	–	–	120,000
22 December 2015 to 21 December 2018	–	225,670	–	225,670
22 June 2017 to 21 December 2018	–	225,670	–	225,670
	695,100	451,340	(281,100)	865,340
Weighted average exercise price	HK$0.631	HK$0.228	HK$0.633	HK$0.420

Each option entitles the holders to subscribe for one ordinary share in the Company.

36. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Commitment under operating lease

The Group as lessee

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

	2016	2015
	HK$'000	HK$'000
Within one year	**2,668**	5,939
In the second to fifth years inclusive	**1,840**	926
	4,508	6,865

Operating lease payments represent rentals payable by the Group for certain of its office premises. The lease typically runs for an initial of 1 to 3 years (2015: 1 to 3 years). Rentals are fixed at the inception of the leases.

The Group as lessor

Property rental income earned during the year was approximately HK$11,089,000 (2015: HK$8,962,000). The properties generated rental yields of 4.38% (2015: 3.15%) on an ongoing basis. All of the properties held have committed tenants for the next 2 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016	2015
	HK$'000	HK$'000
Within one year	**8,732**	9,992
In the second to fifth years inclusive	**9,138**	15,999
	17,870	25,991

36. COMMITMENTS (Continued)

(b) Capital commitments

Capital commitments at the end of the reporting period were as follows:

	2016	2015
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of intangible assets	**7,007**	7,494
– further capital injection to an associate	**49,345**	52,779
– proposed acquisition of a subsidiary	**1,235,551**	1,250,551
	1,291,903	1,310,824

37. PLEDGE OF ASSETS

The Group had pledged the following assets to secure credit facility granted to the Group (2015: the Group) at the end of the reporting period. The carrying values of the assets pledged are as follows:

	2016	2015
	HK$'000	HK$'000
Buildings	**1,428**	–
Prepaid lease payments	**4,414**	–
Investment properties	**74,241**	–
Pledged bank deposit	**11,142**	11,917
	91,225	11,917

38. RETIREMENT BENEFITS SCHEMES

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2016, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to approximately HK$3,398,000 (2015: HK$5,415,000).

39. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

During the year ended 31 December 2016, other borrowing of HK$24,360,000 (2015: other payables of HK$23,200,000) and relevant interest of HK$360,000 (2015: Nil) was settled via the issue of 87,000,000 (2015: 149,677,419) ordinary shares of HK$0.01 each of the Company.

40. RELATED PARTY DISCLOSURES

Apart from the balances and transactions disclosed elsewhere in the consolidated financial statements, the Group also entered into the following transactions with related parties:

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

	2016	2015
	HK$'000	HK$'000
Rental expense charged by Guocai Science & Technology Company Limited ("Guocai"), a shareholder (note (i))	**–**	1,368
Rental income charged to Guocai (Wuhan) Wine Shop Industrial Limited ("Guocai Wine Shop"), a related party (notes (i) and (iii))	**(358)**	(1,170)

40. RELATED PARTY DISCLOSURES (Continued)

(b) At the end of the reporting period, the Group has the following significant balances with related parties:

	2016	2015
	HK$'000	HK$'000
Amounts due from:		
Guocai (note (viii))	**64,038**	60,196
Deposit paid to Guocai for potential acquisition of a subsidiary (note (ii))	**15,000**	–
Guocai Wine Shop (note (iii) and (iv))	**3,299**	3,164
Guocai Yida Investment Limited (notes (iii), (iv) and (vi))	**3,349**	3,582
Mr. Cheng Yuanzhong (note (v))	**–**	1,000

	2016	2015
	HK$'000	HK$'000
Amounts due to:		
Guocai (note (iv))	**2,173**	7,475
China Public Procurement (H.K.) Technology Co., Limited ("CPP (H.K.)") (notes (iii) and (iv))	**–**	1,653
Tianheng Tendering Company Limited (notes (iii) and (iv))	**447**	478

Notes:

(i) The rental expenses and rental income are charged according to the terms of the agreements entered into by the parties.

(ii) On 21 December 2015, the Group entered into a sale and purchase agreement with its shareholder to acquire the entire issued equity interest in a private limited liability company registered in the PRC (the "Target Company") for a total cash consideration of approximately HK$1,250,551,000. A refundable cash deposit of approximately HK$15,000,000 had been paid in 2016 in such respect. The deposit paid is only refundable when the proposed transaction is terminated.

As at 31 December 2016, the condition of proposed acquisition was not fulfilled. Further details were set out in the Company's announcements dated 21 December 2015, 3 February 2016, 21 March 2016, 6 May 2016, 17 May 2016, 17 June 2016 and 29 December 2016.

(iii) The company is a subsidiary of Guocai.

(iv) The amounts are unsecured, interest free and repayable on demand.

40. RELATED PARTY DISCLOSURES (Continued)

(b) At the end of the reporting period, the Group has the following significant balances with related parties: (Continued)

Notes: (Continued)

(v) Mr. Cheng Yuanzhong is a director of the Company and the maximum amount outstanding during the year ended 31 December 2016 is nil (2015: HK$1,000,000).

(vi) The amount represents the prepayment of goods according to the agreement.

(vii) On 22 December 2015, 20,000,000 share options were granted to Guocai in return for its consultancy service to the Group. The Group recognised share-based expenses of HK$2,073,000 during the year ended 31 December 2016.

(viii) Except for an amount of HK$58,158,000 (2015: HK$24,108,000) that are interest-bearing at fixed interest rate of 3.2% (2015: 2% to 6%), balances are interest-free, unsecured and repayable on demand.

(c) Key management compensation

The key management personnel represent solely the directors of the Company and the compensation paid to them is disclosed in note 14.

* The English name is a translation of its Chinese name and included herein for identification purpose only.

41. PRINCIPAL SUBSIDIARIES

Name of subsidiaries	Place of incorporation and operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable equity interests held by the Company				Principal activities
			Directly		Indirectly		
			2016	2015	**2016**	2015	
Million Treasure Holdings Limited	British Virgin Islands	US$100 Ordinary share	**100%**	100%	**–**	–	Inactive
Guocai Financial Information Consultancy Limited#	The PRC	Registered and contributed capital RMB100,000,000/ RMB19,999,000	**100%**	100%	**–**	–	Inactive
Guocai (Beijing) Technology Company Limited#	The PRC	Registered and contributed capital RMB60,000,000	**–**	–	**90%**	90%	Provision of technological development, advisory services, business planning and public-relations activities for online procurement business
Guocai (Qinghai) Technology Company Limited^	The PRC	Registered and contributed capital RMB10,000,000	**–**	–	**63%**	63%	Provision of online procurement services
Guocai (Hubei) Technology Company Limited^	The PRC	Registered and contributed capital RMB10,000,000	**–**	–	**90%**	90%	Provision of online procurement services

41. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation and operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable equity interests held by the Company				Principal Activities
			Directly		Indirectly		
			2016	2015	**2016**	2015	
Gongcai Network Technology Company Limited#	The PRC	Registered and contributed capital USD50,000,000/ USD20,000,000	**–**	–	**100%**	100%	Provision of online procurement service and sales and management of Energy management contracting
國採(深圳)信息技術有限公司*/#	The PRC	Registered and contributed capital RMB3,000,000	**–**	–	**60%**	–	Sale of software and provision of IT services

\# Foreign Investment Enterprise

* Established during the year

^ Domestic Invested Enterprise

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

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

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

Principal activities	Principal place of business	Number of subsidiaries	
		2016	2015
Investment holding	Hong Kong	**6**	6
Inactive	PRC	**5**	5
	Hong Kong	**5**	5
		16	16

The Group did not have any non-wholly-owned subsidiaries that have material non-controlling interest.

42. FINANCIAL INFORMATION OF THE COMPANY

	2016	2015
	HK$'000	HK$'000
Non-current asset		
Deposit paid for potential acquisition of a subsidiary	15,000	–
Investments in subsidiaries	25,196	25,196
	40,196	25,196
Current assets		
Trade and other receivables	9,939	53,171
Amounts due from subsidiaries	215,870	269,489
Bank balances and cash	14,533	804
	240,342	323,464
Current liabilities		
Other payables	5,197	4,303
Amount due to a subsidiary of a shareholder	–	1,653
Amounts due to subsidiaries	563	18,371
	5,760	24,327
Net current assets	234,582	299,137
	274,778	324,333
Non-current liability		
Convertible bonds	24,861	–
Net assets	249,917	324,333
Capital and reserve		
Share capital	134,293	132,880
Convertible preference shares	–	43
Reserves (note a)	115,624	191,410
	249,917	324,333

42. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(a) Reserves

	Share premium	Share-based compensation reserve	Convertible bonds equity reserve	Contributed surplus (Note)	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	6,924,166	76,022	–	332,310	(7,225,045)	107,453
Loss for the year	–	–	–	–	(127,164)	(127,164)
Issue of shares	151,500	–	–	–	–	151,500
Capitalisation of other payable (note 33)	19,608	–	–	–	–	19,608
Effect of share options granted	–	40,013	–	–	–	40,013
Effect of share options lapsed or cancelled	–	(27,539)	–	–	27,539	–
At 31 December 2015 and 1 January 2016	7,095,274	88,496	–	332,310	(7,324,670)	191,410
Loss for the year	–	–	–	–	(107,120)	(107,120)
Issue of shares	10,500	–	–	–	–	10,500
Capitalisation of other borrowing (note 33)	11,397	–	–	–	–	11,397
Issue of convertible bonds	–	–	5,139	–	–	5,139
Effect of share options granted	–	4,298	–	–	–	4,298
Effect of share options lapsed or cancelled	–	(36,517)	–	–	36,517	–
At 31 December 2016	7,117,171	56,277	5,139	332,310	(7,395,273)	115,624

Note: Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares of the Company issued in a share for share exchange and the fair value of the aggregate net assets of the subsidiaries acquired.

Under the Bermuda Companies Act 1981, contributed surplus of the Company is available for distribution, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31 December 2016 and 2015, no reserve of the Company was available for distribution as the aggregate of the contributed surplus and the accumulated losses are in debit balance.

43. EVENTS AFTER THE REPORTING PERIOD

The Group settled an interest bearing loan of approximately RMB6,000,000 (equivalent to approximately HK$6,698,000 as at 31 December 2016) in January 2017.

Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. Please refer to the auditor's reports of the respective years of annual reports regarding the audit opinions.

RESULTS

	Year ended 31 December				
	2016	**2015**	**2014**	**2013**	**2012**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
		(Restated)			
Revenue	**40,127**	2,516,060	1,223,077	90,003	277,123
(Loss) profit before tax	**(202,243)**	(1,083,810)	(663,018)	73,865	11,361
Income tax credit (expenses)	**(12,940)**	2,349	(5,164)	(37,120)	(28,231)
(Loss) profit for the year	**(215,183)**	(1,081,461)	(668,182)	36,745	(16,870)
Attributable to:					
Owners of the Company	**(212,606)**	(1,073,902)	(665,164)	37,403	(14,575)
Non-controlling interests	**(2,577)**	(7,559)	(3,018)	(658)	(2,295)
	(215,183)	(1,081,461)	(668,182)	36,745	(16,870)

ASSETS AND LIABILITIES

	At 31 December				
	2016	**2015**	**2014**	**2013**	**2012**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total assets	**493,451**	697,098	1,743,462	2,106,744	1,874,796
Total liabilities	**(182,324)**	(179,104)	(293,366)	(256,437)	(164,425)
Total equity	**311,127**	517,994	1,450,096	1,850,307	1,710,371
Equity attributable to the owners of Company	**312,720**	517,168	1,439,855	1,836,882	1,694,795
Non-controlling interests	**(1,593)**	826	10,241	13,425	15,576
Total equity	**311,127**	517,994	1,450,096	1,850,307	1,710,371