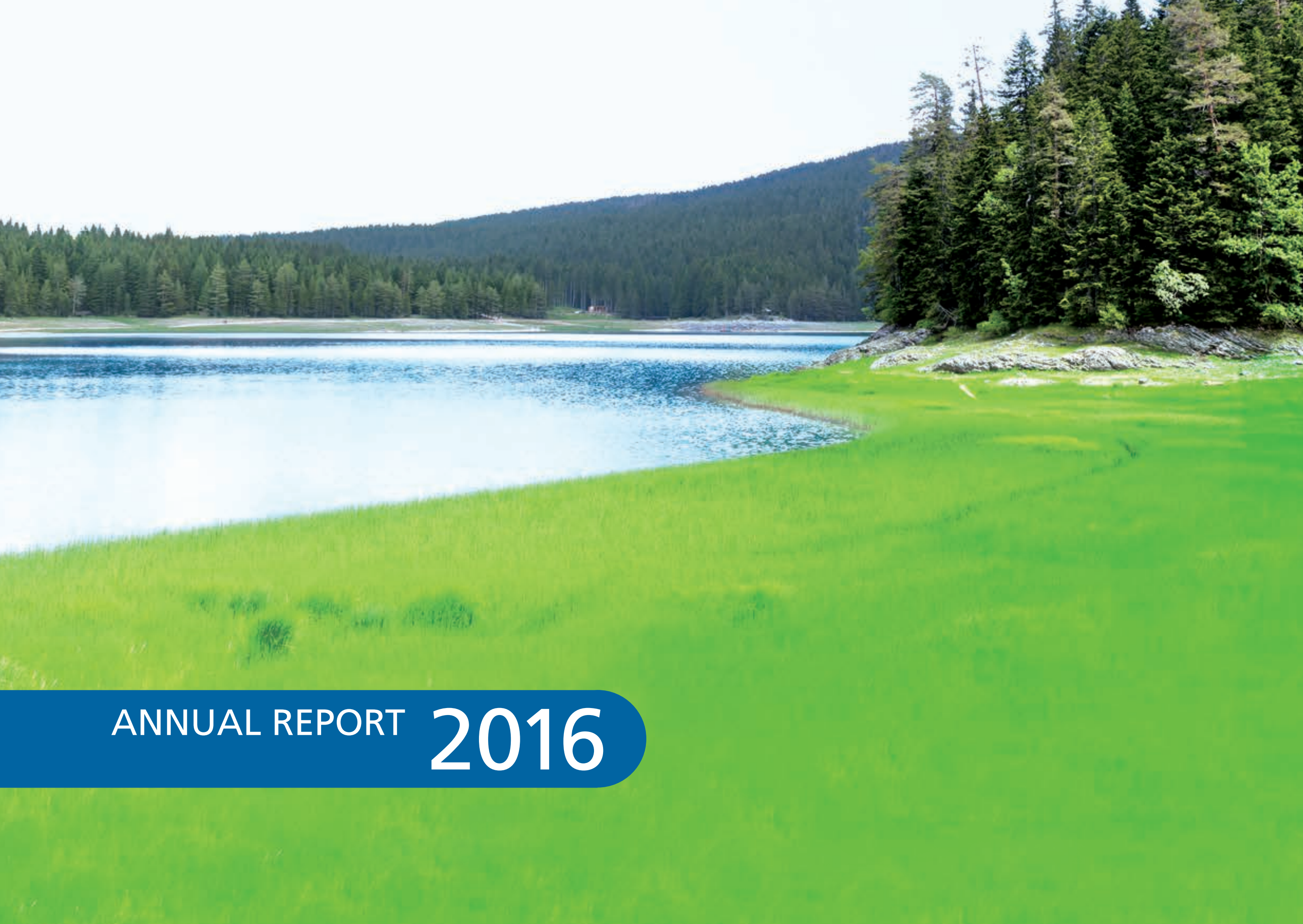
中昱科技集團有限公司

Sunrise (China) Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8226

GREEN ENERGY towards Substainable Development



ANNUAL REPORT 2016

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This report, for which the directors (the "Directors") of Sunrise (China) Technology Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Ms. Kwan Kar Ching *(Board Chairlady)*
Mr. Ma Arthur On-hing
Mr. Mui Wai Sum
Ms. Hsin Yi-Chin

Independent Non-executive Directors

Mr. Hung Cho Sing
Mr. Luk Kin Ting
Mr. Ong King Keung

COMPANY SECRETARY

Mr. Tse Chi Shing

AUDIT COMMITTEE

Mr. Ong King Keung *(Committee Chairman)*
Mr. Hung Cho Sing
Mr. Luk Kin Ting

NOMINATION COMMITTEE

Ms. Kwan Kar Ching *(Committee Chairlady)*
Mr. Hung Cho Sing
Mr. Ong King Keung

REMUNERATION COMMITTEE

Mr. Ong King Keung *(Committee Chairman)*
Ms. Kwan Kar Ching
Mr. Hung Cho Sing

AUTHORISED REPRESENTATIVES

Ms. Kwan Kar Ching
Mr. Tse Chi Shing

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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108 Gloucester Road
Wan Chai, Hong Kong

COMPLIANCE OFFICER

Ms. Kwan Kar Ching

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

LISTING INFORMATION

The Growth Enterprise Market of the Stock of Exchange of Hong Kong Limited
Stock code: 8226

COMPANY'S WEBSITE

www.sunrisechina-tech.com

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets, liabilities and equity attributable to owners of the Company:

CONSOLIDATED RESULTS OF THE GROUP

	2012 HK$'000 (restated)	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Revenue	875,577	510,677	49,022	87,011	**63,906**
Cost of sales	(689,999)	(397,735)	(47,418)	(87,178)	**(57,691)**
Gross profit/(loss)	185,578	112,942	1,604	(167)	**6,215**
Other income, gains and losses (net)	53,506	(50,191)	(23,269)	(206,853)	**(47,009)**
Selling and marketing costs	(32,879)	(14,905)	(55)	(62)	**(219)**
Administrative expenses	(156,962)	(109,667)	(24,640)	(42,456)	**(31,030)**
Finance costs	(25,820)	(17,789)	(8,146)	(14,999)	**(7,100)**
Share of loss of associates	–	–	–	(76)	**(91)**
Profit/(loss) before tax	23,423	(79,610)	(54,506)	(264,613)	**(79,234)**
Income tax	(7,496)	(70)	(4,965)	(799)	**875**
Profit/(loss) for the year	15,927	(79,680)	(59,471)	(265,412)	**(78,359)**
Non-controlling interests	(6,876)	27,511	42,776	31,222	**6,462**
Profit/(loss) attributable to owners of the Company	9,051	(52,169)	(16,695)	(234,190)	**(71,897)**

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2012 HK$'000 (restated)	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Total assets	1,083,550	291,801	147,594	193,241	**230,786**
Total liabilities	(758,924)	(200,922)	(116,995)	(133,732)	**(124,501)**
Total assets less total liabilities	324,626	90,879	30,599	59,509	**106,285**
Non-controlling interests	(184,495)	(28,366)	14,737	45,466	**1,719**
Equity attributable to owners of the Company	140,131	62,513	45,336	104,975	**108,004**

CHAIRLADY'S STATEMENT

Dear Shareholders,

On behalf of the board of the Directors (the "Board"), I am pleased to present the audited consolidated results of Sunrise (China) Technology Group Limited and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

OVERVIEW OF FINAL RESULTS

The Group is principally engaged in securities brokerage, money lending, securities investment, trading of commodities, trading of garment accessories, and manufacturing and trading of LED digital display products.

The Group recorded a net loss of approximately HK$78.4 million for the year ended 31 December 2016. The loss was principally attributable to the additional provision for impairment on trading of commodities business and trading of garment accessories business, the loss on disposal of manufacture and sales of straw briquettes business and the realised loss of the Group's held-for trading investments.

In 2016, the Group has successfully acquired two new businesses, namely, (i) securities brokerage business and (ii) money lending business.

(i) Securities brokerage

Following the launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in November 2014 and in August 2016 respectively, Hong Kong's securities market is expected to benefit from this mutual market access scheme in which more capital would be injected into the securities market of Hong Kong. In view of these favourable policies, the Group acquire 80% equity interest in Koala Securities Limited ("Koala Securities"), the completion took place on 21 November 2016. Koala Securities is a licensed corporation to carry out (i) Type 1 (Dealing in securities) and (ii) Type 4 (Advising on securities) regulated activities under the SFO.

(ii) Money lending

The Group has obtained a licence to conduct money lending business in Hong Kong through the provision of unsecured and secured loans to customers under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in February 2016. The Directors expect that with the anticipated ending of the low interest rate environment in the United States of America in the near future which may lead to the increase in the future interest rate, the Group will benefit from the development of money lending business.

The Group is actively seeking potential transactions with high returns and acceptable level of risk. In addition, the Board is evaluating the business model of this operation for maximising the synergies with our securities brokerage business and other businesses within the Group.

LOOKING AHEAD

Looking forward, the Group will continue to develop current businesses and at the same time proactively explore new business areas and seek suitable investment opportunities.

Besides, the Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

APPRECIATION

As the new chairlady of the Group, I would like to express gratitude to the Group's staff for their unwavering dedication and hard work during the year. At last but not least, I would like to extend my thanks, to all of our business partners, customers and shareholders for their unflagging support.

Kwan Kar Ching
Chairlady
Hong Kong, 31 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group's business was organised in seven continuous operation's segments namely (i) Securities brokerage; (ii) Money lending; (iii) Securities investment; (iv) Manufacture and sales of LED digital display products; (v) Investment in property; (vi) Trading of commodities and (vii) Trading of garments accessories.

Securities Brokerage

On 21 November 2016, the Group completed the acquisition of 80% equity interest in Koala Securities. As at the date of this report, Koala Securities is licensed to carry on Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO. The Group is optimistic about the market condition of the securities brokerage, share placements, underwriting services and other related businesses and believes that it will benefit the Group in the long term.

Revenue from this business segment during the year was approximately HK$3.4 million. It accounted for approximately 5.3% of the Group's revenue from continuing operation during the year. The segment profit of this business segment was approximately HK$1.4 million during the year.

Money Lending

In February 2016, the Group, through an indirect wholly-owned subsidiary of the Group, obtained a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). In developing the Group's money lending business, the Group targets corporations and individuals with financing needs. The Group will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by our senior management.

During the year, the Group have not engaged in any money lending activities since the bank accounts required to conduct the money lending activities were opened on November 2016.

Securities Investment

This business activity started in the third quarter of 2015. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions. The Board expects that this business activity can generate additional investment returns on available funds of the Company from time to time.

As at 31 December 2016, the Group managed a portfolio of listed equity investment with fair value of approximately HK$26.1 million (2015: approximately HK$63.3 million) which are classified as held-for-trading investments. During the year, the Group recorded a gain on fair value change of listed equity investments of approximately HK$1.6 million (2015: gain of approximately HK$10.1 million) and a realised loss of approximately HK$5.3 million (2015: gain of approximately HK$15.8 million).

Details of the Group's held-for trading investments are set out in the section headed "Significant Investments".

Manufacture and Sales of LED Digital display products

In the third quarter of 2015, the Group established Dongguan Guss Optoelectronics Co., Ltd. to engage in manufacture and sales of LED digital display products. This operation has been steadily developing. The Board expects it to bring stable income to the Group in future periods.

During the year, the revenue was approximately HK$3.6 million (2015: HK$1.2 million). It accounted for approximately 5.6% of the Group's revenue from continuing operations during the year.

Investment in property

The Group has acquired a commercial property for investment purpose. The property is located in Hong Kong. It is currently leased by a listed company. The Group believes that this property could generate stable rental income to the Group.

Trading of Garment Accessories

This operation commenced in the first quarter of 2015. In view of the market downturn, cutting prices by the competitors led to the operation's suspension from the second quarters of this year.

For the year ended 31 December 2016, there was a drop in the revenue to approximately HK$0.5 million (2015: HK$12.6 million), representing a decrease of approximately 96% as compared to last year. The Board will continue to monitor the business closely, and may consider changing the Group's business focus by developing other businesses and segments.

Trading of commodities

The Board considered that the profit margin of trading of commodities was thin and fluctuated. The operation has been halted from the first quarters of this year. For the year ended 31 December 2016, the aggregate revenue generated from the trading of commodities amounted to approximately HK$56.4 million. It accounted for approximately 88.2% of the Group's revenue from continuing operations during the year.

(a) Trading of Fertiliser

For the year ended 31 December 2016, the Group sold 6,540 metric tonnes of compound fertiliser and 2,600 metric tonnes of organic fertiliser for HK$26.0 million. It contributed approximately HK$3.7 million of gross profit to the Group.

(b) Trading of Palm Oil

For the year ended 31 December 2016, a total of 6,730 metric tonnes (2015: 15,367 metric tonnes) of crude palm oil was traded, contributing an aggregate revenue of approximately HK$30.4 million (2015: HK$73.2 million) to the Group. The Group's trading in crude palm oil is carried out on a trade-by-trade basis.

DISCONTINUED OPERATION

Manufacture and Sales of Straw Briquettes

In the first quarter of 2016, the Company's non-wholly-owned subsidiary, Heilongjiang Province Shengyan New Energy Development Limited ("Shengyan") faced severe challenges in the market demand of its straw fuel briquettes due to the increase in coal consumption as coal price dropped sharply during the year 2014 and 2015.

Revenue generated from Shengyan decreased to a minimal level for the year ended 31 December 2015. The production plants are currently shut down due to a shortage of operating fund. In view of Shengyan's adverse business condition, the Group disposed of Rich Share Global Limited and its subsidiaries including Shengyan at an aggregate consideration of HK$3 million. The disposal was completed on 30 March 2016.

FINANCIAL REVIEW

For the year ended 31 December 2016, the turnover of the Group decreased to approximately HK$63.9 million (2015: HK$87.0 million), representing a decrease of approximately 26.6% when compared with that of 2015. The decrease in turnover was mainly attributable to the operation's suspension on the trading of commodities business and trading of garment accessories business.

Following to the operation's suspension on the trading of commodities business and trading of garment accessories business, an additional provision for impairment of property, plant and equipment, inventories and receivables of approximately HK$29.5 million was made.

The Group disposed of Shengyan' segment in the first quarter of the year, the aggregate consideration was HK$3.0 million which resulted in a net loss of approximately HK$22.4 million from the disposal.

The Group disposed of 30% equity interest of an associate, Summus Asia Limited ("Summus"), in the third quarter of the year, the aggregate consideration was approximately HK$2.1 million. The equity interest was classified as investment in associates. After a provision for impairment of HK$2.5 million recognised, the Group recorded a loss of approximately HK$0.2 million from the disposal.

The Group recorded a net loss of approximately HK$78.4 million for the current year, compared with a net loss of approximately HK$265.4 million for the same period of last year. Such loss was mainly attributable to the additional provision for impairment on trading of commodities business and trading of garment accessories business, the Shengyan's loss on disposal and the realised loss of the Group's held-for trading investments.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2016, the Group's major business operations took place in China and Hong Kong, financed mainly by the revenue generated from operating activities, corporate borrowings and issuance of new shares. As at 31 December 2016, the Group had cash and bank balances of approximately HK$23.0 million (2015: HK$6.4 million).

As at 31 December 2016, the Group's total indebtedness comprised of convertible bonds payable of approximately HK$24.4 million (2015: HK$20.8 million), corporate bonds of approximately HK$14.3 million (2015: HK$24.9 million) and other borrowings of HK$1 million (2015: HK$13.8 million).

As at 31 December 2016, the Group's outstanding number of issued shares of HK$0.01 each was 1,638,029,446 shares (2015: 1,137,529,446 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 31 December 2016 was 23.6% (2015: 50.2%).

In order to enhancing the working capital and strengthening the capital base and financial position for possible future investments of the Group, on 8 June 2016, a placing agreement was entered into between the Company and Kingsway Financial Services Group Limited. On 24 June 2016, 227,500,000 placing shares were successfully placed to not less than six independent third parties at the placing price of HK$0.158 per placing share pursuant to the terms and conditions of the placing agreement.

The net proceeds of the placing, after deduction of the placing commission and related expenses, amount to approximately HK$34.8 million. The net proceeds were applied for general working capital of the Company and settlement of certain liabilities of the Company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the note 21, note 40 and note 41 to the consolidated financial statements, the Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 31 December 2016, the Group held approximately HK$26.1 million of equity investments which were classified as held for trading. Details of the significant investments are as follows:

	Notes	Place of incorporation	Fair value gain/(loss) HK$'000	Market value HK$'000	Approximate percentage of held-for-trading investment %	Approximate percentage to the net asset %
Echo International Holdings Group Limited	*1*	Cayman Islands	(2,895)	3,434	13.1	3.2
Jia Meng Holdings Limited	*2*	Cayman Islands	1,602	4,408	16.9	4.1
K W Nelson Interior Architect Group Limited	*3*	Cayman Islands	3,805	5,159	19.7	4.9
Pantronics Holdings Limited	*4*	British Virgin Islands	(964)	3,422	13.1	3.2
Winto Group (Holdings) Limited	*5*	Cayman Islands	307	5,357	20.5	5.0
Others		N/A	(224)	4,365	16.7	4.2
			1,631	26,145	100	24.6

Notes:

1. Echo International Holdings Group Limited is principally engaged in the manufacturing and trading of electronic products and accessories. No dividend was received during the year. According to the latest published financial statements of Echo International Holdings Group Limited, it had net asset value of approximately HK$22,038,000.

2 Jia Meng Holdings Limited is principally engaged in (i) design, manufacture and sale of mattress and soft bed products in the PRC and export mattress to overseas markets; (ii) securities investment in Hong Kong (iii) property investment in Hong Kong and (iv) money lending in Hong Kong. No dividend was received during the year. According to the latest published financial statements of Jia Meng Holdings Limited, it had net asset value of approximately HK$355,866,000.

3 K W Nelson Interior Architect Group Limited is an interior decorator based in Hong Kong, focusing on commercial premises including office and retail space mainly located in Hong Kong. No dividend was received during the year. According to the latest published financial statements of K W Nelson Interior Architect Group Limited, it had net asset value of approximately HK$50,139,000.

4 Pantronics Holdings Limited is principally engaged in the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products. No dividend was received during the year. According to the latest published financial statements of Pantronics Holdings Limited, it had net asset value of approximately HK$30,973,000.

5 Winto Group (Holdings) Limited is principally engaged in (i) the sales and free distribution of Chinese-language lifestyle magazines in Hong Kong, the sales of advertising spaces in the aforesaid magazines; (ii) provision of outdoor advertising services; (iii) development and operating e-commerce trading platform; (iv) trade of liquefied natural gas and methanol; and (v) mobile phone apps development, provision of apps solutions and provision of online marketing planning and production. No dividend was received during the year. According to the latest published financial statements of Winto Group (Holdings) Limited, it had net asset value of approximately HK$57,420,000.

In view of the recent volatile and weakness in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant capital commitments (2015: Nil).

Except as disclosed in the section headed "Legal Proceedings", as at 31 December 2015 and 2016, the Group did not have any significant contingent liabilities.

PROPOSED CHANGE OF COMPANY NAME

On 23 February 2017, the Board proposed to change the name of the Company to "Koala Financial Group Limited" and adopt "樹熊金融集團有限公司" as the Chinese name of the Company (the "Proposed Change of Company Name").

The Proposed Change of Company Name is subject to:

(a) the approval for the use of the proposed new English and Chinese names of the Company by the Registrar of Companies in the Cayman Islands; and

(b) the passing of a special resolution by the shareholders of the Company to approve the Proposed Change of Company Name at the forthcoming annual general meeting of the Company.

Further announcement will be made by the Company regarding the effective date of the Proposed Change of Company Name and the change of the stock short name for the trading of the Company's shares on the GEM as and when appropriate.

LEGAL PROCEEDINGS

Reference is made to the Company's announcement dated 25 July 2014 in relation to the Writ of summons received by the Company. It was alleged in the Writ that a total sum of HK$10,000,000 was advanced by Total Shares Limited (the "Plaintiff") to Mr. Shan Xiaochang ("Mr. Shan"), the former Board Chairman and Chief Executive Officer, pursuant to a loan agreement (the "Loan Agreement") dated 9 August 2013 made between the Plaintiff as the lender and Mr. Shan as the borrower, the repayment of which was guaranteed by the Company as a guarantor by a guarantee (the "Guarantee") signed by the Company in favour of the Plaintiff dated 9 August 2013. The amount of the claim specified in the Writ was HK$10,000,000 plus the accrued unpaid interest under the Loan Agreement and other interest.

As no meeting at the Board or shareholders of the Company was held to approve the Guarantee or authorise any Director to sign the Guarantee for and on behalf of the Company, the Board is of the view that the Guarantee is not binding on or enforceable against the Company and the claim has no merit against the Company. The Company has been advised by the counsel that the Company shall have a good defence to the case and shall not be liable to the Plaintiff's claim.

FOREIGN EXCHANGE EXPOSURE

During the year under review, the Group's transactions were mainly denominated in Renminbi, Hong Kong dollars and US dollars which exposed the Group to currency risk. The Group currently does not have a foreign currency hedging policy in place but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

PLEDGE OF ASSETS

As at 31 December 2015 and 2016, the Group did not have any substantial pledge of assets.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2016, the Group had about 96 (2015: 74) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK$10.6 million (2015: HK$10.6 million).

The Group believes that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group is also committed to providing appropriate on-going training to staff members to equip them for future career development.

SUBSEQUENT EVENTS

Details of subsequent events are set out in the note 48 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Ms. Kwan Kar Ching ("Ms. Kwan"), aged 27, was appointed as an executive Director and the chairlady of the Company in April 2015 and in June 2016 respectively. Ms. Kwan holds a bachelor degree of business administration in accounting and finance from the University of Hong Kong. Ms. Kwan had worked for international bank and financial institution. She has over 4 years of experience in banking, asset management and investment.

Mr. Ma Arthur On-hing ("Mr. Ma"), aged 48, was appointed as an executive Director in September 2010, who is responsible in managing the Group's daily operations. Mr. Ma has over 20 years of experience in investment, fund management and financial management. He is a member of the American Institute of Certified Public Accountants. He obtained the degree of Bachelor of science in Business Administration (Accounting and Finance) from the San Francisco State University, the degree of master of science in Finance from the Golden Gate University, and a master of arts from the Chinese University of Hong Kong. He is currently an independent non-executive director of Blue Sky Power Holdings Limited (stock code: 6828), a company listed on the Main Board of the Stock Exchange.

Mr. Mui Wai Sum ("Mr. Mui"), aged 29, was appointed as an executive Director in November 2014. Mr. Mui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He holds an bachelor degree of business administration from the Chinese University of Hong Kong. Mr. Mui had worked for an international accounting firm. He has over 3 years of experience in corporate finance, debt restructuring and insolvency administration. He is an executive director of LEAP Holdings Group Limited (stock code: 1499), a company listed on the Main Board of the Stock Exchange. He is also an executive director of Sau San Tong Holdings Limited (stock code: 8200), a company listed on the Growth Enterprise Market of the Stock Exchange.

Ms. Hsin Yi-Chin ("Ms. Hsin"), aged 30, was appointed as an executive Director in April 2016. She holds a bachelor degree in Chinese Literature from Providence University and a master degree of Science in Management from University of Leicester. Ms. Hsin has several years' experience in educational sector and managerial experience in food and catering sector in Taiwan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Cho Sing ("Mr. Hung"), aged 76, was appointed as an independent non-executive Director in May 2015. Mr. Hung has over 30 years of experience in the film distribution industry and founded Delon International Film Corporation in 1970. Mr. Hung has been the chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association Limited since 1991 and was the chairman of Hong Kong Film Awards Association Limited from 1993 to 1995. Mr. Hung was appointed by the Hong Kong Special Administrative Region ("HKSAR") Government as a member of the Hong Kong Film Development Council from 2007 to 31 March 2013. Mr. Hung was also appointed as a consultant of the China Film Association since 2013. Mr. Hung is also a member of HKSAR Election Committee and a vice chairman of the Cultural Profession Committee of the Guangdong, Hong Kong and Macau Cooperation Promotion Council (廣東省粵港澳合作促進會文化專業委員會副主任委員). Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the HKSAR Government in 2005 in recognition of his contribution to the Hong Kong Film industry. Mr. Hung has been appointed by the HKSAR Government as member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission on an ad personam basis for a term of two years with effect from 17 January 2013.

Mr. Hung has been appointed as an executive Director and the chairman of Jia Meng Holdings Limited (stock code: 8101), a company listed on the Growth Enterprise Market of the Stock Exchange. He is also an executive director of Universe International Financial Holdings Limited (formerly Universe International Holdings Limited) (stock code: 1046). He is also an independent non-executive director of Freeman Fintech Corporation Limited (formerly Freeman Financial Corporation Limited) (stock code: 279), China Star Entertainment Limited (stock code: 326), Unity Investments Holdings Limited (stock code: 913) and Miko International Holdings Limited (stock code: 1247). Mr. Hung was a non-executive director of Capital VC Limited (stock code: 2324) from September 2011 to January 2014, and an independent non-executive director of HengTen Networks Group Limited (stock code: 136) from January 2013 to October 2015. All these companies are listed on the Main Board of the Stock Exchange.

Mr. Luk Kin Ting ("Mr. Luk"), aged 32, was appointed as an independent non-executive Director in June 2016. He obtained a juris doctor degree from the Chinese University of Hong Kong, a master degree of laws (Majoring in Corporate Law) from New York University and a bachelor degree of business administration in Economics and Accounting from Hong Kong University of Science and Technology. He was admitted as a solicitor of the High Court of Hong Kong and had experience in legal counseling and solicitor practice. He is currently an independent non-executive director of Janco Holdings Limited (stock code: 8035), a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Ong King Keung ("Mr. Ong"), aged 41, was appointed as an independent non-executive Director in February 2017. He holds a bachelor's degree in accountancy from the Hong Kong Polytechnic University and a master degree in corporate finance from the City University of Hong Kong. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 15 years of experience in auditing and accounting industry. Mr. Ong is an independent non-executive director of China Water Affairs Group Limited (stock code: 0855) and Tech Pro Technology Development Limited (stock code: 3823), the shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Bingo Group Holdings Limited (stock code: 08220) and China Candy Holdings Limited (stock code: 08182), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange. In December 2014, Mr. Ong has been an independent non-executive director of Deson Construction International Holdings Limited ("Deson") (stock code: 8268), a company listed on the Growth Enterprise Market of the Stock Exchange, and then re-designated to non-executive director of Deson since December 2015.

Mr. Ong was an independent non-executive director of China Environmental Energy Investment Limited (stock code: 0986), which is a company listed on the Main Board of the Stock Exchange and resigned in August 2014.

SENIOR MANAGEMENT

Mr. Tse Chi Shing ("Mr. Tse"), aged 33, joined the Group in April 2011. He is the financial controller and the Company Secretary of the Company. Mr. Tse holds a bachelor degree of arts in accountancy from the Hong Kong Polytechnic University. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in accounting and auditing for Hong Kong listed companies and private companies.

CORPORATE SUSTAINABILITY – ENVIRONMENTAL AND SOCIAL

This report follows the Environmental, Social and Governance (ESG) framework Appendix 20 of the Growth Enterprise Market (GEM) Listing Rules as stated in the Reporting Guide of the Hong Kong Exchanges and Clearing Limited & The Stock Exchange of Hong Kong Limited (HKEx) in December 2015.

1. BOUNDARIES

Our report focuses on our own operations & subsidiaries in Hong Kong (HK) & People Republic of China (PRC).

1.1 Head office in HK

The head office in Hong Kong is investment holding company of subsidiaries under the Group, as well as engaged in money lending, securities investment, trading of commodities and garment accessories.

1.2 Securities office in HK

Koala Securities in Hong Kong has been newly acquired by the Group and the acquisition was completed in November 2016. Koala Securities is principally engaged in the provision of securities brokerage services.

1.3 Factory for LED products in PRC

Dongguan Guss Optoelectronics Co., Ltd. was established by the Group in 2015, which engage in manufacture and sales of LED digital display products starting from the third quarter of 2015. This operation has been steadily developing.

This report will present its company-wide commitment to sustainable development during the year under review, and it will cover the significant environmental and social achievements and impact arising from the activities of the Group and its subsidiaries listed above.

2. SUSTAINABILITY VISION AND FOCUS

The Group takes an integrated approach to sustainability, incorporating environmental and social considerations into our decision-making and actions. We focus on minimising the impact of our operations on the environment and creating positive impact in the community through our business. In doing so, we are guided by a set of core sustainability values and an effective governance structure.

The Group believes that promoting sustainability is as important as achieving medium and long-term business growth. It has therefore made continuous efforts to maintain a high degree of sustainability in its operations in both Hong Kong and the PRC. Moreover, it values opportunities to learn more about the needs and expectations of the communities in which it operates, as well as those of other stakeholders.

3. STAKEHOLDER GROUP & ENGAGEMENT

Stakeholder engagement is an integral part of our business development and commitment to corporate sustainability. We develop medium-term and long-term relationships with stakeholders and consider their views on our business development through various formal and informal, independent and internal stakeholder engagement exercises.

Through our regular engagement activities, we are able to keep an ongoing dialogue with our stakeholders, enabling us to make more informed decisions, and better assess and manage any resulting impact.

Investors and shareholders

- Annual General Meeting
- Investor briefings and press conferences
- Face-to-face meetings
- Conference calls
- Corporate website

Customers

- Periodic customer satisfaction survey
- Participating public events
- Special campaign to raise service standards and maintain customer satisfaction
- Guest comment card and client feedback survey
- Designated customer hotline
- Corporate website
- Social media

Business partners

- Face-to-face meetings
- Independent interviews
- Briefing sessions and seminars

Suppliers

- Face-to-face meetings
- Daily work review
- Supplier assessment
- Independent interviews

Employees

- Training, seminars, briefing sessions
- Employee Assistance Programme Hotline
- Face-to-face meetings
- Independent focus groups and interviews
- Recreational and volunteering activities

Communities & NGOs

- Employee volunteering activities
- Participation in programmes initiated by NGOs
- Participating public events
- Independent interviews

The Group is considering to establish a formal stakeholder engagement process and a Sustainability Steering Committee to strengthen its management's efforts to promote sustainability through good corporate governance, environmental protection, community investment and workplace practices. To demonstrate its commitment to transparency and accountability to its stakeholders, the Company incorporate this Sustainability report to the Annual Report 2016 in compliance with the Appendix 20 Environmental, Social and Governance (ESG) Reporting Guide issued in December 2015 by HKEx for all companies list on the GEM of HKEx.

4. ENVIRONMENTAL AREA (A)

We are committed to protecting the environment and environmental considerations are taken into account during our decision-making process. Our Board of Directors has overall responsibility for environmental considerations across the Group while each business segment has its own responsibility to implement appropriate environmental measures.

A1. Emissions

In Hong Kong and the Guangdong Province, key air pollutants are identified as: nitrogen oxides ("NOX"), sulphur oxides ("SOX") and respiratory suspended particles ("RSP", also known as Particulate Matter ("PM")). These pollutants tend to be generated by motor vehicles, marine vessels, power plants, and industrial and commercial processes locally. NOX and SOX emissions are also generated from cement, construction and textiles industries.

Another area of emission is known as greenhouse gas ("GHG") emissions. The majority of GHGs are emitted from fossil fuel consumption The two main sources of GHG emissions are: Electricity purchased from power companies; and Gas purchased from Towngas.

The Group has established a series of policies and guidelines to meet the statutory disclosure requirement on emission by local regulation and Law in Hong Kong and Donguan, PRC respectively.

A2. Use of Resources

By implementing a substantial Energy & Material Management Program in each area where we operate, the Group can positively influence our environmental and economic impact while ensuring business continuity. Currently, each operation has assigned a Project Leader to push for more efficient energy & material consumption and fulfill the program's goals.

Our short and medium-term goals are to:

- Implement a good energy & material usage performance monitoring system
- Engage third party logistics services suppliers that meet our environmental standards (as necessary & appropriate)
- Report energy & material usage performance in the annual reporting cycle
- Increase staff awareness and commitment

Our long-term goals are to:

- Reduce energy & material costs, wherever possible
- Define best practice benchmarks for energy consumption & material usage within the Group
- Measure our performance against benchmark levels
- Give higher priority to energy efficiency equipment & investments
- Where possible, to use energy & material from sustainable sources
- Where possible, to negotiate better energy costs with utilities companies

A3. Environmental Impact & Natural Resources

We strive to minimise the environmental impact of our operations by implementing a variety of green measures, including responsible use of resources, reducing carbon emissions, energy saving, waste management and pollution prevention.

We recognise that our operations have an environmental impact, particularly through:

- Lighting, heating and cooling of our offices, stores and warehouses
- Fuel consumption of distribution fleets
- Generation of certain hazardous (e.g. bulb use) and non-hazardous waste

As a result, the Group is committed to:

- Enhancing our contributions to environmental sustainability through sustainable development initiatives and implementing good environmental practices
- Regularly reviewing our business practices to identify how we can use resources like energy, water and other raw materials sustainably and more efficiently, while reducing waste and greenhouse gas emissions
- Communicating to suppliers our expectations of responsible and sustainable sourcing and manufacturing will cover relevant aspects respectively
- Recycling program for unused or damaged electrical and electronic equipment
- Reduction of printing paper and finished good packing paper usage
- Various energy savings initiatives, including LED light usage
- Reducing distribution of single-use plastic carrier bags and encouraging the use of more environmentally-friendly carrier bags

5. SOCIAL AREA (B)

B1. Employment

Generally speaking, the Group and it's subsidiaries have a series of written policies and guidelines on the following areas for reference:

- Compensation & dismissal
- Recruitment & promotion
- Working hour
- Rest period
- Equal opportunity
- Diversity
- Anti-discrimination
- Other benefit & welfare

B2. Safe Working Environment

Health and safety issues are important focus areas across all our operations.

The Group is committed to:

- Creating a safe, healthy and supportive environment for all employees
- Providing a working environment that is free from all forms of discrimination
- Ensuring employees at every level receive an appropriate induction so they have the best possible start in our organisation
- Providing ample opportunities to enhance one's skill, optimise performance and progress one's career through on-the-job training and well-defined career pathways
- Maintaining proper systems to ensure equal opportunities and competitiveness in staff remuneration and recognition
- Ensuring the company sets clear expectations for individual behavior (This is an integral part of the Group's Human Resources Policy.)

The Head office & Securities office

In our Hong Kong offices, fire safety measures are in place at all our premises. Our Estate Management has been working with the Fire Services Department of the Hong Kong Government to arrange relevant seminars and fire drills to raise employees' awareness on fire safety.

Regular safety inspections and improvement works on our premises are conducted to safeguard our employees and users of our buildings. We keep track of the latest government information on the spread of communicable diseases and provide prompt preventive advice and measures on our intranet.

Factory in Dongguan

In Mainland China, our factory in Dongguan for LED Digital display products continued to run Safety Operation periodic training to reinforce the culture of safe operation, strengthen employees' awareness on safety and improve their knowledge of work safety law. We also published safety management regulations and guidelines which were distributed to relevant staff.

We set medium and long term targets on the overall operation safety and consider to form an occupational health and safety committee. Committee members will include the Chairman and senior management staff of Dongguan Guss Optoelectronics Co., Ltd., are responsible for internet security, road safety, fire safety, occupational safety and health, risk management and safety training. We have conducted various training and workshops during the year, covering safe storage of hazardous chemicals, fire rescue and first aid.

B3. People Development & Training

We aim to recruit the best talent who fit our business needs. We create an environment where employees can develop their full potential and contribute their skills and experiences to the medium & long-term development of the Group.

- Organised in-house and external training courses and seminars for staff
- Emphasised health and safety
- Encouraged work-life balance
- Employee Assistance Program offered
- stress management and wellness-related training and counselling services
- Created a new internship programs to provide job training and career coaching opportunities

B4. Labor Standards

The Group has established standard on recruitment and dismissal in line with the Labour Law & regulation of Hong Kong Government and related local Bureau in Dongguan, PRC.

In particular, the Group is committed to ensure that the goods and services we produce in all our operations in Hong Kong office and Dongguan factory are not made at the expense of anyone's childhood or by employee/worker with unlawful identity.

Below summarised our steps for all occasions, we keep child labor and employee/worker with unlawful identity out of their supply chains:

- **Engage consumers & clients**
  It is the Group belief that most consumers & clients worldwide are willing to pay more for goods and services that are produced/provided responsibly. Companies that can show consumers their goods were made without child labor and employee/worker with unlawful identity can tap into this growing demand.

- **Support employee & worker voice**
  Listening to employee and workers is one of the most effective ways a company can monitor its supply chains. By respecting employee and workers, the Group can help ensure that they are eliminating and not enabling abusive forms of labor in their supply chains.

- **Be transparent**
  It is the Group's belief that disclosure can be a powerful demonstration of our commitment to making things right.

- **Practice due diligence**
  We perform risk and impact assessments which help us to "see" our supply chains better. These assessments are integral to a responsible due diligence process. They are an essential tool for the Group seeking sustainability in their supply chains.

- **Put in place meaningful grievance mechanisms**
  It is the Group's belief that we should ensure that safe, accessible channels are available to all employee and workers to lodge complaints about any issue related to their code of conduct. Standard procedures have also been in place for handling and resolving complaints to protect employee and workers from reprisal.

- **Link with other supplier incentives**
  The Group is committed to integrate child labor and other human rights issues by appropriate occasions into other dealings with suppliers, making them complementary and mutually-reinforcing.

B5. Supplies Chain & Customer

The Group is committed to:

- Supporting the interests of our customers by focusing on product and services quality, value and safety
- Providing products and services that comply with all applicable legislations in their distribution markets
- Maintaining clear and constant customer communications channels, listening actively to feedback and responding swiftly to complaints
- Safeguarding our operations against unfair business practices
- Ensuring business contracts clearly set out the agreed terms, conditions and the basis of our relationship
- Communicating to our suppliers the importance of responsible sourcing and social compliance in the areas of health, safety and worker welfare
- Encouraging suppliers and contractors to adopt responsible business policies and practices for mutual benefit

B6. Compliance & Product Safety

Business Segment: Money Lending

- The Group has obtained a license to conduct money lending business in Hong Kong through the provision of unsecured and secured loans to customers, which has been in compliance to the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in February 2016.

Business Segment: Securities Brokerage Services

- Koala Securities is a licensed corporation to carry out (i) Type 1 (Dealing in securities) and (ii) Type 4 (Advising on securities) regulated activities under the SFO. Koala Securities is principally engaged in the provision of securities brokerage services in compliance with the relevant rules and regulations in Hong Kong.

Business Segment: LED Digital display products

- All our LED digital display products manufactured by our factory in Dongguan, PRC go through rigorous quality controls, both internally and externally with ISO (or comparable equivalent) accredited Third Party laboratories and other Quality experts.

- We make use of a mix of controls before shipment and upon reception in our warehouses. Controls include labeling review, product conformity and other safety checks.

- We make use of a mix of internal audits with our qualified engineers and external audits with independent Third Party auditors.

B7. Anti-corruption

The Group has a set of anti-corruption policy to ensure compliance by all employees, officers and directors of the Group, and its subsidiaries and affiliates, with the FCPA and related anti-corruption laws of Hong Kong and PRC in which the business segment does or intends to do business.

Bribes, Kickbacks or Other Corrupt Payments

All employees are prohibited from directly or indirectly offering, giving, soliciting or receiving any form of bribe, kickback or other corrupt payment, or anything of value, to or from any person or organisation, including government agencies, individual government officials, private companies and employees of those private companies under any circumstances.

Facilitation Payments

Generally speaking, the Group prohibits the payment of facilitation payments except under very exceptional special occasions and only with prior approval by the Board of Directors (or, if prior approval is not reasonably possible given the circumstances, as soon as possible following such payment).

Relationships with Third Parties

The Group prohibits corrupt offers, promises and payments made through partners, intermediary agents, joint ventures, or third parties. In addition, contracts with agents or third-party representatives and joint venture partners should, to the extent possible, include provisions to mitigate against the risk of potential illicit payments.

ICAC Hong Kong

In our Hong Kong offices, the Independent Commission Against Corruption (ICAC) has been invited to run briefing sessions on integrity to raise our staff's awareness on the risks of corruption and related malpractices in the workplace.

Looking forward, we plan to invite representatives from the Office of the Privacy Commissioner for Personal Data and the Equal Opportunities Commission to hold seminars on statutory requirements on a regular basis. Moreover, another plan is to invite a professional lawyer to brief our staff on the newly enacted Competition Ordinance.

B8. Community

Through our Social & Community initiatives, the Group is committed to supporting and encourage each business segment to:

- Initiate dialogue with local communities for mutual benefits
- Participate programs with local community organisations that are relevant to our business and beneficial to local community needs
- Get employees involved in local community organisations and activities
- Environmental awareness

Our core sustainability values:

- We believe a thriving working environment and community facilitates our continuing business success
- We consider ongoing communication with our stakeholders as vitally important to upholding the well-being of the working environment and community
- We will continue to engage with our stakeholders' views and work together with them to achieve a win-win scenario

ENVIRONMENTAL,SOCIAL & GOVERNANCE (ESG) REPORTING GUIDE

Appendix 20 of GEM Listing Rules of HKEx

General disclosure
"Comply or Explain" required for financial year 2016

Sunrise (China) Technology Group Limited (08226.HK)

Subject Area 1	Environmental	
Aspect 1	A1 – Emissions	
	Policies and compliance relating to emissions, discharges, and wastes ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied
Aspect 2	A2 – Use of Resources	
	Policies on the efficient use of resource ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied
Aspect 3	A3 – Impact on Environment and Natural Resources	
	Policies on minimising environmental impacts ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied

CORPORATE SUSTAINABILITY – ENVIRONMENTAL AND SOCIAL (Continued)

Area 2	Social	
Aspect 1	B1 – Employment	
	Policies and compliance relating to employment ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied
Aspect 2	B2 – Health and safety	
	Policies and compliance relating to occupational health & safety ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied
Aspect 3	B3 – Development and training	
	Policies on development & training ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied
Aspect 4	B4 – Labour standards	
	Policies and compliance relating to child & forced labour ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied
Aspect 5	B5 – Supply chain management	
	Policies environmental and social risks of the supply chain ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied
Aspect 6	B6 – Product responsibility	
	Policies and compliance to product responsibility matters ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied
Aspect 7	B7 – Anti-corruption	
	Policies and compliance to anti-corruption ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied
Aspect 8	B8 – Community investment	
	Policies on community engagement and consideration of community issues ???	
	Policies available & in place ??? Yes/No	Yes
	Compliance ??? Complied/In progress/Not yet started	Complied

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board and senior management are committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders. The Board believes that high standards of corporate governance provide a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

The Board is of the view that the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices to the Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2016, except for certain deviations as explained below. The Board will review the current practices at least annually, and make appropriate changes if considered necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealing as set out in rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2016. Having made specific enquiry of all Directors, the Directors have complied such code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board currently comprises:

Executive Directors:

Ms. Kwan Kar Ching *(Board Chairlady)*
Mr. Ma Arthur On-hing
Mr. Mui Wai Sum
Ms. Hsin Yi-Chin

Independent Non-executive Directors:

Mr. Hung Cho Sing
Mr. Luk Kin Ting
Mr. Ong King Keung

The Board is collectively responsible for the oversight of the management of the Company's business and affairs of the organisation with the objective of enhancing shareholder value. The Board approves and monitors the Group's business strategies and policies. The Board is also responsible to the shareholders of the Company for overseeing the Group's overall business, strategic decisions and directions, annual budget, and other major corporate matters. Besides, the Board delegates the management team with the authority and responsibility for the daily operations and administration of the Group.

The Board has normally scheduled four regular meetings a year each at quarterly intervals and meets as and when required. In addition, the Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Director. During the year ended 31 December 2016, the Board held 20 meetings and the attendance of each Director is as follows:

	Number of meetings attended/ eligible to attend
Executive Directors:	
Ms. Kwan Kar Ching	16/19
Mr. Ma Arthur On-hing	20/20
Mr. Mui Wai Sum	18/20
Ms. Hsin Yi-Chin (appointed on 20 April 2016)	12/12
Mr. Shan Biao (resigned on 30 June 2016)	11/11
Non-executive Director:	
Mr. Chen Wai Chung Edmund (resigned on 15 January 2017)	0/1
Independent non-executive Directors:	
Mr. Hung Cho Sing	17/20
Mr. Luk Kin Ting (appointed on 30 June 2016)	4/4
Ms. Wong Ka Yan (appointed on 1 August 2016 and resigned on 28 February 2017)	4/4
Mr. Ho Wai Shing (resigned on 30 June 2016)	11/12
Mr. Ho Chun Kit Gregory (resigned on 1 August 2016)	13/16

There is no family or other material relationship among members of the Board.

The Directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses, in order to discharge their duties to the Company.

Appropriate insurance cover has been arranged in respect of legal actions against the Directors.

All independent non-executive Directors are appointed for a specific term of not more than 2 years. All Directors are subject to re-election by shareholders at the annual general meeting following their appointment. At each annual general meeting 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 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. The Company at the general meeting at which a Director retires may fill the vacated office. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for reelection. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

In compliance with rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional qualifications on accounting or related financial management expertise. For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of the Directors, the Board follows the requirements set out in the GEM Listing Rule.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure their contributions to the Board remains informed and relevant. For the year ended 31 December 2016, all Directors have participated in continuous professional development, by attending conferences, seminars and inhouse briefing, and giving talks and reading materials relevant to their duties, responsibilities and the Group's businesses. Further, all Directors have received in-house trainings which covered corporate governance and listing rules and regulations.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

Ms. Kwan Kar Ching is the Chairlady of the Board. The Chairlady is responsible for ensuring that Board functions effectively, for providing leadership for the Board in setting goals and objectives for the Company and for ensuring that good corporate governance practices and procedures are established and enforced.

The Company does not have the role of chief executive officer. The Chief Executive Officer's duties have been undertaken by members of the Board. They are responsible for corporate planning, business development strategy and overall direction of the Group. The senior management is responsible for the day-to-day operations of the Group under the leadership of the Board.

REMUNERATION COMMITTEE

The remuneration committee of the Company currently comprises one executive Director, namely Ms. Kwan Kar Ching, and two independent non-executive Directors, namely Mr. Ong King Keung and Mr. Hung Cho Sing. Mr. Ong King Keung is the committee chairman. The main role and function of the remuneration committee include the formulation of the Company's remuneration policy, the approval or recommendation of remuneration packages for the Directors and senior management, and the review and approval of remuneration by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee meets regularly to determine the policy for the remuneration of Directors and assess the performance of the executive Directors. During the year ended 31 December 2016, five meetings of the remuneration committee have been held with the following attendances:

	Number of meetings attended/ eligible to attend
Mr. Hung Cho Sing	5/5
Ms. Kwan Kar Ching (appointed on 30 June 2016)	1/1
Ms. Wong Ka Yan (appointed on 1 August 2016 and resigned on 28 February 2017)	0/0
Mr. Ma Arthur On-hing (resigned on 30 June 2016)	3/3
Mr. Ho Chun Kit Gregory (resigned on 1 August 2016)	4/5

Details of the Director's remuneration are set out in note 10 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company currently comprises one executive Director, namely Ms. Kwan Kar Ching and two independent non-executive Directors, namely Mr. Hung Cho Sing and Ms. Ong King Keung. Ms. Kwan Kar Ching is the committee chairlady. The works carried out by the nomination committee members are set out below:

(a) to review the structure, size and composition (including the skills, knowledge and experience) and to make recommendations to the Board after such review;

(b) to assess the suitability and qualification of candidates put forward by the Chief Executive Officer and to become new board members and to report to the Board on their assessment;

(c) to assess the independence of independent non-executive Directors, having regard to the requirements under the GEM Listing Rules; and

(d) to make recommendations to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors, in particular, the Chairlady and the Chief Executive Officer.

Three meetings of the nomination committee have been held during the year, with the following attendances:

	Number of meetings attended/ eligible to attend
Mr. Hung Cho Sing	3/3
Ms. Kwan Kar Ching (appointed on 30 June 2016)	1/1
Ms. Wong Ka Yan (appointed on 1 August 2016 and resigned on 28 February 2017)	0/0
Mr. Ma Arthur On-hing (resigned on 30 June 2016)	2/2
Mr. Ho Chun Kit Gregory (resigned on 1 August 2016)	3/3

BOARD DIVERSITY POLICY

The Board adopts a board diversity policy and discusses all measurable objectives set for implementing the policy. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Ong King Keung, Mr. Hung Cho Sing and Mr. Luk Kin Ting with Mr. Ong King Keung as the committee chairman.

The primary role and function of the audit committee are to oversee the relationship with the external auditor, to review the Group's preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements. The committee shall engage independent legal or other advisers as it determines is necessary to perform any investigations. It also assumes the role of Risk Committee.

During the year ended 31 December 2016, four meetings of the audit committee have been held for the purpose of reviewing the Company's accounts and reports, and providing advices and recommendations to the Board, with the following attendances:

	Number of meetings attended/ eligible to attend
Mr. Hung Cho Sing	4/4
Mr. Luk Kin Ting (appointed on 30 June 2016)	2/2
Ms. Wong Ka Yan (appointed on 1 August 2016 and resigned on 28 February 2017)	2/2
Mr. Ho Wai Shing (resigned on 30 June 2016)	2/2
Mr. Ho Chun Kit Gregory (resigned on 1 August 2016)	2/2

In one of the meeting, internal audit report and other supporting document have been discussed for the review of risk management and internal control systems and the effectiveness of internal audit function.

ACCOUNTABILITY AND AUDIT

The Board acknowledges their responsibility for preparing the financial statements of the Group and ensures the financial statements have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The statement of the external auditor of the Company about the responsibilities on the financial statements of the Group is set out in the independent auditor's report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the fees paid and payable to the external auditor in respect of audit services to the Group were approximately HK$650,000 (2015: HK$800,000). No other nonaudit related services were performed by the external auditor.

INVESTMENT COMMITTEE

The investment committee of the Company was established on 14 October 2015. The investment committee is responsible for formulating investment policies while reviewing and determining the investment portfolio of the Group.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

In accordance with article 64 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two 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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' enquiries

The Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the year under review, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering material controls, including financial, operational, compliance and risk management aspects of the Group. The systems were considered effective and adequate.

The Group adopts a complete process style of risk management in a functional bottom up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes.

The internal audit function of the Group is governed by an appointed professional with Certified Internal Auditor qualification. With the appointment of Chief Audit Executive, the effectiveness of the risk management and internal control systems is reviewed by conducting internal audit assignments. Recommendations for major observations of control weaknesses from the audits will be provided, so as to resolve material internal control defects.

Regarding the handling and dissemination of inside information, the Group has practice policy in place.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries of the Company are set out in note 47 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by operating segments is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 46 and 47.

The Directors do not recommend the payment of any dividends in respect of the year (2015: HK$Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the "Financial Highlights", "Chairlady's Statement" and "Management Discussion and Analysis" on page 3, page 4 and pages 6 to 12 respectively of this annual report.

The Group committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth. The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 3 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 37 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 50.

DISTRIBUTABLE RESERVES

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

DIRECTORS

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

Executive directors:

Ms. Kwan Kar Ching
Mr. Ma Arthur On-hing
Mr. Mui Wai Sum
Ms. Hsin Yi-Chin (appointed on 20 April 2016)
Mr. Shan Biao (resigned on 30 June 2016)

Non-executive Director:

Mr. Chen Wai Chung Edmund (resigned on 15 January 2016)

Independent non-executive directors:

Mr. Hung Cho Sing
Mr. Luk Kin Ting (appointed on 30 June 2016)
Mr. Ong King Keung (appointed on 28 February 2017)
Ms. Wong Ka Yan (appointed on 1 August 2016 and resigned on 28 February 2017)
Mr. Ho Wai Shing (resigned on 30 June 2016)
Mr. Ho Chun Kit Gregory (resigned on 1 August 2016)

In accordance with article 108(A) of the articles of association of the Company, Mr. Mui Wai Sum shall retire by rotation at the forthcoming annual general meeting and being eligible, offer himself for re-election.

In accordance with article 112 of the articles of association of the Company, Mr. Luk Kin Ting and Mr. Ong King Keung shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 14 of this annual report.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the 2016 interim report of the Company are set out below:

Mr. Luk Kin Ting, an independent non-executive Director, has been appointed as an independent non-executive director of Janco Holdings Limited, a company listed on the Stock Exchange (stock code: 8035), with effect from 23 September 2016.

Mr. Ong King Keung has been appointed as an independent non-executive Director, the chairman of audit committee, the member of nomination committee and the chairman of remuneration committee, with effect from 28 February 2017. He has also been appointed as an independent non-executive director of Tech Pro Technology Development Limited, a company listed on the Stock Exchange (stock code: 3823), with effect from 8 March 2017.

Save for the information above, the Company is not aware of any other change in Directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules subsequent to the date of the 2016 interim report.

DIRECTORS' SERVICE CONTRACTS

Each of Ms. Kwan Kar Ching, Mr. Ma Arthur On-hing, Mr. Mui Wai Sum and Ms. Hsin Yi-Chin entered into an appointment letter with the Company. They have no fixed term of service with the Company save that they are subject to retirement by rotation in accordance with the articles of association of the Company.

Each of Mr. Hung Cho Sing, Mr. Luk Kin Ting and Mr. Ong King Keung entered into a 2-year service contract with the Company and they are subject to retirement by rotation in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of its independent non-executive Directors the written confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules. The Company based on such confirmation, considers that all of the independent non-executive Directors are independent.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed under the section "Connected/Related Party Transactions" below and note 43 to the consolidated financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

There is no material contract between the Group and the controlling shareholder or its subsidiaries during the year.

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

None of the Directors nor chief executives of the Company had 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 at 31 December 2016.

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

As at 31 December 2016, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Ms. Wong Ka Man	Beneficial owner	139,794,315	326,315,790	466,110,105 *(Note 1)*	28.46%
Like Capital Limited *(Note 2)*	Beneficial owner	305,263,157	–	305,263,157	18.64%
Mr. Chan Kin Kee	Beneficial owner	273,000,000	–	273,000,000	16.67%

Notes:

1. Ms. Wong Ka Man is interested in 466,110,104 Shares/underlying shares of the Company of which 326,315,789 underlying shares may be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds issued by the Company, provided that:

   (i) any conversion of the Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the bondholder and any parties acting in concert with it (as defined in the Takeovers Code); and

   (ii) the exercise of the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.

2. The entire issued share capital of Like Capital Limited is wholly and beneficially owned by Capital VC Limited through Ethnocentric Investment Limited.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2016.

SHARE OPTIONS

The Company operates a share option scheme for the purpose of enabling the Company to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. Eligible participants include any employees, directors, consultants or professional advisors, shareholders and suppliers or customers of the Group.

The share option scheme effective on 8 July 2002 (the "2002 Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted and became effective for a period of 10 years commencing from 15 June 2012. Shares options granted prior to the expiry of the 2002 Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the 2002 Share Option Scheme. As at 31 December 2016, the Company had 21,200,000 (31 December 2015: 21,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 1.3% (31 December 2015: 1.9%) of its issued share capital on that date. No share option was granted under the New Share Option Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under its share option scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company. As at 31 December 2016, the number of securities available for issue under the New Share Option Scheme was 43,176,497 shares, which represented approximately 2.6% (31 December 2015: 3.8%) of its issued share capital on that date.

The maximum number of share issued and which may fall to be issued upon exercise of the share options granted under the share option scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. Any share option granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

The offer of a grant of share option under the share option scheme may be accepted, upon payment of a nominal consideration of HK$1 in total by the grantee. A share option granted under the share option scheme may be exercised in whole or in part in the manner provided in the share option scheme by a grantee giving notice in writing to the Company at any time during a period not exceed 10 years from the date an share option granted under the share option scheme is offered.

The exercise price of the share options is a price determined by the Board, in its absolute discretion, but in any case is not less than whichever is the highest of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (3) the nominal value of the Shares.

The following table discloses movements in the Company's share options during the year:

Name or category of participant	Exercisable period	Exercise price per share of the Company HK$	Outstanding at 1 January 2016	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 December 2016
Others							
In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	–	–	–	21,200,000

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above and in note 38 to the consolidated financial statements, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED/RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 43 to the consolidated financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rule.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. There is appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUAL

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 10 and 11 to the consolidated financial statements respectively.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the human resources department of the Group on the basis of their merits, qualifications and competence.

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

The Company has adopted a share options scheme as an incentive to the Directors and eligible employees. Details of the scheme are set out in note 38 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the five largest customers accounted for approximately 91.9% (2015: approximately 96.3%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 99.5% (2015: approximately 96.8%) of the Group's total purchases. The largest customer of the Group accounted for approximately 40.7% (2015: approximately 30.3%) of the Group's total turnover while the largest supplier accounted for approximately 95.8% (2015: approximately 84.0%) of the Group's total purchases.

None of the Directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the announcements of the Company dated 9 June 2016 and 24 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

Corporate governance report of the Company is set out on pages 26 to 32 of the annual report.

AUDITOR

The accompanying financial statements have been audited by CCTH CPA Limited who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Kwan Kar Ching
Chairlady

31 March 2017

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恒會計師有限公司

TO THE SHAREHOLDERS OF
SUNRISE (CHINA) TECHNOLOGY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sunrise (China) Technology Group Limited (the"Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 134, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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 Opinion

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

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.

Key audit matter	How our audit addressed the key audit matter
Revenue recognised from sales of commodities	
We identified revenue recognised from sales of commodities as a key audit matter as revenue recognised is quantitatively significant to the consolidated statement of profit or loss and other comprehensive income. Revenue from sales of commodities is recognised when the commodities are delivered and title has passed. The accounting policy for revenue recognition is disclosed in Note 3 to the consolidated financial statements. The Group recognised revenue of HK$56,363,000 from sales of commodities for the year ended 31 December 2016, which is disclosed in Note 5a to the consolidated financial statements.	• We obtained an understanding of the business process regarding purchases and sales of commodities. • We understood and tested the key controls over the recognition of sales of commodities. • We checked the terms set out in the sales and purchase agreements; and assessing whether the significant risks and rewards of ownership of the commodities of the revenue recognised have been transferred to the customers by reviewing the relevant documents, including the delivery notices and acknowledgement to receipts.
Business combinations	
Refer to Note 40a to the consolidated financial statements. During the year, the Group acquired 80% equity interest in Prime Paradise Limited ("Prime Paradise") together with shareholder's loan made to Prime Paradise. In determining the fair value of the assets and liabilities of Prime Paradise and its subsidiary, Koala Securities Limited ("Koala Securities"), acquired, management reviewed in details the nature of such assets and liabilities and the basis of estimating their fair value. Where the fair value of the assets was not readily available, external valuer was engaged to assess the fair value. We focused on this area because accounting for acquisition requires the identification and valuation of tangible and intangible assets and the allocation of purchase consideration to the assets and liabilities acquired, which involves a number of judgements and assumptions.	• We considered and challenged management's assessment of the appropriate accounting treatment, the identification and valuation of tangible and intangible assets and the allocation of purchase price to the assets and liabilities acquired. • Where management has relied on the external valuation for the fair value of the assets acquired, we assessed the competency of the valuers and tested the results of their work. • We have also considered the adequacy of the Group's disclosure in respect of the acquisition set out in Note 40a to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessments of goodwill and intangible assets with indefinite useful lives	
Refer to Note 19 and Note 20 to the consolidated financial statements. As a result of the acquisition of securities placing and brokerage business undertaken by Koala Securities during the current year, the Group recognised goodwill and other intangible assets with indefinite useful lives. We focused on the impairment assessment of the goodwill balance (HK$18,302,000 as at 31 December 2016) and the intangible assets (HK$20,000,000 as at 31 December 2016) as management's assessment of the 'value in use' of the cash-generating units (CGUs) of this business involves judgments and estimates about the future results of the business, key assumptions including revenue growth rate and gross profit margin, long-term growth rate and the discount rates applied to future cash flow forecast.	• We evaluated and challenged the composition of the Group's future cash flow forecasts in each CGU, and the process by which they were drawn up, including testing the underlying value in use calculation. • We challenged the key assumptions including revenue growth rate and gross profit margin by comparing the current year's actual results with the future plans. We considered the appropriateness of the discount rates adopted by management. • We have also considered the adequacy of the disclosure of impairment assessments of the goodwill and other intangible assets set out in Note 19 and 20 to the consolidated financial statements.
Impairment of accounts receivable and other receivables	
Refer to Note 4f, Note 24 and Note 25 to the consolidated financial statements. As at 31 December 2016, the Group had gross accounts receivable and other receivables (including proceeds receivable from disposal of subsidiaries) amounted to HK$81,420,000 and HK$15,901,000 respectively and impairment losses in respect of these accounts receivable and other receivables amounted to HK$26,573,000 and HK$12,331,000 respectively had been recognized up to that date. We focused on this area due to the magnitude of the receivables and the estimation and judgements involved in the determination of the recoverable amounts of these receivables.	• We obtained an understanding of the credit control procedures performed by management, including its procedures on periodic review on aged receivables and assessment on recoverability of these receivables. • Tested on a sample basis, the accuracy of ageing profile on trade receivables by checking to the underlying sales invoices. • Tested subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained management's assessment on the recoverability of the outstanding debts and corroborated explanations with historical settlement patterns and underlying correspondences with the relevant debtors.

Other Information

The directors of the Company 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. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company 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 Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion 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 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2017

Lee Chi Hang
Practising Certificate Number: P01957

Unit 5-6, 7/F, Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (restated)
Continuing operations			
Revenue	*6*	**63,906**	87,011
Cost of sales and services		**(57,691)**	(87,178)
Gross profit/(loss)		**6,215**	(167)
Other income and gains	*6*	**4,179**	28,893
Gain/(loss) on change in fair value of unlisted warrants	*34*	**13,481**	(11,417)
Loss on issue of convertible bonds	*35*	**–**	(161,734)
Selling and distribution expenses		**(219)**	(62)
Administrative expenses		**(31,030)**	(33,538)
Other operating expenses	*7*	**(42,315)**	(10,479)
Finance costs	*8*	**(7,100)**	(14,905)
Share of loss of associates		**(91)**	(76)
Loss before taxation	*9*	**(56,880)**	(203,485)
Taxation credit/(charge)	*12*	**875**	(1,687)
Loss for the year from continuing operations		**(56,005)**	(205,172)
Discontinued operations			
Loss for the year from discontinued operations	*13*	**(22,354)**	(60,240)
Loss for the year		**(78,359)**	(265,412)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
Exchange difference arising during the year		**(286)**	(457)
Reclassification adjustments relating to foreign operations disposed of during the year		**(1,288)**	(23)
Other comprehensive expense for the year		**(1,574)**	(480)
Total comprehensive expense for the year		**(79,933)**	(265,892)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (restated)
Loss for the year from continuing operations attributable to:			
Owners of the Company		**(49,543)**	(203,512)
Non-controlling interests		**(6,462)**	(1,660)
		(56,005)	(205,172)
Loss for the year from continuing and discontinued operations attributable to:			
Owners of the Company		**(71,897)**	(234,190)
Non-controlling interests		**(6,462)**	(31,222)
		(78,359)	(265,412)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(73,331)**	(235,158)
Non-controlling interests		**(6,602)**	(30,734)
		(79,933)	(265,892)
		2016	2015 (restated)
Loss per share	*15*		
From continuing operations			
Basic		**HK(3.85) cents**	HK(27.86) cents
Diluted		**N/A**	N/A
From continuing and discontinued operations			
Basic		**HK(5.58) cents**	HK(32.06) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	*16*	**11,221**	10,956
Prepaid land lease payments	*17*	**–**	–
Investment properties	*18*	**16,352**	–
Goodwill	*19*	**18,302**	–
Other intangible assets	*20*	**20,000**	–
Investments in associates	*21*	**–**	4,924
Loans receivable	*22*	**–**	8,851
		65,875	24,731
Current assets			
Inventories	*23*	**693**	23,567
Accounts receivable	*24*	**54,847**	33,682
Loans receivable	*22*	**10,292**	–
Prepayments, deposits and other receivables	*25*	**6,681**	41,601
Financial assets at fair value through profit or loss	*26*	**26,145**	63,258
Bank balances and cash – trust accounts	*27*	**43,267**	–
Bank balances and cash – general accounts	*27*	**22,986**	6,402
		164,911	168,510
Current liabilities			
Accounts payable	*28*	**63,248**	40,102
Other payables and accruals	*29*	**8,240**	14,047
Deposits received		**135**	–
Corporate bonds payable	*30*	**–**	11,416
Other borrowings	*31*	**1,000**	13,781
Amount due to noteholder	*32*	–	–
Amount due to non-controlling interests	*33*	**840**	–
Unlisted warrants	*34*	–	13,481
Income tax payable		**8,592**	5,004
		82,055	97,831
Net current assets		**82,856**	70,679
Total assets less current liabilities		**148,731**	95,410

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000 (restated)
Non-current liabilities			
Corporate bonds payable	*30*	**14,312**	13,466
Convertible bonds payable	*35*	**24,369**	20,752
Deferred tax liabilities	*36*	**3,765**	1,683
		42,446	35,901
Net assets		**106,285**	59,509
Capital and reserves			
Share capital	*37*	**16,380**	11,375
Reserves		**91,624**	93,600
Equity attributable to owners of the Company		**108,004**	104,975
Non-controlling interests		**(1,719)**	(45,466)
Total equity		**106,285**	59,509

The consolidated financial statements on pages 46 to 134 were approved and authorised for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Kwan Kar Ching
Director

Mui Wai Sum
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Convertible bonds reserve HK$'000 *(Note 35)*	Statutory reserve HK$'000 *(Note below)*	Share option reserve HK$'000 *(Note 38)*	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	4,318	165,417	–	–	22,149	2,091	(148,639)	45,336	(14,737)	30,599
Loss for the year	–	–	–	–	–	–	(234,190)	(234,190)	(31,222)	(265,412)
Other comprehensive (expense) income for the year	–	–	–	–	–	(968)	–	(968)	488	(480)
Total comprehensive expense for the year	–	–	–	–	–	(968)	(234,190)	(235,158)	(30,734)	(265,892)
Non-controlling interest arising from acquisition of subsidiaries *(Note 40b)*	–	–	–	–	–	–	–	–	5	5
Recognition of the equity component of convertible bonds	–	–	191,706	–	–	–	–	191,706	–	191,706
Issue of shares upon:										
Share placement	1,899	72,882	–	–	–	–	–	74,781	–	74,781
Conversion of convertible bonds	5,158	142,818	(117,420)	–	–	–	–	30,556	–	30,556
Share issue expenses	–	(2,246)	–	–	–	–	–	(2,246)	–	(2,246)
Share option forfeited during the year	–	–	–	–	(14,739)	–	14,739	–	–	–
At 31 December 2015 and 1 January 2016	**11,375**	**378,871**	**74,286**	**–**	**7,410**	**1,123**	**(368,090)**	**104,975**	**(45,466)**	**59,509**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(71,897)**	**(71,897)**	**(6,462)**	**(78,359)**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(1,434)**	**–**	**(1,434)**	**(140)**	**(1,574)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(1,434)**	**(71,897)**	**(73,331)**	**(6,602)**	**(79,933)**
Non-controlling interest arising from acquisition of subsidiaries *(Note 40a)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,697**	**6,697**
Decrease in non-controlling interests arising on disposal of subsidiaries *(Note 41a)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**43,652**	**43,652**
Issue of shares upon:										
Share placement	**2,275**	**33,670**	**–**	**–**	**–**	**–**	**–**	**35,945**	**–**	**35,945**
Acquisition of subsidiaries	**2,730**	**38,766**	**–**	**–**	**–**	**–**	**–**	**41,496**	**–**	**41,496**
Share issue expenses	**–**	**(1,081)**	**–**	**–**	**–**	**–**	**–**	**(1,081)**	**–**	**(1,081)**
At 31 December 2016	**16,380**	**450,226**	**74,286**	**–**	**7,410**	**(311)**	**(439,987)**	**108,004**	**(1,719)**	**106,285**

Note: **Statutory reserve**

Pursuant to the articles of association of the group entities in the People's Republic of China ("PRC" or "Mainland China"), appropriations are made from the retained earnings to certain statutory reserves, based on a percentage of profit in accordance with the rules and regulations in Mainland China. Such appropriations to reserves would be made only with approval from the board of directors of those group entities.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Loss for the year		**(78,359)**	(265,412)
Adjustments for:			
Taxation (credit)/charge recognised in profit or loss	*12*	**(875)**	799
Interest income		**(1,529)**	(887)
Finance costs	*8*	**7,100**	14,999
Depreciation of property, plant and equipment		**2,662**	8,202
Amortisation of prepaid land lease payments		**–**	128
(Gain)/loss on change in fair value of unlisted warrants		**(13,481)**	11,417
Loss on issue of convertible bonds		**–**	161,734
Impairment losses on:			
Property, plant and equipment		**1,905**	38,905
Prepaid land lease payments		**–**	5,813
Inventories		**1,020**	5,407
Trade receivables		**26,573**	3,616
Proceeds receivable from disposal of subsidiaries		**4,777**	–
Other receivables		**–**	8,348
Investments in associates		**2,500**	–
Goodwill		**–**	509
Loss on disposal of property, plant and equipment		**164**	2
Loss/(gain) on disposal of subsidiaries	*41*	**22,354**	(1,083)
Loss on disposal of associates		**203**	–
Share of loss of associates		**91**	76
Operating cash flows before movements in working capital		**(24,895)**	(7,427)
Decrease/(increase) in inventories		**21,816**	(1,294)
(Increase)/decrease in accounts receivable		**(15,245)**	13,928
Decrease/(increase) in prepayments, deposits and other receivables		**34,461**	(34,183)
Decrease/(increase) in financial assets at fair value through profit or loss		**37,113**	(63,258)
Decrease in bank balances and cash - trust accounts		**12,432**	–
(Decrease)/increase in accounts payable		**(50,083)**	13,098
(Decrease)/increase in other payables and accruals		**(3,409)**	2,904
Increase in deposits received		**135**	–
Decrease in amount due to a former director		**–**	(189)
Cash generated from/(used in) operations		**12,325**	(76,421)
Income taxes paid		**–**	(59)
Net cash generated from/(used in) operating activities		**12,325**	(76,480)

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from investing activities			
Interest received		**88**	36
Proceeds from disposal of property, plant and equipment		**324**	–
Purchase of property, plant and equipment		**(4,559)**	(12,227)
Purchase of investment properties		**(16,352)**	–
Acquisition of subsidiaries	*40*	**7,858**	(500)
Disposal of subsidiaries	*41*	**(8)**	(17)
Investments in associates		**–**	(3,200)
Loans receivable		**–**	(8,000)
Net cash used in investing activities		**(12,649)**	(23,908)
Cash flows from financing activities			
Interest paid		**(2,941)**	(11,018)
Proceeds from issue of shares		**35,945**	74,781
Share issue expenses		**(1,081)**	(2,246)
Proceeds from issue of convertible bonds		**–**	80,000
Convertible bonds issue expenses		**–**	(1,501)
Repayment of corporate bonds		**(11,000)**	–
Other borrowings obtained		**1,000**	105,000
Repayment of other borrowings		**(5,000)**	(115,000)
Repayment of amount due to noteholder		**–**	(24,138)
Net cash generated from financing activities		**16,923**	105,878
Net increase in cash and cash equivalents		**16,599**	5,490
Cash and cash equivalents at beginning of the year		**6,402**	966
Effects of exchange rate changes		**(15)**	(54)
Cash and cash equivalents at end of the year		**22,986**	6,402
Analysis of cash and cash equivalents at end of the year:			
Bank balances and cash - general accounts		**22,986**	6,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

1. GENERAL

Sunrise (China) Technology Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands, and the issued shares of the Company are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in investment holding. The principal activities of the Company's principal subsidiaries are set out in Note 47 to the financial statements.

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

As referred to in Note 13, the Group discontinued its business of manufacture and sales of straw briquettes on 31 March 2016. Results of the Group's operations attributable to this business are presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income and certain comparative figures have been restated to conform with the current year's presentation.

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

New and revised HKFRSs applied in current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRS 14	Regulatory Deferral Accounts
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 Acquisition of Interests in Joint Operations

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

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

New and revised HKFRSs in issue 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	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are 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 and give rise on specific 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, 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.

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

HKFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss, HKFRS 9 requires that 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 fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types or transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have significant impacts on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

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

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

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

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

Other than disclosed above, the directors of the Company do not anticipate that the application of the new and revised HKFRSs in issue but not yet effective will have material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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 Growth Enterprise Market of the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in the exchange for goods and services.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of compliance (Continued)

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Goodwill

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

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

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. 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 period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profits or losses and other comprehensive income of the associates. 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 that associate.

On acquisition of investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate 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 acquisition, 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 to sell) 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.

Where a group entity transacts with an associate, 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.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, 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 property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in 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 the disposal. 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 profit or loss in the period in which the property is derecognised.

Intangible assets

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

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses, if any.

Impairment losses on intangible and tangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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. Where 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 within indefinite useful lives 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overhead. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL') and loans and receivables. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

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, other than those financial assets classified as at FVTPL, of which interest income is included in other income and gains.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near 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.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in other income and gains. Fair value is determined in the manner described in Note 45c.

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 loans receivable, trade and other receivables 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 loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest and 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 assets, 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 credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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, 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 trade and other receivables are considered uncollectible, they are 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 asset 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

Financial liabilities 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 arrangements 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity 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 an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, if any, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion 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 recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

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

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL (unlisted warrants) were stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Other financial liabilities (including trade and other payables, corporate bonds payable, other borrowings, amount due to noteholder and amount due to a former director) are subsequently measured at amortised cost, 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.

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 and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

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

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the cost incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Provision of securities placing and brokerage services

Income from provision of securities placing and brokerage services is recognised when the relevant services have been rendered by the Group.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Interest income

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land for own use

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 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 land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

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), 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.

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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements (Continued)

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, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option 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.

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

Taxation

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

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

Deferred tax is recognised on 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 difference 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 the initial recognition (other than a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgments, estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Control in a subsidiary, Heilongjiang Province Shengyan New Energy Development Limited ("Shengyan")

On 10 December 2012, a wholly-owned subsidiary of the Company, Rise Joy Investment Limited, acquired 51% equity interest was Shengyan from a third party (the "Vendor"), under which the Group has gained control over Shengyan based on the following judgments:

(i) Rise Joy and the Vendor entered into a trust declaration agreement, pursuant to which the 51% equity interest was held by the Vendor in trust for Rise Joy with effect from 10 December 2012, the date on which Shengyan was regarded as a subsidiary of the Company;

(ii) A majority of the voting rights exercised at shareholders' meetings of Shengyan was held by the Group; and

(iii) The shareholding of other non-controlling interests was dispersed and the chance of all other shareholders getting together to vote against the Group was remote.

Shengyan has ceased its business operations in the prior year ended 31 December 2015 and impairment losses on the assets of Shengyan totalling HK$52,119,000 have been recognised in profit or loss in respect of the prior year.

During the current year, the Group disposed of its 51% equity interest in Shengyan as detailed in the note 41a. Shengyan ceased to be a subsidiary of the Group following the completion of the disposal.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

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

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. In addition, intangible assets within indefinite useful lives are tested for impairment at least annually. An impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available information from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2016, the carrying amount of goodwill amounted to approximately HK$18,302,000 (2015: Nil).

(d) Useful life and residual value of property, plant and equipment

The Group determines the depreciation amount of property, plant and equipment based on the estimated useful life and residual value, which are reviewed at the end of each reporting period. The principal assumptions for the Group's estimation of the useful life and residual value include those related to the mode of operations, government regulations and scrap value of property, plant and equipment in future.

(e) Estimated allowance for inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Impairments on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of impairments requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will have impact on the carrying value of inventories and impairment of inventories in the period in which such estimate is changed. As at 31 December 2016, the carrying amount of inventories is HK$693,000 (2015: HK$23,567,000). Impairment losses of inventories amounted to HK$1,020,000 (2015: HK$5,407,000) have been charged to profit or loss in respect of the year.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

(f) Impairment loss recognised in respect of accounts and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of debtors' balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 December 2016, the carrying amount of accounts receivable and other receivables amounted to an aggregate of HK$54,847,000 (2015: HK$33,682,000) and HK$3,570,000 (2015: HK$4,933,000) respectively, net of accumulated impairment losses amounted to HK$26,573,000 (2015: HK$46,473,000) and HK$12,331,000 (2015: HK$12,338,000) respectively.

(g) Impairment loss on loans receivable

Management regularly reviews the recoverability of the loans receivable. Appropriate impairment loss for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flow discounted using the original effective interest rate. As at 31 December 2016, the carrying amount of loans receivable is HK$10,292,000 (2015: HK$8,851,000). No impairment loss has been recognised on the loans receivable in respect of both of the years presented.

(h) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities is set out in Note 18 and 45c.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following reportable operating segments based on their products and services:

Continuing operations:

– Securities investment

– Trading of commodities

– Trading of garment accessories

– Manufacture and sales of LED digital display products

– Provision of securities placing and brokerage services

– Leasing of investment properties

Discontinued operations:

– Manufacture and sales of straw briquettes

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, gain/loss on disposal of subsidiaries and associates, gain/loss on change in fair value of unlisted warrants, loss on issue of convertible bonds, impairment loss on investments in associates, finance costs, as well as other head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

5. OPERATING SEGMENT INFORMATION (Continued)

(a) Segment revenue and results

	Segment revenue		Segment profit/(loss)	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Securities investments	**–**	–	**(3,706)**	25,879
Trading of commodities	**56,363**	73,227	**(17,363)**	(9,689)
Trading of garment accessories	**539**	12,618	**(9,472)**	(1,320)
Manufacture and sales of LED digital display products	**3,551**	1,166	**(4,088)**	(2,096)
Provision of securities placing and brokerage services	**3,363**	–	**1,365**	–
Leasing of investment properties	**90**	–	**63**	–
	63,906	87,011	**(33,201)**	12,774
Discontinued operations				
Manufacture and sales of straw briquettes	**–**	–	**–**	(61,128)
	63,906	87,011	**(33,201)**	(48,354)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: Nil).

	2016	2015
	HK$'000	HK$'000
Segment loss reported above	**(33,201)**	(48,354)
Interest income	**1,529**	887
(Loss)/gain on disposal of subsidiaries	**(22,354)**	1,083
Loss on disposal of associates	**(203)**	–
Gain/(loss) on change in fair value of unlisted warrants	**13,481**	(11,417)
Loss on issue of convertible bonds	**–**	(161,734)
Impairment loss on investments in associates	**(2,500)**	–
Corporate and other unallocated expenses	**(28,795)**	(30,003)
Finance costs	**(7,100)**	(14,999)
Share of loss of associates	**(91)**	(76)
Loss before taxation	**(79,234)**	(264,613)
Taxation credit/(charge)	**875**	(799)
Loss for the year	**(78,359)**	(265,412)

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	2016 HK$'000	2015 HK$'000
Segment assets		
Continuing operations		
Securities investments	**26,145**	63,258
Trading of commodities	**35,354**	76,990
Trading of garment accessories	**989**	14,915
Manufacture and sales of LED digital display products	**6,161**	7,131
Provision of securities placing and brokerage services	**120,998**	–
Leasing of investment properties	**16,356**	–
	206,003	162,294
Discontinued operations		
Manufacture and sales of straw briquettes	**–**	–
Total segment assets	**206,003**	162,294
Corporate and other unallocated assets	**24,783**	30,947
Total assets	**230,786**	193,241

	2016 HK$'000	2015 HK$'000
Segment liabilities		
Continuing operations		
Securities investments	**–**	–
Trading of commodities	**–**	24,288
Trading of garment accessories	**8,217**	10,257
Manufacture and sales of LED digital display products	**3,020**	885
Provision of securities placing and brokerage services	**57,855**	–
Leasing of investment properties	**135**	–
	69,227	35,430
Discontinued operations		
Manufacture and sales of straw briquettes	**–**	17,018
Total segment liabilities	**69,227**	52,448
Corporate and other unallocated liabilities	**55,274**	81,284
Total liabilities	**124,501**	133,732

5. OPERATING SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

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

- all assets are allocated to operating segments other than certain property, plant and equipment, investments in associates, other deposits and prepayments, other receivables, loans receivable, bank balances and cash and assets used jointly by reportable segments. Goodwill is allocated to segments as described in Note 19. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to operating segments other than certain other payables and accruals, corporate bonds payable, convertible bonds payables, other borrowings, unlisted warrants, income tax payable and deferred tax liabilities and liabilities for which reportable segments are jointly liable. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

(c) Other segment information

	Depreciation and amortisation		**Addition to non-current assets**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Trading of garment accessories	**861**	635	**–**	4,305
Manufacture and sales of LED digital display products	**977**	251	**125**	5,938
Provision of securities placing and brokerage services	**41**	–	**11**	–
Leasing of investment properties	**–**	–	**16,352**	–
	1,879	886	**16,488**	10,243
Discontinued operations				
Manufacture and sales of straw briquettes	**–**	7,250	**–**	–
	1,879	8,136	**16,488**	10,243
Unallocated	**783**	194	**4,423**	1,984
Consolidated total	**2,662**	8,330	**20,911**	12,227

The additions to non-current assets consist of additions to property, plant and equipment and exclude assets from the acquisition of subsidiaries and financial assets.

In addition to the depreciation and amortisation reported above, impairment losses totalling HK$34,275,000 (2015: HK$62,089,000) were recognised in respect of inventories, trade and other receivables, property, plant and equipment and prepaid land lease payments. These impairment losses were attributable to the following segments:

5. OPERATING SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

(i) Impairment loss in respect of inventories

	2016 HK$'000	2015 HK$'000
Continuing operations		
Trading of commodities	–	4,977
Trading of garment accessories	1,020	–
	1,020	4,977
Discontinued operations		
Manufacture and sales of straw briquettes	–	430
	1,020	5,407

(ii) Impairment loss in respect of trade and other receivables

	2016 HK$'000	2015 HK$'000
Continuing operations		
Trading of commodities	21,363	4,889
Trading of garment accessories	5,210	10
	26,573	4,899
Discontinued operations		
Manufacture and sales of straw briquettes	–	6,971
	26,573	11,870
Unallocated	4,777	94
	31,350	11,964

(iii) Impairment loss in respect of property, plant and equipment

	2016 HK$'000	2015 HK$'000
Continuing operations		
Trading of garment accessories	1,905	–
Discontinued operations		
Manufacture and sales of straw briquettes	–	38,905
	1,905	38,905

5. OPERATING SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

(iv) Impairment loss in respect of prepaid land lease payments

	2016 HK$'000	2015 HK$'000
Discontinued operations		
Manufacture and sales of straw briquettes	–	5,813

(d) Geographical information

(i) Revenue from external customers

	2016 HK$'000	2015 HK$'000
Mainland China	**29,551**	3,234
Hong Kong	**34,355**	10,550
Singapore	–	73,227
	63,906	87,011

The revenue information above is based on the locations of the customers.

(ii) Non-current assets

	2016 HK$'000	2015 HK$'000
Hong Kong	**42,383**	19,277
Mainland China	**5,190**	5,454
	47,573	24,731

The non-current assets information is based on the locations of the assets and excludes goodwill.

5. OPERATING SEGMENT INFORMATION (Continued)

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group as follows:

	Revenue generated from	2016 HK$'000	2015 HK$'000
Customer A	Trading of commodities	**30,363**	–
Customer B	Trading of commodities	**26,000**	–
Customer C	Trading of commodities	**–**	26,378
Customer D	Trading of commodities	**–**	23,502
Customer E	Trading of commodities	**–**	23,347
		56,363	73,227

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover recognised for the year, represents the aggregate of net invoiced value of goods sold, after allowances for returns, trade discounts and sales related taxes, income from provision of securities placing and brokerage services and rental income from lease of investment properties, analysed as follows:

	2016 **Continuing operations** **HK$'000**	**2016** **Discontinued operations** **HK$'000**	**2016** **Total** **HK$'000**	2015 Continuing operations HK$'000	2015 Discontinued operations HK$'000	2015 Total HK$'000
Revenue						
Sales of goods	**60,453**	**–**	**60,453**	87,011	–	87,011
Provision of securities placing and brokerage services	**3,363**	**–**	**3,363**	–	–	–
Rental income from lease of investment properties	**90**	**–**	**90**	–	–	–
Total revenue	**63,906**	**–**	**63,906**	87,011	–	87,011

6. REVENUE, OTHER INCOME AND GAINS (Continued)

	2016			2015		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Other income and gain						
Gain on change in fair value of financial assets at fair value through profit or loss						
Net unrealised gain on listed securities held for trading	**1,631**	**–**	**1,631**	10,094	–	10,094
Net realised gain on sale of listed securities held for trading	**–**	**–**	**–**	15,785	–	15,785
	1,631	**–**	**1,631**	25,879	–	25,879
Gain on disposal of subsidiaries *(Note 41b)*	**–**	**–**	**–**	1,083	–	1,083
Interest income from	**–**					
– loan receivable	**1,441**	**–**	**1,441**	851	–	851
– bank deposits	**88**	**–**	**88**	33	3	36
Exchange gains, net	**211**	**–**	**211**	–	–	–
Rental income	**247**	**–**	**247**	75	–	75
Others	**561**	**–**	**561**	972	–	972
Total other income and gains	**4,179**	**–**	**4,179**	28,893	3	28,896

7. OTHER OPERATING EXPENSES

	2016 Continuing operations HK$'000	2016 Discontinued operations HK$'000	2016 Total HK$'000	2015 Continuing operations HK$'000	2015 Discontinued operations HK$'000	2015 Total HK$'000
Impairment losses recognised in respect of:						
– Property, plant and equipment *(Note 16)*	**1,905**	**–**	**1,905**	–	38,905	38,905
– Prepaid land lease payments *(Note 17)*	**–**	**–**	**–**	–	5,813	5,813
– Inventories *(Note 23)*	**1,020**	**–**	**1,020**	4,977	430	5,407
– Trade receivables *(Note 24)*	**26,573**	**–**	**26,573**	–	3,616	3,616
– Proceeds receivable from disposal of subsidiaries *(Note 25a)*	**4,777**	**–**	**4,777**	–	–	–
– Other receivables *(Note 25b)*	**–**	**–**	**–**	4,993	3,355	8,348
– Goodwill *(Note 19)*	**–**	**–**	**–**	509	–	509
– Investments in associates *(Note 21)*	**2,500**	**–**	**2,500**	–	–	–
Loss on disposal of associates *(Note 21)*	**203**	**–**	**203**	–	–	–
Net realised loss on sale of listed securities held for trading	**5,337**	**–**	**5,337**	–	–	–
	42,315	**–**	**42,315**	10,479	52,119	62,598

8. FINANCE COSTS

	2016 Continuing operations HK$'000	2016 Discontinued operations HK$'000	2016 Total HK$'000	2015 Continuing operations HK$'000	2015 Discontinued operations HK$'000	2015 Total HK$'000
Interest on:						
– Corporate bonds payable *(Note 30)*	**1,530**	**–**	**1,530**	1,968	–	1,968
– Other borrowings *(Note 31)*	**843**	**–**	**843**	5,739	94	5,833
– Amount due to noteholder *(Note 32)*	**–**	**–**	**–**	4,417	–	4,417
– Convertible bonds payable *(Note 35)*	**4,725**	**–**	**4,725**	2,781	–	2,781
– bank overdraft	**2**	**–**	**2**			
	7,100	**–**	**7,100**	14,905	94	14,999

9. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	2016			2015		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Director's remuneration *(Note 10)*	**3,392**	**–**	**3,392**	3,060	–	3,060
Other staff costs (excluding directors' remuneration):						
Wages, salaries and allowances	**7,128**	**–**	**7,128**	7,042	404	7,446
Contribution to retirement schemes	**156**	**–**	**156**	117	–	117
Total staff costs	**10,676**	**–**	**10,676**	10,219	404	10,623
Cost of inventories sold	**57,240**	**–**	**57,240**	87,178	–	87,178
Depreciation of :						
– property, plant and equipment	**2,662**	**–**	**2,662**	1,080	7,122	8,202
Amortisation of prepaid land lease payment *(Note)*	**–**	**–**	**–**	–	128	128
Auditor's remuneration						
– audit services	**650**	**–**	**650**	800	–	800
Exchange losses, net	**–**	**–**	**–**	147	–	147
Rental charges on land and buildings under operating leases	**3,223**	**–**	**3,223**	1,529	–	1,529
Loss on disposal of property, plant and equipment	**164**	**–**	**164**	2	–	2

Note: The amortisation of prepaid land lease payments for the year is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

10. DIRECTORS' REMUNERATION

Details of emoluments paid by the Group to the directors of the Company are as follows:

2016	**Fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Pension scheme contribution HK$'000**	**Total remuneration HK$'000**
Executive directors:				
Mr. Shan Xiaochang *(note i)*	**–**	**–**	**–**	**–**
Mr. Ma Arthur On-hing	**–**	**1,300**	**18**	**1,318**
Mr. Shan Biao *(note ii)*	**–**	**260**	**–**	**260**
Mr. Mui Wai Sum	**–**	**260**	**–**	**260**
Mr. Xiao Yujie *(note iii)*	**–**	**–**	**–**	**–**
Ms. Kwan Kar Ching *(note iv)*	**–**	**585**	**13**	**598**
Ms. Hsin Yi-Chin *(note v)*	**–**	**586**	**–**	**586**
Non-executive director:				
Mr. Chen Wai Chung Edmund *(note vi)*	**10**	**–**	**–**	**10**
Independent non-executive directors:				
Ms. Chan Sze Man *(note vii)*	**–**	**–**	**–**	**–**
Mr. Ho Chun Kit Gregory *(note viii)*	**70**	**–**	**–**	**70**
Mr. Ng Chi Ho Dennis *(note ix)*	**–**	**–**	**–**	**–**
Mr. Ho Wai Shing *(note x)*	**60**	**–**	**–**	**60**
Mr. Hung Cho Sing *(note xi)*	**120**	**–**	**–**	**120**
Mr. Luk Kin Ting *(note xii)*	**60**	**–**	**–**	**60**
Ms. Wong Ka Yan *(note xiii)*	**50**	**–**	**–**	**50**
	370	**2,991**	**31**	**3,392**

2015	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contribution HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Shan Xiaochang *(note i)*	–	121	5	126
Mr. Ma Arthur On-hing	–	1,170	18	1,188
Mr. Shan Biao *(note ii)*	–	520	–	520
Mr. Mui Wai Sum	–	260	–	260
Mr. Xiao Yujie *(note iii)*	–	17	–	17
Ms. Kwan Kar Ching *(note iv)*	–	293	–	293
Non-executive director:				
Mr. Chen Wai Chung Edmund *(note vi)*	260	–	–	260
Independent non-executive directors:				
Ms. Chan Sze Man *(note vii)*	36	–	–	36
Mr. Ho Chun Kit Gregory *(note viii)*	120	–	–	120
Mr. Ng Chi Ho Dennis *(note ix)*	45	–	–	45
Mr. Ho Wai Shing *(note x)*	120	–	–	120
Mr. Hung Cho Sing *(note xi)*	75	–	–	75
	656	2,381	23	3,060

10. DIRECTORS' REMUNERATION (Continued)

Notes:

(i) Mr. Shan Xiaochang resigned as executive director of the Company on 25 March 2015.

(ii) Mr. Shan Biao resigned as executive director of the Company on 30 June 2016.

(iii) Mr. Xiao Yujie resigned as executive director of the Company on 26 January 2015.

(iv) Ms. Kwan Kar Ching was appointed executive director of the Company on 1 April 2015.

(v) Ms. Hsin Yi-Chin was appointed executive director of the Company on 20 April 2016.

(vi) Mr. Chen Wai Chung Edmund resigned as non-executive director of the Company on 15 January 2016.

(vii) Ms. Chan Sze Man resigned as independent non-executive director of the Company on 17 April 2015.

(viii) Mr. Ho Chun Kit Gregory resigned as independent non-executive director of the Company on 1 August 2016.

(ix) Mr. Ng Chi Ho Dennis resigned as independent non-executive director of the Company on 15 May 2015.

(x) Mr. Ho Wai Shing resigned as independent non-executive director of the Company on 30 June 2016.

(xi) Mr. Hung Cho Sing was appointed independent non-executive director of the Company on 15 May 2015.

(xii) Mr. Luk Kin Ting was appointed independent non-executive director of the Company on 30 June 2016.

(xiii) Ms. Wong Ka Yan was appointed independent non-executive director of the Company on 1 August 2016 and resigned on 28 February 2017.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2015: one director) whose remuneration are included in directors' remuneration as set out in note 10 above. Details of the remuneration of the remaining four highest paid employees (2015: four employees) are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and other benefits	**5,265**	4,992
Pension scheme contribution	**90**	52
	5,355	5,044

The remuneration of these four highest paid employees (2015: four employees) fell within the following bands:

	2016 **Number** **of employees**	2015 Number of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**2**	1
HK$2,000,001 to HK$2,500,000	**–**	1
	4	4

12. TAXATION CREDIT/(CHARGE)

	2016 Continuing operations HK$'000	2016 Discontinued operations HK$'000	2016 Total HK$'000	2015 Continuing operations HK$'000	2015 Discontinued operations HK$'000	2015 Total HK$'000
Current tax						
Hong Kong Profit Tax	**(260)**	**–**	**(260)**	(4)	–	(4)
PRC Enterprise Income Tax	**–**	**–**	**–**	–	–	–
	(260)	**–**	**(260)**	(4)	–	(4)
Deferred tax credit/(charges) *(Note 36)*	**1,135**	**–**	**1,135**	(1,683)	888	(795)
Taxation credit/(charge) for the year	**875**	**–**	**875**	(1,687)	888	(799)

Hong Kong Profit Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

The income tax expense can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Loss before taxation from:		
Continuing operations	**(56,880)**	(203,485)
Discontinued operations (Note 13)	**(22,354)**	(61,128)
Loss before taxation	**(79,234)**	(264,613)
Tax calculated at the tax rate of 16.5% (2015: 16.5%)	**(13,074)**	(43,661)
Tax effect of expenses not deductible for tax	**15,248**	36,569
Tax effect of income not subject to tax	**(3,008)**	(276)
Tax effect of deductible temporary differences not recognised	**(2,003)**	7,646
Tax effect of tax loss not recognised	**1,962**	432
Others	**–**	89
Taxation (credit)/charge	**(875)**	799

Following the cessation of straw briquettes business in Mainland China in the prior year ended 31 December 2015, the Group's activities are substantially carried out in Hong Kong. In the preparation of the above reconciliation, the Hong Kong Profits Tax rate of 16.5% has been taken as the applicable tax rate for the current and the prior years.

13. DISCONTINUED OPERATIONS

During the year, following the disposal of the Company's subsidiary, Shengyan, as detailed in Note 41a, the Group discontinued its business of manufacture and sales of straw briquette on 31 March 2016. An analysis of the results attributable to the discontinued operations is as follows:

	1.1.2016 to 31.3.2016 HK$'000	1.1.2015 to 31.12.2015 HK$'000
Loss of the discontinued operations	**–**	(60,240)
Loss on disposal of subsidiaries *(Note 41a)*	**(22,354)**	–
Loss for the year from discontinued operations	**(22,354)**	(60,240)
Loss for the year from discontinued operations attributable to:		
Owners of the Company	**(22,354)**	(30,678)
Non-controlling interests	**–**	(29,562)
Loss for the year from discontinued operations	**(22,354)**	(60,240)

The loss from discontinued operations are analysed as follows:

	Notes	**1.1.2016 to 31.3.2016 HK$'000**	1.1.2015 to 31.12.2015 HK$'000
Revenue	*6*	**–**	–
Other income and gains	*6*	**–**	3
Administrative expenses		**–**	(8,918)
Other operating expenses	*7*	**–**	(52,119)
Finance costs	*8*	**–**	(94)
Loss before taxation		**–**	(61,128)
Taxation credit	*12*	**–**	888
Loss of the discontinued operations		**–**	(60,240)
Cash flows from discontinued operations			
Net cash outflows from operating activities		**(8)**	(380)
Net cash inflows from investing activities		**–**	3
Net cash outflows from financing activities		**–**	(94)
		(8)	(471)

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting date (2015: Nil).

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is as follows:

	Continuing operations		**Continuing and discontinued operations**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loss				
Loss for the purpose of basic of basic loss per share				
Loss for the year attributable to owners of the Company	**(49,543)**	(203,512)	**(71,897)**	(234,190)
Effect of dilutive potential ordinary shares:				
Gain on change in fair value of unlisted warrants	**–**	11,417	**–**	11,417
Interest on convertible bonds	**4,725**	2,781	**4,725**	2,781
Loss for the purpose of diluted loss per share	**N/A**	N/A	**N/A**	N/A

	2016	2015
	'000	'000
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,288,512**	730,555
Effect of dilutive potential ordinary shares:		
Unlisted warrants	**–**	33,145
Convertible bonds	**327,089**	214,812
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,615,601**	978,512

The weighted average number of ordinary shares shown above is calculated after taking account of the effect arising from the open offer of shares of the Company made subsequent to the end of the reporting period (Note 48a). Comparative information has been restated accordingly to conform with the current year's presentation.

Diluted loss per share for the years ended 31 December 2016 and 31 December 2015 is not presented because the Group sustained a loss for each of these years and the impact of conversion of convertible bonds and exercise of share options and unlisted warrants is regarded as anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery, furniture and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST OR VALUATION					
At 1 January 2015	7,175	23,097	71,793	5,034	107,099
Additions	–	5,299	6,928	–	12,227
Disposals	–	(602)	(190)	–	(792)
Exchange realignment	(261)	(967)	(2,644)	(95)	(3,967)
At 31 December 2015 and 1 January 2016	**6,914**	**26,827**	**75,887**	**4,939**	**114,567**
Additions	**–**	**11**	**125**	**4,423**	**4,559**
Acquisition of subsidiaries *(Note 40a)*	**–**	**551**	**388**	**532**	**1,471**
Disposals	**–**	**–**	**(5)**	**(532)**	**(537)**
Derecognised on disposal of subsidiaries *(Note 41a)*	**(6,914)**	**(21,678)**	**(68,869)**	**(4,939)**	**(102,400)**
Exchange realignment	**–**	**(225)**	**(149)**	**–**	**(374)**
At 31 December 2016	**–**	**5,486**	**7,377**	**4,423**	**17,286**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2015	436	13,065	45,129	1,868	60,498
Depreciation for the year	281	1,707	6,019	195	8,202
Eliminated on disposals	–	(602)	(188)	–	(790)
Impairment losses recognised in profit or loss *(Note 7)*	6,221	8,576	21,196	2,912	38,905
Exchange realignment	(24)	(760)	(2,384)	(36)	(3,204)
At 31 December 2015 and 1 January 2016	**6,914**	**21,986**	**69,772**	**4,939**	**103,611**
Acquisition of subsidiaries *(Note 40a)*	**–**	**269**	**84**	**42**	**395**
Depreciation for the year	**–**	**1,258**	**1,240**	**164**	**2,662**
Eliminated on disposals	**–**	**–**	**(5)**	**(44)**	**(49)**
Eliminated on disposal of subsidiaries *(Note 41a)*	**(6,914)**	**(21,678)**	**(68,869)**	**(4,939)**	**(102,400)**
Impairment losses recognised in profit or loss *(Note 7)*	**–**	**–**	**1,905**	**–**	**1,905**
Exchange realignment	**–**	**(41)**	**(18)**	**–**	**(59)**
At 31 December 2016	**–**	**1,794**	**4,109**	**162**	**6,065**
CARRYING AMOUNTS					
At 31 December 2016	**–**	**3,693**	**3,268**	**4,261**	**11,221**
At 31 December 2015	–	4,841	6,115	–	10,956

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The property, plant and machinery, other than buildings, are carried at cost less accumulated depreciation and accumulated impairment, if any. The buildings, which are situated in the PRC, were carried at fair value on Level 3 fair value measurement.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, less their residual values as follows:

Buildings	Remaining lease terms of the relevant land
Leasehold improvements	2–5 years
Machinery, furniture and equipment	3–10 years
Motor vehicles	5 years

The Group's buildings at 31 December 2015, which were carried at fair value on Level 3 fair value measurement, have been fully impaired as at that date for the reason stated below.

Reconciliation of Level 3 fair value measurements is as follows:

	Buildings	
	2016	2015
	HK$'000	HK$'000
At 1 January, at fair value	**–**	6,739
Depreciation for the year	**–**	(281)
Impairment loss recognised	**–**	(6,221)
Exchange realignment	**–**	(237)
Eliminated on disposal of subsidiaries	**–**	–
At 31 December, at fair value	**–**	–

Following the temporary suspension of the trading of garment accessories business, management of the Company conducted a review of the economic viability of the Group's property, plant and equipment relating to this business and considered it appropriate to recognise impairment loss of HK$1,905,000 (2015: Nil) on such assets based on their fair value less costs to sell. Such impairment loss has been recognised in profit or loss in respect of the year and included in other operating expenses (Note 7).

During the year ended 31 December 2015, following the cessation of the business operations of a subsidiary, Shengyan (Note 13), management of the Company conducted a review of the economic viability of the Group's land and buildings and other property, plant and equipment relating to this business and considered it appropriate to recognise additional impairment losses amounted to HK$5,813,000 and HK$38,905,000 on prepaid land lease payments and property, plant and equipment respectively, based on their estimated fair value less costs to sell. Such impairment losses have been recognised in profit or loss in respect of the prior year ended 31 December 2015 and were included in other operating expenses (Note 7).

17. PREPAID LAND LEASE PAYMENTS

	2016 **HK$'000**	2015 HK$'000
The Group's prepaid land lease payments comprise:		
Land outside Hong Kong under medium-term lease	**–**	–
Movements during the year:		
At beginning of the year	**–**	6,174
Amortisation for the year	**–**	(128)
Impairment losses recognised in profit of loss *(Notes 7 and 16)*	**–**	(5,813)
Exchange realignment	**–**	(233)
At end of the year	**–**	–

18. INVESTMENT PROPERTIES

The Group's investment properties comprise:

	2016 **HK$'000**	2015 HK$'000
Investment properties in Hong Kong	**16,352**	–

Notes:

(a) All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties, which represent office premises which are located in Hong Kong held under land on long lease have been arrived at on the basis of a valuation carried out at that date by B.I. Appraisals Limited ("B.I. Appraisals"), which is an independent qualified professional valuer not connected with the Group.

The investment properties of the Group were rented out under operating leases as at 31 December 2016.

(b) The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2016 **HK$'000**	2015 HK$'000
At the beginning of the year	**–**	–
Additions	**16,352**	–
Change in fair value	**–**	–
At the end of the year	**16,352**	–

18. INVESTMENT PROPERTIES (Continued)

The investment properties were revalued on direct comparison approach by making reference to comparable sale evidence as available in the relevant market or, wherever appropriate, the investment approach by taking into account the current rents passing and the reversionary income potential of the tenancies.

The significant unobservable inputs into the valuation technique include:

Estimated rental value	Based on the actual view, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties
Discount rate	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows
Premium or discount for quality of properties	Quality of properties, such as view, time, location, size, level and condition of the properties

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used):

Properties and location	Fair value as at 31 December 2016 HK$'000	Valuation techniques	Significant unobservable inputs	Range of significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Office premises located in Hong Kong	16,352	investment approach	unit rent and market yield	HK$31 to 46 (unit rent) and 1.82% to 3.05% (yield)	the higher the rental the higher the market value; the higher the market yield the lower the market value

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

19. GOODWILL

	2016 **HK$'000**	2015 HK$'000
Cost		
At beginning of the year	**509**	–
Acquisition of subsidiaries *(Note 40a)*	**18,302**	509
At end of the year	**18,811**	509
Impairment		
At beginning of the year	**(509)**	–
Impairment loss recognised *(Note 7)*	**–**	(509)
At end of the year	**(509)**	(509)
Carrying amounts		
At end of the year	**18,302**	–

Goodwill has been allocated for impairment testing purposes to the following cash-generating units ("CGUs")

– Trading of garment accessories undertaken by a subsidiary, Mark Wish Limited ("Mark Wish")

– Provision of securities placing and brokerage services undertaken by a subsidiary, Koala Securities Limited ("Koala Securities")

The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2016 and 31 December 2015 allocated to these units are as follows:

	2016 **HK$'000**	2015 HK$'000
Mark Wish	**–**	–
Koala Securities	**18,302**	–
	18,302	–

19. GOODWILL (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below.

Mark Wish

In view that this cash-generating unit is not profitable, the directors of the Company consider it appropriate to recognise impairment loss on the goodwill of HK$509,000 attributable to the cash-generating unit which was included in the other operating expenses in respect of the year ended 31 December 2015.

Koala Securities

The recoverable amount of this group of cash generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period, and a discount rate of 22.11% per annum.

Cash flow projection during the budget period are based on the same expected gross margins throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate which is projected long-term average growth rate. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the group of units to exceed the aggregate recoverable amount.

20. OTHER INTANGIBLE ASSETS

	Securities brokerage licence	
	2016	2015
	HK$'000	HK$'000
COST		
At beginning of the year	**–**	–
Acquisition of subsidiaries *(Note 40a)*	**20,000**	–
At end of the year	**20,000**	–

The securities brokerage licence is held by a subsidiary, Koala Securities Limited ("Koala"), which was acquired by the Group, details of which are set out in note 40. Under the securities brokerage licence, Koala is entitled to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance.

20. OTHER INTANGIBLE ASSETS (Continued)

Impairment assessments for securities brokerage licence with indefinite useful life

Management assesses impairment of securities brokerage licence with indefinite useful life annually using the value in use method calculated based on cash flow projections of the business of provision of securities placing and brokerage services undertaken by Koala Securities (Note 19) to which the intangible asset relates.

Based on the impairment assessment, management considers that no impairment loss on the intangible asset is required to be made in the consolidated financial statements.

21. INVESTMENTS IN ASSOCIATES

	2016 **HK$'000**	2015 HK$'000
Unlisted shares, at cost	**–**	5,000
Share of post-acquisition loss and other comprehensive expense	**–**	(76)
	–	4,924

	2016 **HK$'000**	2015 HK$'000
Movements during the year are as follows:		
At beginning of the year	**4,924**	–
Acquisition during the year	**–**	5,000
Share of post-acquisition losses and other comprehensive expense	**(91)**	(76)
Impairment loss recognised	**(2,500)**	–
Eliminated on disposal	**(2,333)**	–
At end of the year	**–**	4,924

During the year ended 31 December 2015, the Group acquired 30% equity interest in Summus Asia Limited ("Summus Asia", incorporated in the British Virgin Islands) at the consideration of HK$5,000,000, of which HK$3,200,000 was paid up to that date with the remaining balance of HK$1,800,000 included in other payables and accruals (Note 29). Summus Asia, through its wholly-owned subsidiary, Summus Limousine Services Limited, incorporated and operating in Hong Kong, is principally engaged in the provision of limousine services. Included in the cost of investments in associates at 31 December 2015 is goodwill of HK$5,067,000 arising on acquisition of associates.

21. INVESTMENTS IN ASSOCIATES (Continued)

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

In view of the continuous operating losses sustained by the associates, impairment loss amounted to HK$2,500,000 (2015: Nil) on costs of investments in associates is recognised in the consolidated financial statements and is included in other operating expenses (Note 7).

On 19 September 2016, the Company disposed of 30% equity interest in Summus Asia for the consideration which was satisfied by the waiver of the amounts due by the Group to the associates amounted to HK$2,130,000. The disposal resulted in a loss of HK$203,000 (2015: Nil) and included in other operating expenses (Note 7). The settlement of the disposal consideration is regarded as a non-cash item in the preparation of the consolidated statement of cash flows.

The summarised financial information of the Group's associates, which represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs, is set out below:

Summus Asia and its subsidiary	Year ended 31 December 2015 HK$'000
Current assets	720
Non-current assets	1,350
Current liabilities	(2,545)
Revenue	506
Loss for the year	(252)
Other comprehensive income/expense for the year	–
Total comprehensive expense for the year	(252)

Reconciliation of the above summarised financial information to the carrying amount of the investment in the associate recognised in the consolidated financial statements:

	At 31 December 2015 HK$'000
Net liabilities of the associate	(475)
Proportion of the Group's ownership interest in Summus Asia	30%
Goodwill	5,067
Carrying amount of the Group's interest in Summus Asia	4,924

22. LOANS RECEIVABLE

	2016 HK$'000	2015 HK$'000
Loans and interests thereon		
– receivable within one year	**10,292**	–
– receivable in the second to fifth years	**–**	8,851
	10,292	8,851

	2016 HK$'000	2015 HK$'000
Analysed for reporting purposes:		
Classified under		
– non-current assets	**–**	8,851
– current assets	**10,292**	–
	10,292	8,851

During the year ended 31 December 2015, the Company entered into agreements with certain third parties, pursuant to which loans totalled HK$8,000,000 were made by the Company to such parties.

Details of the loans receivable are as follows:

Loan principal amount HK$'000	Interest rate	Maturity date	Security pledged
3,000	20% per annum	3 February 2017	Nil
3,000	20% per annum	19 August 2017	Nil
2,000	12% per annum	18 August 2017	62.5% equity interest in a subsidiary of the borrower
8,000			

Loans and interests receivable will be settled by the borrowers at the respective maturity dates.

23. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**133**	59
Work in progress	**89**	163
Finished goods	**471**	23,345
	693	23,567

Impairment losses on finished goods amounted to HK$1,020,000 (2015: HK$5,407,000) have been recognised and were included in other operating expenses.

Included in finished goods at 31 December 2015 are the fertilisers, which were purchased by the Group for trading purposes, amounted to HK$22,284,000. During the year, the Group sold the fertilisers for the total consideration of HK$26,000,000. The sale proceeds remained unsettled up to the end of the reporting period and is included in trade receivables (Note 24).

24. ACCOUNTS RECEIVABLE

	2016 HK$'000	2015 HK$'000
Trade receivables	**62,206**	80,155
Less: Impairment loss recognised	**(26,573)**	(46,473)
	35,633	33,682
Accounts receivable from the business of securities brokerage:		
Clearing house, brokers and cash clients	**19,214**	–
	54,847	33,682

The ageing analysis of trade receivables, net of impairment loss, based on delivery date is as follows:

	2016 HK$'000	2015 HK$'000
Within 90 days	**19,787**	27,623
91–180 days	**–**	2,633
181–365 days	**35,060**	3,426
More than 365 days	**–**	–
	54,847	33,682

24. ACCOUNTS RECEIVABLE (Continued)

Trade receivables

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. An average credit period of 180 days (2015: 180 days) is granted to customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. An aging analysis of the Group's trade receivables, that are past due but not impaired, is as follows:

	2016 HK$'000	2015 HK$'000
Past due:		
181–365 days	**35,060**	3,426

The Group reviews customer credit limit regularly based on historical repayment record. Trade receivables that were neither past due nor impaired related to a number of customers. Having considered the credit quality of the customers and the past experience of debts settlement, management of the Group is of the view that these trade receivables are fully recoverable and impairment loss on the receivables is not required to be made.

Included in trade receivables past due are gross receivables from sales of fertilisers (Note 23) and other commodities amounted to HK$26,000,000 (2015: Nil) and HK$30,363,000 (2015: Nil) respectively of which impairment losses amounted to HK$11,000,000 and HK$10,363,000 respectively have been recognised for the current year. Subsequent to the end of the reporting period, the Group entered into agreements with the related customers, under which these receivables will be settled by the customers by instalments, the last of which falls due in June 2017. Up to the date of approval of these consolidated financial statements, such receivables to the extent of HK$15,000,000 have been settled by the customers.

The table below reconciled the impairment of trade receivables for the year:

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	**46,473**	44,587
Impairment loss recognised *(Note 7)*	**26,573**	3,616
Eliminated on disposal of subsidiaries	**(46,473)**	–
Exchange realignment	**–**	(1,730)
Balance at end of the year	**26,573**	46,473

Accounts receivable from the business of securities brokerage

The settlement terms of accounts receivable from clearing house, brokers and cash clients, are two days after trade date. Included in accounts receivables from clearing house, brokers and cash clients are receivables with an aggregate carrying amount of HK$5,388,000 (2015: Nil) which are past due but not impaired at the reporting date. Such amounts have been subsequently settled, accordingly no provision is considered necessary.

No ageing analysis of the accounts receivable from clearing house, brokers and cash clients is disclosed as management of the Group is of the view that the ageing analysis does not give additional value in view of the nature of this business.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Deposits paid for purchase of commodities for trading	–	30,000
Other deposits and prepayments	3,111	6,668
Proceeds receivable from disposal of subsidiaries *(Note a)*	3,000	4,777
Other receivables *(Note b)*	570	156
	6,681	41,601

Notes:

(a) An analysis of the proceeds receivable from disposal of subsidiaries is as follows:

	2016 HK$'000	2015 HK$'000
Proceeds receivable	7,777	4,777
Less: Impairment loss recognised	(4,777)	–
	3,000	4,777

As referred to in note 41, the Group disposed of its 100% equity interests in the subsidiaries, Rich Share Global Limited ("Rich Share") and A-Plus Glory Capital Limited ("A-Plus"), for a consideration of HK$3,000,000 and HK$4,777,000 during the years ended 31 December 2016 and 31 December 2015 respectively. The proceeds receivable are unsecured and interest free. The receivable from disposal of Rich Share was settled in full in January 2017. The receivable from disposal of A-Plus is past due and remained outstanding. As it is not certain that the receivable from disposal of A-Plus will be settled by the purchaser, management considers it appropriate to recognise an impairment loss of HK$4,777,000 (2015: Nil) on the receivable. This impairment loss has been included in other operating expenses (Note 7).

(b) An analysis of other receivables is as follows:

	2016 HK$'000	2015 HK$'000
Other receivables	8,124	12,494
Less: Impairment loss recognised	(7,554)	(12,338)
	570	156

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(b) (Continued)

The table below reconciled the impairment of other receivables:

	2016 HK$'000	2015 HK$'000
Balance at beginning of the year	**12,338**	5,150
Impairment loss recognised *(Note 7)*	**–**	8,348
Eliminated on disposal of subsidiaries	**(4,784)**	(998)
Exchange realignment	**–**	(162)
Balance at end of the year	**7,554**	12,338

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Equity securities listed in Hong Kong, at fair value *(Note 45c (i))*	**26,145**	63,258

27. BANK BALANCES AND CASH

	2016 HK$'000	2015 HK$'000
Bank balances		
– trust accounts *(Note a)*	**43,267**	–
– general accounts and cash *(Note b)*	**22,986**	6,402
	66,253	6,402

Notes:

(a) The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its securities brokerage business. These clients' monies are maintained in one or more trust bank accounts and bear interest at commercial rates. The Group has recognised the corresponding accounts payable to respective clients and other institutions. The Group currently does not have an enforceable right to offset those payables with the deposits placed.

(b) The general accounts and cash comprise cash held by the Group and bank deposits bearing interest at commercial rates with original maturity of three months or less.

28. ACCOUNTS PAYABLE

	2016 **HK$'000**	2015 HK$'000
Trade payables	**6,468**	40,102
Accounts payable from the business of securities brokerage		
Clearing house, brokers and cash clients	**56,780**	–
	63,248	40,102

In general, the credit terms granted for trade payables by suppliers ranged from 30 to180 days. An ageing analysis of the Group's trade payables is as follows:

	2016 **HK$'000**	2015 HK$'000
Within 30 days	**166**	1,448
31–90 days	**294**	26,137
91–180 days	**320**	2,009
181–365 days	**–**	3,440
More than 365 days	**5,688**	7,068
	6,468	40,102

The settlement terms of accounts payable arising from the business of securities brokerage are two dates after trade date. No ageing analysis of these accounts payable is disclosed as management of the Group is of the view that the ageing analysis does not give additional value in view of the nature of this business.

29. OTHER PAYABLES AND ACCRUALS

	2016 **HK$'000**	2015 HK$'000
Other payables	**2,368**	3,171
Payable in respect of the acquisition of associates *(Note 21)*	**–**	1,800
Accrued charges	**5,872**	9,076
	8,240	14,047

30. CORPORATE BONDS PAYABLE

	2016 **HK$'000**	2015 HK$'000
Carrying amount of corporate bonds due on:		
– 7 September 2016	**–**	11,416
– 29 September 2021	**6,549**	6,066
– 9 March 2022	**7,763**	7,400
	14,312	24,882

	2016 **HK$'000**	2015 HK$'000
Analysed for reporting purposes:		
Classified under		
Non-current liabilities		
Payable in the second to fifth years	**6,549**	–
Payable more than five years	**7,763**	13,466
	14,312	13,466
Current liabilities		
Payable within one year	**–**	11,416
	14,312	24,882

Movements in the corporate bonds payable are as follows:

	2016 **HK$'000**	2015 HK$'000
At beginning of the year	**24,882**	24,014
Interest on bonds accrued *(Note 8)*	**1,530**	1,968
Repayment of principal amount	**(11,000)**	–
Interest paid	**(1,100)**	(1,100)
At end of the year	**14,312**	24,882

During the year ended 31 December 2014, the Company issued unsecured corporate bonds with the aggregate principal amounts of HK$31,000,000, giving rise to a total gross proceed of HK$31,000,000 (before expenses). Total proceeds received by the Company amounted to HK$24,500,000 which have been arrived at after deducting interests on the bonds prepaid amounted to HK$6,500,000.

One of the unsecured corporate bonds with the aggregate principal amount of HK$11,000,000 matured on 7 September 2015. The Company entered into an agreement with the bondholder, under which the repayment of the outstanding principal of HK$11,000,000 was extended to 7 September 2016 and interests on such bond are calculated at 12% per annum. This portion of the corporate bonds was fully paid on 4 July 2016.

30. CORPORATE BONDS PAYABLE (Continued)

At 31 December 2016, the corporate bonds with the principal amount of HK$20,000,000 (2015: HK$31,000,000) remained outstanding. Details of the corporate bonds outstanding at 31 December 2016 are as follows:

	Corporate bonds due on	
	29 September 2021	**9 March 2022**
Date of issue	30 September 2014	10 September 2014
Principal amount	HK$10,000,000	HK$10,000,000
Interest rate	5% per annum	4% per annum
Maturity period	7 years	7.5 years

31. OTHER BORROWINGS

	2016 HK$'000	2015 HK$'000
Loans from third parties		
– secured	**–**	–
– unsecured	**1,000**	13,781
	1,000	13,781

The secured loan from a third party amounted to HK$15,000,000 outstanding at 31 December 2014, which was secured by the pledge of the Group's inventories of fertilisers (Note 23) and carried interest at 25% per annum, was fully repaid during the year ended 31 December 2015. In addition, during the year ended 31 December 2015, an unsecured loan amounted to HK$5,000,000 was granted by this third party to the Company. This unsecured loan carries interest at 30% per annum and was fully repaid during the current year.

In addition, during the year ended 31 December 2015, a subsidiary of the Company obtained unsecured short term loan amounted to HK100,000,000 from a third party which carried interests at 12% per annum. This unsecured loan was fully repaid up to 31 December 2015.

During the current year, a subsidiary of the Company obtained unsecured short term loan amounted to HK$1,000,000 from a third party which carries interests at 12% per annum and is repayable on 25 January 2017.

Included in unsecured loans from third parties at 31 December 2015 is the loan capital issued by a subsidiary, Shengyan, amounted to RMB7,210,000 (equivalent to HK$8,781,000), which carried interest at 5% per annum and was repayable on 16 July 2017. This loan capital was eliminated following the disposal of Shengyan by the Group during the current year. Details of the loan capital are set out in Note 47c.

32. AMOUNT DUE TO NOTEHOLDER

	2016 HK$'000	2015 HK$'000
Unsecured amount due to noteholder	–	–

The amount due to noteholder, representing consideration payable for the redemption of the convertible redeemable notes issued by the Group in prior years, together with interests thereon, amounted to RMB19,100,000 outstanding at 31 December 2014. In February 2015, the Company entered into a supplemental agreement with the noteholder, under which the repayment of the outstanding consideration payable was extended to 30 May 2015 and interest on the consideration payable was charged at the interest rate of 45% per annum (inclusive of the consent fee charged at 27% per annum) for the period from 31 December 2014 to 30 May 2015. In addition, it was agreed by the Company and the noteholder that interest on the balance of the consideration payable was charged at the same interest rate of 45% per annum for the period from 31 May 2015 up to the date of repayment.

The amount due to the noteholder together with interests thereon was fully repaid by the Company in July 2015.

33. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount due to non-controlling interests is unsecured, interest free and repayable on demand.

34. UNLISTED WARRANTS

	2016 HK$'000	2015 HK$'000
At beginning of the year	13,481	2,064
(Gain)/loss on change in fair value recognised in profit or loss	(13,481)	11,417
At end of the year	–	13,481

34. UNLISTED WARRANTS (Continued)

On 9 August 2011, the Company issued 40 unlisted warrants to an independent investor, for a consideration of HK$800,000. Under the relevant agreement, each of the unlisted warrants entitles the holder to subscribe for 26,666,680 ordinary shares of the Company at an initial exercise price of HK$1.50 per share (the "Exercise Price") during the period from 22 August 2011 to 8 August 2016 (the "Exercise Period"). The Exercise Price will be adjusted to the lower of (i) the Exercise Price at the Price Reset Dates; and (ii) the average closing price per share at the respective Price Reset Dates, subject to a minimum reset price of 40% of the initial Exercise Price. Any warrants remain outstanding after the Exercise Period will be lapsed and cancelled. On 9 May 2012, the Exercise Price was reset to HK$0.60 per share, which was the minimum reset price, and the unlisted warrants were convertible into 66,666,700 new shares of the Company. The Exercise Price was subject to another adjustment mechanism including, among others, (i) an issue of convertible bonds at a conversion price which is less than the average closing price per share of the Company for the last 25 consecutive trading days up to and including the trading date immediately preceding the date of the public announcement of such issue; and (ii) issue of shares of the Company at a price which is less than the average closing price per share of the Company for the last 25 consecutive trading days up to and including the trading date immediately preceding the date of the public announcement of such issue.

As a result of the completion of (i) the issue of the convertible bonds on 16 July 2015, and (ii) the issue of new shares on 7 August 2015, the Exercise Price was adjusted from HK$0.60 to HK$0.2929 per share and the unlisted warrants were convertible into approximately 136,565,000 new shares of the Company as at 31 December 2015.

During the current year up to the end of the Exercise Period of 8 August 2016, no unlisted warrants were exercised and converted into new shares of the Company. The unlisted warrants lapsed following the expiration of the Exercise Periods.

The unlisted warrants carried at 31 December 2015 at fair value, with any gains or losses from change in fair value recognised in profit or loss. The fair value of the unlisted warrants at 31 December 2015 was valued by Chung Hin Appraisal Limited, both being the independent valuers, using the Black-Scholes Model. The inputs into the models were as follows:

	31 December 2015
Risk-free rate	0.086%
Expected volatility	65.11%
Expected life	0.58 year
Dividend yield	Nil

The risk-free rate was determined with reference to the yield rate of the Hong Kong Exchange Fund Notes with duration similar to the contractual tenor of the unlisted warrants.

The expected volatility was determined based on the historical volatility of the share prices of the Company.

35. CONVERTIBLE BONDS PAYABLE

	2016	2015
	HK$'000	HK$'000
Liability component of convertible bonds payable	**24,369**	20,752
Analysed for reporting purpose:		
Classified under non-current liabilities	**24,369**	20,752

On 16 July 2015, the Company issued 3% convertible bonds due on 15 July 2018 at the principal amount of HK$80,000,000 to a third party for a cash consideration of HK$80,000,000. The convertible bonds can be converted into ordinary shares at an initial conversion price of HK$0.095 per share from the day immediately following the date of the issue of convertible bonds to the maturity date of 15 July 2018. If the convertible bonds have not been converted, they will be redeemed at par on the maturity date.

The fair value of the convertible bonds at the date of issue was estimated to be HK$241,734,000 as valued by Chung Hin Appraisal Limited, an independent firm of business and financial services valuers. The convertible bonds contain two components: liability and equity elements. The fair value of the liability component at the date of issue was calculated using the discount rate of 22.11% per annum, being the estimated market rates for a similar non-convertible bonds at that date. The fair value of the equity component at the date of issue was valued using the Binomial Model. The inputs into the model were as follows:

Risk-free rate	0.718%
Expected volatility	58.49%
Expected life	3 years
Dividend yield	Nil

The risk-free rate was determined with reference to the yield rate of Hong Kong Exchange Fund Notes with duration similar to the contractual tenor of the convertible bonds.

The expected volatility was determined based on the historical volatility of the share prices of the Company.

35. CONVERTIBLE BONDS PAYABLE (Continued)

Movements of the liability component and equity component of the convertible bonds are set out below:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
Fair value of convertible bonds on grant date	48,830	192,904	241,734
Transaction costs incurred for issue of convertible bonds	(303)	(1,198)	(1,501)
Carrying amount at date of issue	48,527	191,706	240,233
Interest expense accrued *(Note 8)*	2,781	–	2,781
Converted during the year	(30,556)	(117,420)	(147,976)
Carrying amount at 31 December 2015 and 1 January 2016	**20,752**	**74,286**	**95,038**
Interest expense accrued *(Note 8)*	**4,725**	**–**	**4,725**
Interest paid	**(1,108)**	**–**	**(1,108)**
Carrying amount at 31 December 2016	**24,369**	**74,286**	**98,655**

The effective interest rate in respect of the liability component of the convertible bonds payable at 31 December 2016 is 22.37% (2015: 22.37%) per annum.

The loss on issue of convertible bonds recognised in profit or loss in respect of the year ended 31 December 2015 amounted to HK$161,734,000, which represents the difference between the fair value of the convertible bonds at the grant date of HK$241,734,000 and the cash consideration of HK$80,000,000 received.

No convertible bonds were converted into new shares of the Company during the current year. During the year ended 31 December 2015, the convertible bonds with an aggregate principal amount of HK$49,000,000 were converted into approximately 515,789,000 new shares of the Company at the initial conversion price of HK$0.095 per share. At 31 December 2016, the convertible bonds with an aggregate principal amount of HK$31,000,000 (2015: HK$31,000,000) remained outstanding.

36. DEFERRED TAX LIABILITIES

Movements in the deferred tax liabilities during the year are as follows:

	Fair value adjustments on business combination HK$'000	**Accelerated depreciation allowance** HK$'000	**Unrealised gain on listed securities** HK$'000	**Revaluation of lands and buildings** HK$'000	**Total** HK$'000
At 1 January 2015	–	–	–	(924)	(924)
(Charged)/credited to profit or loss	–	(18)	(1,665)	888	(795)
Exchange realignment	–	–	–	36	36
At 31 December 2015 and 1 January 2016	**–**	**(18)**	**(1,665)**	**–**	**(1,683)**
Arising from acquisition of a subsidiary	**(3,217)**	**–**	**–**	**–**	**(3,217)**
(Charged)/credited to profit or loss	**–**	**(411)**	**1,546**	**–**	**1,135**
At 31 December 2016	**(3,217)**	**(429)**	**(119)**	**–**	**(3,765)**

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of taxable temporary differences attributable to the profits earned by the PRC subsidiaries amounting to HK$Nil (2015: HK$1,188,000) 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.

At the end of the reporting period, the Group has unused tax losses and other deductible temporary differences totalling approximately HK$20,757,000 (2015: HK$134,725,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these deductible temporary differences due to the unpredictability of future profit streams.

37. SHARE CAPITAL

	Number of ordinary shares HK$0.01 each	Nominal amount HK$'000
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	20,000,000,000	200,000
Issued and fully paid:		
At 1 January 2015	431,765,000	4,318
Issue of shares upon:		
– Share placement *(note a)*	189,975,000	1,899
– Conversion of convertible bonds *(note b)*	515,789,000	5,158
At 31 December 2015 and 1 January 2016	**1,137,529,000**	**11,375**
Issue of shares upon		
– Share placement *(note c)*	**227,500,000**	**2,275**
– Acquisition of subsidiaries *(note d)*	**273,000,000**	**2,730**
At 31 December 2016	**1,638,029,000**	**16,380**

Notes:

(a) During the year ended 31 December 2015, the Company allotted and issued 189,975,000 ordinary shares of HK$0.01 each to certain placees for an aggregate cash consideration of HK$74,781,000 (before expenses), as follows:

Date of issue	Number of ordinary shares issued '000	Subscription price per share HK$	Consideration received (before expenses) HK$'000
29 January 2015	86,352	0.35	30,223
7 August 2015	103,623	0.43	44,558
	189,975		74,781

37. SHARE CAPITAL (Continued)

Notes: (continued)

(b) Portion of the convertible bonds (see Note 35) with the principal amount of HK$49,000,000 were converted into new shares of the Company during the year ended 31 December 2015 at the conversion price of HK$0.095 per share, as follows:

Date of conversion	Principal amount of the convertible bonds converted HK$'000	Number of ordinary shares issued '000
27 July 2015	20,000	210,526
22 September 2015	29,000	305,263
	49,000	515,789

(c) On 24 June 2016, the Company allotted and issued 227,500,000 ordinary shares of HK$0.01 each to certain independent third parties for an aggregate cash consideration of HK$35,945,000 (before expenses).

(d) On 21 November 2016, the Company issued 273,000,000 shares of HK$0.01 each as partial consideration for the acquisition of 80% equity interest in Prime Paradise Limited (Note 40a). The closing price of the Company's shares as quoted on the Stock Exchange on 21 November 2016 was HK$0.152 per share.

38. SHARE OPTION SCHEME

The Group adopted a share option scheme (the "Scheme") which has become effective on 15 June 2012. In accordance with the Scheme, share options may be granted to any employees, consultants or professional advisors, and suppliers or customers of the Group.

The exercise price of the options granted is the highest of (i) the closing price of the Company's shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of the share. The options are exercisable at the grant date and have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options of the Company is HK$1.00. The exercise period of the share options granted is determined by the Board of Directors.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under the Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company.

38. SHARE OPTION SCHEME (Continued)

No share option was granted by the Company during both of the years ended 31 December 2016 and 31 December 2015.

Movements in the number of share options outstanding and their exercise prices are as follows:

	2016					2015				
	Weighted average exercise price	Number of share options				Weighted average exercise price	Number of share options			
		Directors	Employees	Others	Total		Directors	Employees	Others	Total
	HK$	'000	'000	'000	'000	HK$	'000	'000	'000	'000
Outstanding at the beginning of the year	**0.666**	**–**	**–**	**21,200**	**21,200**	0.857	35,000	–	21,200	56,200
Forfeited during the year	**–**	**–**	**–**	**–**	**–**	0.962	(35,000)	–	–	(35,000)
Outstanding at the end of the year	**0.666**	**–**	**–**	**21,200**	**21,200**	0.666	–	–	21,200	21,200
Exercisable at the end of the year	**0.666**	**–**	**–**	**21,200**	**21,200**	0.666	–	–	21,200	21,200

No share option expense has been recognised by the Group for the year ended 31 December 2016 (2015: Nil) in relation to share options granted by the Company.

The weighted average exercise price of the share options granted and outstanding at the end of the reporting period is HK$0.666 (2015: HK$0.666) per share. The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period is 3.9 years (2015: 4.9 years).

39. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participate in social insurance schemes operated by the relevant local government authorities. The insurance premium is borne by the Group and is calculated based on a specified proportion of the employee's salaries in accordance with the relevant PRC laws and regulations.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of approximately HK$187,000 (2015: HK$140,000) represents contributions payable to these schemes by the Group at rates or amount specified in the rules of the schemes.

Apart from the above, the Group has no significant obligations under retirement benefit schemes at the end of both of the years presented.

40. ACQUISITION OF SUBSIDIARIES

(a) Acquisition took place during the year ended 31 December 2016

On 26 July 2016, Leading Nation Investment Limited, an direct wholly-owned subsidiary of the Company, entered into an agreement with a third party to acquire 80% equity interest in Prime Paradise Limited ("Prime Paradise") together with shareholder's loans made to Prime Paradise for a consideration which was satisfied by the payment in cash of approximately HK$6,952,000 and the issue of 273,000,000 new shares in the Company. The acquisition was completed on 21 November 2016. The closing price of the Company's shares at the date of completion of the acquisition was HK$0.152 per share. Prime Paradise is an investment holding company and its subsidiary, Koala Securities Limited ("Koala"), is principally engaged in provision of securities placing and brokerage services. Koala is a licensed corporation under the Securities and Futures Ordinance and is authorised to engage in the following regulated activities: (i) Type 1: Dealing in securities; and (ii) Type 4: Advising on securities. Management of the group considers that such acquisition will enable the Group to diversify its business.

The acquisition has been accounted for by business combination using the purchase method. The effect of the acquisition is summarised as follows:

	HK$'000
Consideration transferred	
Cash paid	**6,952**
Issue of new shares	**41,496**
	48,448

No significant acquisition-related costs were incurred for this acquisition.

40. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition took place during the year ended 31 December 2016 (Continued)

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment	1,076
Intangible assets	20,000
Current assets	
Accounts receivable	32,543
Prepayment and deposits	1,345
Bank balances and cash – trust accounts	55,699
Bank balances and cash – general accounts	14,810
Current liabilities	
Accounts payable	(80,333)
Other payables and accruals	(912)
Loan from a shareholder	(3,359)
Amounts due to shareholders	(840)
Income tax payable	(3,328)
Non-current liabilities	
Deferred tax liabilities	(3,217)
Total identifiable net assets acquired	33,484

The receivables acquired in these transactions has gross amount of HK$32,543,000. No contractual cash flows from these receivables are expected not to be collected.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	48,448
Portion attributable to acquisition of shareholder's loans	(3,359)
Consideration attributable to acquisition	45,089
Net assets acquired	(33,484)
Non-controlling interests	6,697
Goodwill arising on acquisition	18,302

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

40. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition took place during the year ended 31 December 2016 (Continued)

Net cash flow on acquisition of subsidiaries

	HK$'000
Consideration paid in cash	**(6,952)**
Bank balances and cash (general accounts) acquired	**14,810**
Cash inflow on acquisition of subsidiaries	**7,858**

Impact of acquisition on the results of the Group

Included in the loss for the year is profit of HK$1,193,000 attributable to the business undertaken Prime Paradise. Revenue for the year includes HK$3,363,000 in respect of Prime Paradise.

Has the acquisition been effected at 1 January 2016, the revenue of the Group from continuing operations would have been HK$97,781,000 and loss for the year from continuing operations would have been HK$38,801,000. The directors of the Company consider these 'pro forma' numbers to represent an approximate measure of the performance of the combined group on annualised basis and to provide a reference point for comparison in future periods.

(b) Acquisition took place during the year ended 31 December 2015

On 26 January 2015, for the purpose of diversification of the existing business, the Company acquired 51% equity interest in Mark Wish, an entity incorporated in the British Virgin Islands, and shareholder's loan made to Mark Wish for an aggregate consideration of HK$500,000. Mark Wish is an investment holding company and its subsidiary is principally engaged in the trading of garment accessories.

The acquisition has been accounted for by business combination using the purchase method. The effect of the acquisition is summarised as follows:

	HK$'000
Consideration transferred	
Cash paid	500

No significant acquisition-related costs were incurred for this acquisition.

40. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition took place during the year ended 31 December 2015 (Continued)

Assets recognised at the date of acquisition

	HK$'000
Prepayments and deposits	10
Total identifiable net assets acquired	10

Goodwill arising on acquisition

	HK$'000
Consideration attributable to acquisition	500
Net assets acquired	(10)
Non-controlling interests	5
Other adjustment	14
Goodwill arising on acquisition	509

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Cash outflow on acquisition of subsidiaries

	HK$'000
Consideration paid in cash	500

41. DISPOSAL OF SUBSIDIARIES

(a) Disposal took place during the year ended 31 December 2016

On 31 March 2016, the Company disposed of 100% equity interest in a subsidiary, Rich Share Global Limited ("Rich Share"), to a third party, for a cash consideration of HK$3,000,000. Rich Share, through its subsidiaries, Rise Joy Investment Limited and 黑龍江省盛焱新能源開發有限公司 (Heilongjiang Province Shengyan New Energy Development Limited), was engaged in manufacture and sales of straw briquette.

Consideration for the disposal:	**HK$'000**
Consideration receivable *(Note 25a)*	**3,000**

Analysis of assets and liabilities at the date of disposal over which control was lost:	**HK$'000**
Property, plant and equipment	**–**
Bank balances and cash	**8**
Accounts payables	**(7,068)**
Other payables and accruals	**(1,169)**
Other borrowings	**(8,781)**
Net liabilities disposed of	**(17,010)**

Loss on disposal of subsidiaries	**HK$'000**
Consideration	**3,000**
Net liabilities disposed of	**17,010**
Cumulative exchange gain in respect of the subsidiaries	**1,288**
Non-controlling interests	**(43,652)**
Loss on disposal *(Note 13)*	**(22,354)**

Net cash outflow on disposal of subsidiaries	**HK$'000**
Consideration received	**–**
Less: Bank balances and cash disposed of	**(8)**
	(8)

41. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal took place during the year ended 31 December 2015

On 31 December 2015, the Company disposed of 100% equity interest in a subsidiary, A-Plus Glory Capital Limited ("A-Plus"), to a third party, for a cash consideration of approximately HK$4,777,000. A-Plus, through its subsidiaries, Wealth Great Corporation Limited and 宜興瑞添能源技術諮詢有限公司, was engaged in general trading.

Consideration for the disposal	**HK$'000**
Consideration receivable *(Note 25a)*	4,777

Analysis of assets and liabilities at the date of disposal over which control was lost:

	HK$'000
Prepayments, deposits and other receivables	3,700
Bank balances and cash	17
Net assets disposed of	3,717

Gain on disposal of subsidiaries	**HK$'000**
Consideration	4,777
Net assets disposed of	(3,717)
Cumulative exchange gain in respect of the subsidiaries	23
Gain on disposal *(Note 6)*	1,083

Net cash outflow on disposal of subsidiaries	**HK$'000**
Consideration received	–
Less: Bank balances and cash disposed of	(17)
	(17)

42. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2016, the Group had the following contingent liabilities and commitments:

(a) Contingent liabilities

During the year, a writ of summons dated 16 July 2014 was issued by a third party, Total Shares Limited ("Total Shares"), claiming against the Company and Mr. Shan Xiaochang ("Mr. Shan"), a director of the Company, in respect of a sum of HK$10,000,000 which was advanced by Total Shares to Mr. Shan, the repayment of which was guaranteed by the Company. The Company has contested the case vigorously. Having sought legal advice, the directors are of the opinion that the Company has a good defence against the allegation and the legal action would not result in a material loss to the Group, accordingly no provision for liabilities has been made in the consolidated financial statements. Mr. Shan resigned as director of the Company with effect from 25 March 2015.

(b) Operating leases

As lessee

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

	2016 **HK$'000**	2015 HK$'000
Within the first year	**3,408**	3,295
In the second to the fifth year inclusive	**1,588**	3,838
	4,996	7,133

Operating lease payments represent rental payables by the Group for its office and factory premises. Leases and rentals are negotiated and fixed respectively for an average of three years.

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties during the year:

	2016 HK$'000	2015 HK$'000
Service fees paid to		
– an associate of the Group	**360**	195
– an entity in which a director of certain subsidiaries has beneficial interest	**–**	300

(b) Key management personnel compensation

	2016 HK$'000	2015 HK$'000
Salaries and other short-term benefits	**2,991**	2,444
Pension scheme contribution	**31**	36
	3,022	2,480

44. 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 balances. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of net debts (bank and other borrowings less bank balances and cash) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking consideration of future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

45. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows:

	2016 HK$'000	2015 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**26,145**	63,258
Loans and receivables		
Loans receivable	**10,292**	8,851
Trade and other receivables	**58,417**	38,615
Bank balances and cash – trust accounts	**43,267**	–
Bank balances and cash – general accounts	**22,986**	6,402
	161,107	117,126
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Unlisted warrants	**–**	13,481
Financial liabilities at amortised costs		
Trade and other payables	**71,488**	54,149
Corporate bonds payable	**14,312**	24,882
Other borrowings	**1,000**	13,781
Amount due to non-controlling interests	**840**	–
Convertible bonds payable	**24,369**	20,752
	112,009	127,045

45. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, loans receivable, trade and other receivables, bank balances and cash, unlisted warrants, trade and other payables, corporate bonds payable, other borrowings, amount due to non-controlling interests and convertible bonds payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price 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 that appropriate measures are implemented on a timely and effective manner. There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Currency risk

Foreign exchange risk arises when the group entities enter into transactions denominated in a currency other than their functional currency. The Group's monetary assets and liabilities are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The exchanges rates among these currencies are not pegged except US dollars and HK dollars, and there are fluctuations of exchange rates among these currencies.

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

No significant monetary assets and monetary liabilities of the companies in the Group at the reporting date were denominated in currencies other than functional currencies of the related entities.

Sensitivity analysis

There were no significant impacts on the Group's profit or loss after taxation in response to reasonably possible changes in the foreign exchange rates to which the Group has exposure at the end of reporting period.

45. FINANCIAL INSTRUMENTS (Continued)

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

Interest rate risk

The Group is exposed to interest rate risk as the group entities may borrow funds at both fixed interest rates and floating interest rates. The Group manages the risk by maintaining an appropriate mix between fixed and floating rate borrowings. Although the board of directors accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors consider that the Group's exposure to interest rate risk of bank deposits, which are short term in nature, is not significant, accordingly no sensitivity analysis is presented.

The Group's borrowings at end of each of the reporting periods presented carry interests at fixed interest rates, analysed below:

The Group

	2016		2015	
	Effective interest rate	**Carrying amount HK$'000**	Effective interest rate	Carrying amount HK$'000
Fixed rate borrowings				
– corporate bonds payable	**4%–5%**	**14,312**	4%–12%	24,882
– other borrowings	**12%**	**1,000**	5%–30%	13,781

In addition, the Group had outstanding convertible bonds payable with the carrying amount of HK$24,369,000 (2015: HK$20,752,000) which carry interest at 3% (2015: 3%) per annum with the principal amount of HK$31,000,000 (2015: HK$31,000,000). The effective interest rate in respect of these convertible bonds at 31 December 2016 is 22.37% per annum (2015: 22.37% per annum).

Sensitivity analysis

The Group had no floating rate borrowings at end of each of the reporting periods presented. Accordingly, there would be no impact on the results of the Group for the year (2015: Nil) upon any change in interest rate on floating rate borrowings assuming that no floating rate borrowings were outstanding during the year.

Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. Management of the Company manages this exposure by maintaining a portfolio of investments with different risk and return profiles. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

45. FINANCIAL INSTRUMENTS (Continued)

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

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

If equity prices had been 10% higher/lower, the post-tax loss for the year would decrease/increase by HK$2,183,000 (2015: HK$5,282,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

Credit risk

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, 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 each 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.

At 31 December 2016, the Group has concentration of credit risk as 56% (2015: 37%) and 99% (2015: 95%) of the trade receivables (net of impairment) were due from one customer and five customers respectively.

At 31 December 2016, the Group has also significant concentration of credit risk arising from the amounts due from third parties amounted to HK$3,000,000 (2015: HK$4,777,000) included in other receivables.

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

None of the Group's financial assets are secured by collateral or other credit enhancements. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position of the Group after deducting any impairment losses.

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 Group relies on corporate bonds payable as a significant source of liquidity. As at 31 December 2016, the Group has no available unutilised banking facilities (2015: Nil).

45. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, 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 curves at the end of the reporting period.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

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

The Group

At 31 December 2016	Weighted average interest rate	Within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Loans receivable	12% & 20%	10,880	–	–	10,880	10,292
Trade and other receivables	–	58,417	–	–	58,417	58,417
Bank balances and cash – trust accounts	0.5%	43,267	–	–	43,267	43,267
Bank balances and cash – general accounts	0.5%	22,986	–	–	22,986	22,986
		135,550	–	–	135,550	134,962
Non-derivative financial liabilities						
Trade and other payables	–	71,488	–	–	71,488	71,488
Corporate bonds payable	4% & 5%	–	10,000	10,000	20,000	14,312
Other borrowings	12%	1,120	–	–	1,120	1,000
Convertible bonds payable *(Note)*	3%	930	31,930	–	32,860	24,369
Amount due to non-controlling interests	–	840	–	–	840	840
		74,378	41,930	10,000	126,308	112,009

45. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (continued)

At 31 December 2015	Weighted average interest rate	Within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Loans receivable	12% & 20%	–	10,880	–	10,880	8,851
Trade and other receivables	–	38,615	–	–	38,615	38,615
Bank balances and cash	0.5%	6,402	–	–	6,402	6,402
		45,017	10,880	–	55,897	53,868
Non-derivative financial liabilities						
Trade and other payables	–	54,149	–	–	54,149	54,149
Corporate bonds payable	4%, 5% & 12%	12,320	–	20,000	32,320	24,882
Other borrowings	5% & 30%	6,939	9,220	–	16,159	13,781
Convertible bonds payable *(Note)*	3%	930	32,860	–	33,790	20,752
Amount due to non-controlling interests	–	–	–	–	–	–
		74,338	42,080	20,000	136,418	113,564

Note: This is categorised based on contractual term of redemption at maturity on the assumption that there were no redemption or conversion of the convertible bonds outstanding at the end of the respective reporting periods before the maturity date.

45. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement

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

Both of the Group's financial assets at fair value through profit or loss, representing equity securities listed in Hong Kong, and financial liabilities at fair value through profit or loss, representing the unlisted warrants, are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined in particular, the valuation technique(s) and input used.

	Fair value as at 31 December 2016 HK$'000	2015 HK$'000	Fair value hierarchy	Valuation technical(s) and key inputs
Financial assets				
Listed securities *(Note 26)*	**26,145**	63,258	Level 1	Quoted bid prices in an active market
Financial liabilities				
Unlisted warrants *(Note 34)*	**–**	13,481	Level 2	Black-Scholes Model

Included in listed securities at 31 December 2016 are 6,700,000 shares of a listed entity with the carrying amount of HK$5,159,000. In view of the infrequent securities trading of the listed shares of the listed entity with significant fluctuation of transaction prices close to 31 December 2016, management of the Company considers that the quoted closing price of the listed shares of HK$5.55 per share at 30 December 2016, the last trading date of the current year, does not represent the fair value of these listed shares at 31 December 2016. The fair value of 6,700,000 listed shares at 31 December 2016 was estimated based on the quoted closing price of such shares of HK$0.77 per share at 3 January 2017, being the securities trading date immediately following the end of the reporting period.

The fair value of all the other listed securities at 31 December 2016 and 31 December 2015 is measured based on the quoted closing prices as at those respective dates.

There were no transfer of the financial assets and financial liabilities between the levels in both of the years presented.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(iii) Reconciliation of Level 3 fair value measurements

The financial liabilities at fair value through profit or loss are measured at fair value on Level 2 fair value measurement. Reconciliation of Level 3 fair value measurements is not presented.

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Investments in subsidiaries	**500**	500
Investments in associates	**–**	4,924
Loans receivable	**–**	8,851
	500	14,275
Current assets		
Loans receivable	**10,292**	–
Prepayments, deposits and other receivables	**4,661**	10,997
Amounts due from subsidiaries	**168,463**	122,645
Bank balances and cash - general accounts	**1,595**	379
	185,011	134,021
Current liabilities		
Other payables and accruals	**2,779**	4,688
Corporate bonds payable	**–**	11,416
Other borrowings	**–**	5,000
Unlisted warrants	**–**	13,481
Income tax payable	**5,000**	5,000
	7,779	39,585
Net current assets	**177,232**	94,436
Total assets less current liabilities	**177,732**	108,711
Non-current liabilities		
Corporate bonds payable	**14,312**	13,466
Convertible bonds payable	**24,369**	20,752
	38,681	34,218
Net assets	**139,051**	74,493
Capital and reserves		
Share capital	**16,380**	11,375
Reserves	**122,671**	63,118
Total equity	**139,051**	74,493

The Company's statement of financial position was approved and authorised for issue by the board of directors on 31 March 2017 and is signed on its behalf by:

Kwan Kar Ching	**Mui Wai Sum**
Director	*Director*

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movements of the reserves of the Company are as follows:

	Share premium HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000	Merger reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	165,417	22,149	–	19,550	(188,503)	18,613
Loss and total comprehensive expense for the year	–	–	–	–	(243,235)	(243,235)
Recognition of the equity component of convertible bonds	–	–	191,706	–	–	191,706
Issue of shares upon:						
Share placement	72,882	–	–	–	–	72,882
Conversion of convertible bonds	142,818	–	(117,420)	–	–	25,398
Share issue expenses	(2,246)	–	–	–	–	(2,246)
Share option forfeited during the year	–	(14,739)	–	–	14,739	–
At 31 December 2015 and 1 January 2016	**378,871**	**7,410**	**74,286**	**19,550**	**(416,999)**	**63,118**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(11,802)**	**(11,802)**
Issue of shares upon:						
Share placement	**33,670**	**–**	**–**	**–**	**–**	**33,670**
Acquisition of subsidiaries	**38,766**	**–**	**–**	**–**	**–**	**38,766**
Share issue expenses	**(1,081)**	**–**	**–**	**–**	**–**	**(1,081)**
At 31 December 2016	**450,226**	**7,410**	**74,286**	**19,550**	**(428,801)**	**122,671**

47. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period:

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2016	2015	**2016**	2015	**2016**	2015	
Modern World Group Limited	British Virgin Islands ("BVI")	Ordinary	US$5	**100**	100	**–**	–	**100**	100	Investment holding and trading of commodities
Ever Wealth Capital Holdings Limited	BVI	Ordinary	US$2	**100**	100	**–**	–	**100**	100	Investment holding
Rich Share Global Limited[b]	BVI	Ordinary	US$2	**–**	100	**–**	–	**–**	100	Investment holding
Era Smart Trading Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Inactive
Honest Smart Investment Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Provision of management services to group companies and securities investment
Rise Joy Investment Limited[b]	Hong Kong	Ordinary	HK$1	**–**	–	**–**	100	**–**	100	Investment holding
Shengyan (黑龍江省盛焱新能源開發有限公司)[a, b, c]	PRC	Registered capital and capital reserve	RMB30,908,748 and RMB6,301,252	**–**	–	**–**	51	**–**	51	Manufacture and sales of straw briquette
Frame Holding Limited	BVI	Ordinary	US$1	**100**	100	**–**	–	**100**	100	Investment holding
Winning Force Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Trading of commodities
Mark Wish Limited	BVI	Ordinary	US$10,000	**51**	51	**–**	–	**51**	51	Investment holding
Pudong Investment Development Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**51**	51	**51**	51	Investment holding
Guss International Trading Limited	Hong Kong	Ordinary	HK$1,500,000	**–**	–	**51**	51	**51**	51	Trading of garment accessories
漢宵(上海)投資管理有限公司[d]	PRC	Registered capital	–	**–**	–	**51**	51	**51**	51	Investment holding
東莞格斯光電有限公司[d]	PRC	Registered capital	–	**–**	–	**51**	51	**51**	51	Manufacture and trading of LED components
Leading Nation Investment Limited	BVI	Ordinary	US$1	**100**	100	**–**	–	**100**	100	Investment holding
Honest Smart Finance Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Inactive
Prime Paradise Limited	BVI	Ordinary	US$100	**–**	–	**80**	–	**80**	–	Investment holding
Koala Securities Limited	Hong Kong	Ordinary	HK$12,200,000	**–**	–	**80**	–	**80**	–	Provision of securities placing and brokerage services
Koala Capital Management Limited	Hong Kong	Ordinary	HK$100	**–**	–	**41[e]**	–	**41[e]**	–	Inactive
Ever Up Capital Investment Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100**	100	**100**	100	Inactive
Genius Founder Limited	BVI	Ordinary	US$1	**100**	100	**–**	–	**100**	100	Inactive

47. SUBSIDIARIES (Continued)

Notes:

a These entities are registered as sino-foreign equity joint ventures under the PRC law. The English translation of these names is for reference only. The official names of these entities are in Chinese.

b These entities were disposed of during the year ended 31 December 2016.

c In July 2014, Shengyan issued loan capital to a third party amounted to RMB7,210,000, which carries return on capital of 5% per annum and is repayable on 16 July 2017. This loan capital to the extent of RMB908,748 was regarded registered capital of Shengyan with the remaining amount of RMB6,301,252 as its capital reserve. In addition, the third party has been given the rights to demand repayment of the loan capital at any time when there are adverse changes in business operation of Shengyan or the return on capital is not settled as and when it falls due.

d The registered capitals of 漢宵(上海)投資管理有限公司 (“漢宵”) and 東莞格斯光電有限公司 (“格斯”) are RMB5,000,000 and RMB15,000,000 respectively of which no contribution were made by the Company up to 31 December 2016. The outstanding registered capitals of 漢宵 and 格斯 are to be contributed by the Company and non-controlling interests on or before 10 June 2034 and 31 December 2035 respectively.

e Koala Capital Management Limited is 51% owned by Prime Paradise Limited which is in turn 80% owned by the Company.

Except as aforesaid, none of the subsidiaries had issued any debt securities subsisting at the end of the year or at any time during the year.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests interests	
		2016	2015	**2016**	2015	**2016**	2015
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Prime Paradise	*(Note a)*	**20**	–	**238**	–	**6,935**	–
Mark Wish	*(Note b)*	**49**	49	**(6,700)**	(1,660)	**(8,654)**	(1,814)
Shengyan	PRC	**–**	49	**–**	(29,562)	**–**	(43,652)
				(6,462)	(31,222)	**(1,719)**	(45,466)

Notes:

a. Prime Paradise was incorporated in the BVI and, through its subsidiaries, is principally engaged in provision of securities placing and brokerage services.

b. Mark Wish was incorporated in the BVI and, through its subsidiaries, is principally engaged in trading of garment accessories and manufacture and sales of LED components.

47. SUBSIDIARIES (Continued)

Summarised financial information in respect of the Company's subsidiaries at 31 December 2016 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Prime Paradise

	In respect of the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Current assets	**82,138**	–
Non-current assets	**20,559**	–
Current liabilities (Note)	**(64,802)**	–
Non-current liabilities	**(3,217)**	–
Equity attributable to owners of the Company	**27,743**	–
Non-controlling interests	**6,935**	–
Revenue	**3,363**	–
Expenses	**(2,170)**	–
Profit for the year	**1,193**	–
Profit attributable to owners of the Company	**955**	–
Profit attributable to non-controlling interests	**238**	–
Profit for the year	**1,193**	–
Total comprehensive income attributable to owners of the Company	**955**	–
Total comprehensive income attributable to non-controlling interests	**238**	–
Total comprehensive income for the year	**1,193**	–
Net cash inflow from operating activities	**3,125**	–
Net cash inflow from investing activities	**402**	–
Net cash outflow/inflow from financing activities	**–**	–
Net cash inflow	**3,527**	–

Note: The current liabilities include amounts due to intragroup companies amounted to HK$3,359,000 which have been eliminated in the preparation of the Group's consolidated financial statements.

47. SUBSIDIARIES (Continued)

Mark Wish

	In respect of the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Current assets	**1,961**	12,921
Non-current assets	**5,204**	9,138
Current liabilities	**(24,826)**	(25,759)
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**(9,007)**	(1,886)
Non-controlling interests	**(8,654)**	(1,814)
Revenue	**4,090**	13,784
Expenses	**(17,764)**	(17,171)
Loss for the year	**(13,674)**	(3,387)
Loss attributable to owners of the Company	**(6,974)**	(1,727)
Loss attributable to non-controlling interests	**(6,700)**	(1,660)
Loss for the year	**(13,674)**	(3,387)
Total comprehensive expense attributable to owners of the Company	**(7,121)**	(1,891)
Total comprehensive expense attributable to non-controlling interests	**(6,840)**	(1,819)
Total comprehensive expense for the year	**(13,961)**	(3,710)
Net cash (outflow)/inflow from operating activities	**(2,582)**	12,229
Net cash outflow from investing activities	**(124)**	(10,210)
Net cash inflow from financing activities	**886**	–
Net cash (outflow)/inflow	**(1,820)**	2,019

48. SUBSEQUENT EVENTS

The following events took place subsequent to the end of the reporting period:

(a) On 23 December 2016, the Company announced a proposed open offer to shareholders for the subscription of new shares of the Company on the basis of one offer share for every two existing shares held at the subscription price of HK$0.14 per share (the "Open Offer"). The Open Offer became unconditional on 13 February 2017 and, as a result, the Company issued 819,014,723 Offer Shares at the issue price of HK$0.14 per share on 20 February 2017, giving rise to a gross proceeds of approximately HK$114,662,000 (before expenses). The Open Offer did not result in any change to the conversion price of HK$0.095 per share under the convertible bonds (Note 35) and the exercise price of HK$0.666 per share under the outstanding share opinions (Note 38).

(b) On 23 February 2017, the Company proposed to change the name of the Company to "Koala Financial Group Limited" and adopt "樹熊金融集團有限公司" as the Chinese name of the Company.