中國海景控股有限公司

Sino Haijing Holdings Limited

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 01106)

2016 Annual Report

This report, in both English and Chinese versions, is available on the Company's website at http://www.sinohaijing.com (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

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Mr. Cheng Chi Kin
Mr. Lam Wai Hung
Mr. Wang Xin
Mr. Wei Liyi

NON-EXECUTIVE DIRECTOR

Ms. Hu Jianping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hoi Lun
Mr. Lee Tao Wai
Mr. Li Yang
Mr. Pang Hong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2816, 28th Floor
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond

AUTHORISED REPRESENTATIVES

Ms. Li Zhenzhen
Mr. Tsui Siu Hung Raymond

AUDIT COMMITTEE

Mr. Lee Tao Wai *(Chairman)*
Mr. Lam Hoi Lun
Mr. Pang Hong

REMUNERATION COMMITTEE

Mr. Wei Liyi *(Chairman)*
Mr. Lam Hoi Lun
Mr. Lee Tao Wai
Mr. Pang Hong

NOMINATION COMMITTEE

Ms. Li Zhenzhen *(Chairman)*
Mr. Lam Hoi Lun
Mr. Lee Tao Wai
Mr. Pang Hong

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Bank Of East Asia
HSBC
Shangbai Pudong Development Bank (Hefei)
Bank of Communications (Hefei)
China Construction Bank (Hefei)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited Level 22
Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

STOCK CODE

01106

COMPANY'S WEBSITE

http://www.sinohaijing.com

Directors and Senior Management

Biographical details of each of director of the Company (the "Director") and the senior management of the Group are set out below:

DIRECTORS

EXECUTIVE DIRECTORS

Ms. Li Zhenzhen, aged 32, was appointed as executive Director on 30 December 2015 and the chairman of the Company on 5 April 2016. She graduated from the University of Guangxi with a bachelor degree. Ms. Li has been working in senior role in listed company for many years and she has good knowledge of corporate financing and business operation. Ms. Li is currently an independent non-executive director of Ding He Mining Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 705). She is also a former chairman of board of supervisors of Guanghe Landscape Culture Communication Co., Ltd, Shanxi, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600234.SH) from 23 September 2014 to 31 March 2016.

Mr. Cheng Chi Kin, aged 48, was appointed as executive Director on 15 February 2017. He obtained a Degree in Business Studies from University of Glamorgan in 1992 and a Master Degree in Business Administration from Cardiff Business School in 1993. He is currently a chief executive officer of A Plus Capital Management Limited, a capital management company and a substantial shareholder of the Company. Mr. Cheng has been a non-executive director of IRC Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 1029), since 3 February 2017. Mr. Cheng is a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of International Accountants. He is also a Chartered Marketer of Chartered Institute of Marketing and a member of Institute of Management Accountants. Mr. Cheng has over 25 years of experience in corporate finance, accountancy, and investment banking, with investment experience in real estates, infrastructure and natural resources industries.

Mr. Lam Wai Hung, aged 37, was appointed as executive Director on 19 March 2015. He holds a Bachelor of Accounting and Finance Degree from Leeds Metropolitan University and is a member of the Association of Chartered Certified Accountants. He had been working in various companies listed on the Stock Exchange, and was responsible for works related to financial management, corporate finance, merger and acquisition, investor relationship and corporate governance. Mr. Lam is a former executive director of TUS International Limited (Stock Code: 872), a company listed on the main board of the Stock Exchange from 2 September 2014 to 15 July 2016. Mr. Lam was also a former company secretary and authorized representative of GET Holdings Limited (Former Name: M Dream Inworld Limited) (Stock Code: 8100), a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange from 31 May 2011 to 1 August 2013.

Directors and Senior Management

Mr. Wang Xin, aged 41, was appointed as executive Director on 5 April 2016. He graduated from Xi'an Jiaotong University and majored in tourism management in the People's Republic of China (the "PRC") in July 1997. Mr. Wang has over 20 years' experiences in hotel, real estate and tourism. He has been the executive director of Guanghe Landscape Culture Communication Co., Ltd, ShanXi (a company listed on The Shanghai Stock Exchange with stock code: 600234) ("Landscape Culture") since September 2014 and the executive director of 廣西山水盛景投資有限公司 (Guangxi Landscape Shengjing Investment Limited) since June 2014, a subsidiary company of Landscape Culture. Mr. Wang was the chairman of the board, chairman of strategy and planning committee, a member of remuneration committee and nomination committee of Landscape Culture from September 2014 to July 2015. Moreover, Mr. Wang was the vice general manager of 廣西印象劉三姐旅遊文化產業投資有限責任公司 (Guangxi Yinxiang Liu Sanjie Tourism Culture Industrial Investment LLC) from December 2012 to September 2014 and 廣西恒升集團有限公司 (Guangxi Hengsheng Group Limited) from May 2008 to December 2012. He has also been the executive director of Ngai Shun Holdings Limited, a company listed on the Stock Exchange (stock code: 1246), from March 2016 to August 2016.

Mr. Wei Liyi, aged 39, was appointed as non-executive Director on 5 April 2016 and has been re-designated from a non-executive Director to an executive Director with effective from 4 August 2016. He graduated from General Institution of Higher Education of Dongbei University of Finance and Economics and majored in Finance Management in the PRC in July 2013. Mr. Wei has worked in various industries including corporate management, finance and financing. Currently he is deputy general manager of 廣西恒源融資性擔保有限公司 (Guangxi Hengyuan Financing Guarantee Company Limited) and has over 15 years' extensive experiences and solid knowledge in finance and financing.

NON-EXECUTIVE DIRECTOR

Ms. Hu Jianping, aged 35, was appointed as executive Director on 30 December 2015 and re-designated from an executive Director to a non-executive Director with effective from 1 December 2016. She graduated from Guangxi Normal University with a degree in tourist management. She is currently the vice general manager of 桂林廣維文華旅游文化產業有限公司 (Guilin Guangwei Wenhua Travel Cultural Industry Company Limited). She possesses management experience in various industries like real estate, finance, cultural performance etc. for more than 10 years. She also has abundant corporate management, operational working experience, and management experience on cultural performance industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hoi Lun, aged 40, was appointed as independent non-executive Director on 13 July 2016. He has over 15 years of experience in auditing, accounting and corporate field. He holds a Bachelor Degree in Business Administration in Accountancy from The Hong Kong Polytechnic University and was admitted as a fellow member of the Association of the Chartered Certified Accountants in March 2010 and a fellow member of the HKICPA in October 2013. Currently, Mr. Lam is one of the partners of a registered firm of certified public accountants (practising) in Hong Kong and the company secretary of the China E-Learning Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8055).

Directors and Senior Management

Mr. Lee Tao Wai, aged 38, was appointed as independent non-executive Director on 13 July 2016. He is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and has over 15 years of experience in auditing, accounting and corporate field. Mr. Lee holds a Bachelor Degree in Business Administration in Professional Accountancy from The Chinese University of Hong Kong, a Master Degree in Investment Management from The Hong Kong University of Science and Technology and a Master Degree in International Economic Law from The Chinese University of Hong Kong. Mr. Lee worked in an international accounting firm and a listed company in Hong Kong as senior executive. He was an independent non-executive director of Seamless Green China (Holdings) Limited, a company listed on Growth Enterprise Market ("GEM") of the Stock Exchange (stock code: 8150), from October 2009 to February 2012. Currently, he is the company secretary of King Stone Energy Group Limited, a company listed on the Stock Exchange (stock code: 663).

Mr. Li Yang, aged 45, was appointed as independent non-executive Director on 15 February 2017. He obtained a junior college degree of Electronic Engineering from Shenzhen University. He completed an EMBA programme and obtained his EMBA from Shenzhen College of Economics and Management. Mr. Li also completed a master degree programme of the Graduate School of Chinese Academy of Social Sciences, majoring in World Economics. Mr. Li has approximately 20 years of extensive experience in investment activities and business management. Mr. Li has been a director of Brand Marvel Worldwide Consumer Products Corporation (TSXV symbol: BMW), a Canadian publicly traded company on the TSX Venture Exchange since December 2010. He is currently also assuming senior executive positions in several capital investment or management companies.

Mr. Pang Hong, aged 63, was appointed as independent non-executive Director on 14 April 2015. He had worked for various enterprises and government departments in China for over 20 years. He has substantial knowledge of the investment environment in China and has extensive experience in the management of Chinese companies. He is currently an independent non-executive director of SMI Holdings Group Limited (Stock Code: 198), a company listed on the main board of the Stock Exchange. Mr. Pang was also a former executive director of PacMOS Technologies Holdings Limited (Stock Code: 1010) and a former independent non-executive director of Dragonite International Limited (Stock Code: 329), the shares of which are listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tsui Siu Hung Raymond, aged 40, is the company secretary of the Company. Mr. Tsui obtained a degree of bachelor of business administration from The Chinese University of Hong Kong in Hong Kong, in July 1999. His major subject was professional accountancy. He is a fellow member of the Association of the Chartered Certified Accountants and a fellow member of the HKICPA. Mr. Tsui has been one of the partners of Tsui & Partners CPA Limited, a registered firm of certified public accountants (practising) in Hong Kong since March 2014, and currently the company secretary of the following companies listed on the Stock Exchange and the GEM of the Stock Exchange: China Healthcare Holdings Limited (Stock Code: 673) since March 2009, Vongroup Limited (Stock Code: 318) since February 2010 and Guru Online (Holdings) Limited (Stock Code: 8121) since May 2015, respectively. He joined the Group in December 2015.

Directors' Business Review

The board of directors (the "Board") of Sino Haijing Holdings Limited (the "Company") herein presents the audited annual results of the Company and its subsidiaries (together, the "Group") for the financial year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In the past, the principal activities of the Group mainly focus on the production and sale of expanded polystyrene ("EPS") packaging products for household electrical appliances in the PRC ("Packaging Business"). Started from the year 2016, in order to diversify the business of the Group and to sustain the momentum in the corporate, the Group has been exploring for appropriate opportunities for different investment projects, including, but not limited to the tourism and travel industry, entertainment and cultural industry and also to establish a money lending business. The Group has been granted for a money lender licence in Hong Kong under the Money Lenders Ordinance and has commenced the money lending business since this year. The Group also engaged in provision of management services on the operation of physical therapy and healthcare shops in the PRC from the year 2016 in view of the prosperity of the healthcare industry in the PRC. Through the continuous effort by management, the Group had an improvement of financial performance for the year 2016 as compared to the corresponding year in 2015.

PACKAGING BUSINESS

For the year under review, the revenue from Packaging Business was approximately HK$565.6 million, representing an increase of 13.1% as compared to approximately HK$499.9 million for the corresponding year in 2015.

Gross profit of the Packaging Business was approximately HK$99.8 million for the year 2016, representing an increase of approximately 8.8% as compared to approximately HK$91.7 million for the corresponding year in 2015. The overall gross profit margin maintained at 18% for both years 2016 and 2015. For the year under review, the Packaging Business recorded segment profit of approximately HK$43.9 million (2015: approximately HK$21.9 million).

TOURISM BUSINESS

To explore other business opportunities with greater market potential, the Group is seeking for transit to tourism industry during the year. For the year under review, the revenue from Tourism Business, including ticketing agency and scenic spot, was approximately HK$27.9 million (2015: HK$nil) and the gross profit was approximately HK$24.2 million (2015: HK$nil). During the year, the Tourism Business recorded segment loss of approximately HK$21.6 million (2015: HK$nil). The loss is mainly due to an impairment loss on goodwill of approximately HK$43 million recognised in the income statement during the year.

Directors' Business Review

The Tourism Business of the Group is still in development stage and the management will strive its best to develop this new business. It is expected the Tourism Business of the Group will be mature in few years later and the Company is confident that the revenue and profit from Tourism Business will both have a great improvement in the future. The Group will also keep looking for the opportunities to explore different potential investments for tourism and travel industry from time to time.

SECURITIES INVESTMENTS

In view of the positive investment sentiment in the stock market of Hong Kong, the Group has taken an active and optimistic approach in gaining investment profits and developed the Securities Investments segment. The Group has invested in a portfolio of listed securities in Hong Kong, the PRC, Australia and Malaysia. The investments are designated and accounted for as financial assets at fair value through profit or loss, available-for-sale financial assets and investment in an associate in the consolidated financial statements.

For the year under review, the Group recorded a profit in the Securities Investments segment of approximately HK$60.0 million (2015: a loss of approximately HK$57.6 million). This was primarily due to the gain on bargain purchase from the investment in Yong Tai Berhad ("Yong Tai"), a company listed on the Main Market of Bursa Malaysia Securities Berhad. During the year, as the management is optimistic about the prospectus of the property industry in Meleka, the Group has subscribed 150,000,000 new ordinary shares and 200,000,000 irredeemable preference shares of Yong Tai, which are classified as investment in an associate and available-for-sale financial assets, respectively.

The Board will closely monitor the performance of the investment portfolio and will diversify the investment portfolio across various segments of the market.

MONEY LENDING BUSINESS

During the year under review, the Group obtained a money lender license in Hong Kong under the Money Lenders Ordinance. The Group has been granting loans since June 2016. As at 31 December 2016, the loan portfolio was approximately HK$354.4 million (2015: HK$nil) with terms of one year at effective interest rates ranging from 10% to 15% per annum. For the year ended 31 December 2016, the Group recorded interest income from the loan portfolio of approximately HK$11.4 million (2015: HK$nil).

HEALTHCARE BUSINESS

In view of the prosperity of the healthcare industry in the PRC, the Group engaged in provision of management services on the operation of physical therapy and healthcare massage shops in the PRC during the year. For the year under review, the revenue from Healthcare Business was approximately HK$1.8 million (2015: HK$nil) and the segment loss was approximately HK$0.8 million (2015: HK$nil). The healthcare business is still in development stage and the management intends to recruit a number of massage shops in the PRC for the expansion of its service network in the foreseeable future.

Directors' Business Review

REVENUE

Revenue for the year under review was approximately HK$606.7 million, representing an increase of approximately 21.4% as compared to approximately HK$499.9 million for the corresponding year in 2015. The increment was partially contributed by the revenue from Tourism Business and Money Lending Business, amounted to approximately HK$39.2 million. In addition, the revenue from Packaging Business was growth by approximately HK$65.7 million compared to corresponding year in 2015.

GROSS PROFIT

Gross profit for the year under review was approximately HK$137.1 million, representing an increase of approximately 49.5% as compared to approximately HK$91.7 million for the corresponding year in 2015. The overall profit margin for the year increased from 18.3% to 22.6%. The increase in profit margin is mainly due to the relatively high gross profit margins contributed from new business segments, such as Tourism Business and Money Lending Business.

OTHER REVENUE AND OTHER INCOME

Other operating income was approximately HK$7.6 million for the year under review, representing an increase of approximately 49% as compared to approximately HK$5.1 million for the corresponding year in 2015. The increment was primarily due to an increase of Government grants by approximately HK$1.7 million from Packaging Business.

GAIN ON BARGAIN PURCHASE ON ACQUISITION OF AN ASSOCIATE

During the year under review, the Group has recorded a gain on bargain purchase on acquisition of an associate of approximately HK$84.7 million (2015: HK$nil), which is arising from the acquisition of 39.44% shareholding in Yong Tai at a consideration of approximately HK$208.3 million. The acquisition price was determined with relevance to the market price of Yong Tai's shares on the Main Market of Bursa Malaysia Securities Berhad as at the proposed acquisition date. Afterwards, the carrying value and the fair value have both increased as at the completion date of the acquisition, resulting in a gain on bargain purchase. The gain on bargain purchase is mainly attributable to the Group's capability in negotiating the terms of the transaction in favour of the Group. The principal activities of Yong Tai are manufacturing and dyeing of all types of fabric and property development.

IMPAIRMENT LOSS ON GOODWILL

As at 31 December 2016, the Group had made a provision for impairment loss on goodwill in respect of ticketing agency and scenic spot business of approximately HK$27.0 million and HK$16.0 million respectively (2015: HK$nil).

Directors' Business Review

As at the completion date of the acquisition of Master Race Limited (i.e. ticketing agency business), the fair value of the identifiable assets acquired has been determined by using discounted cash flow method under the income approach with reference to a professional valuation conducted by an independent firm of professionally qualified valuer. The value-in-use calculation was conducted by using cash flow projections and applying a 15% growth rate in 2017 in income per ticket, based on the assumption that the PRC local government would approve the application of ticket price increment before the end of year 2016.

Nevertheless, the Group had not yet received any responses from the PRC local government at the end of the reporting period. Taking into consideration of the unexpected delay in obtaining PRC local government's approval for the increase in ticket price, the management considers that there is an indication that the assets may be impaired and certain key assumptions used in assessing the recoverable amount of the assets acquired, including the growth rate for ticket prices, shall be adjusted from 15% to 5% in 2017. This has resulted in the Group having recognised an impairment loss on goodwill of approximately HK$27 million at the end of the financial year ended 31 December 2016.

As at the acquisition date, the Board considered a 15% growth rate was a reasonable estimation of ticket price in 2017 compared to 2016 based on the comparison between the current ticket price of the show "Impression – Liu Sanjie" and other similar shows in the PRC, such as "Impression of West Lake", "Impression of Lijiang", "Impression Putuo" and "Impression Wulong", etc. The current price of the ticket of "Impression – Liu Sanjie" is approximately 20% lower than the average price of the similar shows in the PRC. Nevertheless, out of the Board's expectation, the Group had not yet received the response from the PRC local government at the end of the reporting period and therefore the Board considered the approval process may need to take a longer period and the percentage of price increment may need to slightly adjust downward due to prudent consideration. Hence, the growth rate of ticket price in 2017 was adjusted from 15% to 5% in the valuation. The Board will actively liaise with the PRC local government in the middle of year 2017 to understand the application status if the Group still does not receive any responses at that time. Given that the current ticket price of "Impression – Liu Sanjie" is approximately 20% lower than the average price of similar shows in the PRC, the Board considers a 5% growth rate in 2017 is reasonable and achievable.

As at the completion date of the acquisition of Golden Truth Enterprises Limited ("Golden Truth") (i.e. scenic spot business), the fair value of the identifiable assets acquired as at the completion date has been determined based on depreciated replacement cost approach with reference to a professional valuation performed by an independent firm of professional qualified valuer. Based on the results of valuation, a goodwill of approximately HK$16 million was recognised as at the completion date.

Afterwards, the management accounts of Golden Truth indicated that there was a net loss of approximately HK$2.6 million recognised in the income statement for the year ended 31 December 2016, mainly because of the number of attendees was less than the original expectation. Accordingly, the Board considered that there was an indication of impairment of goodwill.

The main source of income of the scenic spot operated by Dongxing Pingfeng Rainforest Scenic Spot Investment Company Limited (an indirect wholly-owned subsidiary of Golden Truth) is a river-rafting activity operated at the scenic spot for the visitors. There are a number of factors which determine whether or not the river-rafting activity can be operated and available for the tourists who visit the scenic spot including flood, drought, storm and typhoon, etc. As at the acquisition date of Golden Truth, the Board estimated that the river-rafting activity would be able to operate up to the end of November in year 2016. Unfortunately, there was an unexpected drought in Dongxin County, Guangxi Province in second half of the year 2016. Without sufficient rainfall, the water level is too low for rafting and so it has been closed from October 2016, resulting in a substantial decline in the number of attendees.

Pursuant to the Hong Kong Accounting Standard 36 – Impairment of Assets, the recoverable amount of cash-generating unit ("CGU") should be determined on the basis of value-in-use calculation which uses cash flow projections based on the most recent financial budgets. Accordingly, the Company has appointed an independent firm of professional qualified valuer to perform valuation of the recoverable amount of the CGU of Golden Truth. Since the recoverable amount of the CGU is less than its carrying amount, the goodwill of Golden Truth was fully impaired during the year.

For Master Race Limited, the Board first became aware that there was an indication the assets may be impaired when performing goodwill impairment testing annually in the beginning of January 2017. At that time, since the Group had still not yet received any responses from the PRC local government in respect of the application of ticket price increment, the Board considered that there was an indication the assets may be impaired.

For Golden Truth, the Board first became aware that there was an indication the assets may be impaired in the beginning of January 2017, after the management accounts of Golden Truth indicated that there was a net loss of approximately HK$2.6 million recognised for the year ended 31 December 2016.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative expenses increased by 78.0% to HK$140.1 million during 2016 from HK$78.7 million in 2015. This was primarily due to an increase in expenses in Packaging Business and the inclusion of newly acquired subsidiaries related to tourism and healthcare industries. Moreover, a number of acquisition have been conducted during the year, which leads to an increment of legal and professional fees. In addition, an equity-settled share-based payment of approximately HK$24.1 million (2015: HK$nil) was recognised in the income statement during the year, which partially contributing to an increase of administrative and other operating expenses.

FAIR VALUE CHANGE AND NET REALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

For the year under review, the Group recorded a loss on financial assets at fair value through profit or loss of approximately HK$25.7 million (2015: approximately HK$56.7 million). Most of the securities investments classified as financial assets at fair value through profit or loss were disposed during the year.

The net realised loss on financial assets at fair value through profit or loss was respectively contributed by the Company's two subsidiaries, Able Zone Investment Limited ("Able Zone") of approximately HK$12.1 million and Sino Richtone Limited ("Sino Richtone") of approximately HK$13.6 million.

For Able Zone, the investments are mainly equity securities listed in Hong Kong, such as See Corporation Limited (stock code: 0491), Chinlink International Holdings Ltd (stock code: 0997), Leyou Technologies Holdings Ltd. (stock code: 1089), China Water Industry Group Ltd (stock code:1129) and Mega Expo Holdings Ltd (stock code:1360), etc. During the year, for the purpose of raising funds of other Group's projects, all the equity securities listed in Hong Kong were disposed of and the net realised loss on financial assets at fair value through profit and loss of HK$12.1 million was recognised in the consolidated statement of comprehensive income. During the year ended 31 December 2016, the gross proceeds from disposal of the equity securities listed in Hong Kong was approximately HK$116.4 million.

For Sino Richtone, the investment is mainly non-listed investment fund which is held for trading. The fund is called "KKC Capital High Growth Fund". During the year ended 31 December 2016, for the purpose of raising funds of other Group's projects, the non-listed investment fund was fully disposed of and the net realised loss on financial assets at fair value through profit and loss of HK$13.6 million was recognised in the consolidated statement of comprehensive income. During the year ended 31 December 2016, the gross proceeds from disposal of the non-listed investment fund was approximately HK$20.1 million.

SHARE OF RESULTS OF AN ASSOCIATE

The share of results of an associate of approximately HK$1.8 million (2015: HK$nil) is contributed by a newly acquired associate, Yong Tai, during the year.

FINANCE COSTS

Finance costs for the year 2016 were approximately HK$39.6 million, representing an increase of approximately 68.5% as compared to approximately HK$23.5 million for the corresponding year in 2015. The increase of finance costs was mainly due to additional loans and borrowings were raised for developing new business and for general working capital of the Group during the year. In addition, the Company has issued a note in the principal amount of HK$80.0 million which carries 10% interest per annum in November 2016, resulting in an increase of finance costs.

INCOME TAX EXPENSES

Income tax expense increased by 115.3% to approximately HK$12.7 million in 2016 from approximately HK$5.9 million in 2015, primarily due to the decrease in loss before tax as compared to year 2015.

LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEAR

As a result of the factors described above, loss attributable to equity holders of the Company for the year was approximately HK$31.1 million, a decease of approximately HK$36.9 million as compared to approximately HK$68.0 million for the corresponding period last year. Such improvement is mainly due to the fact that the Group recorded a profit in the Securities Investments segment of approximately HK$60.0 million for the year 2016, compared to a loss of approximately HK$57.6 million in 2015. In addition, the Money Lending Business contributed profit of approximately HK$5.7 million to the Group and the profit from Packaging Business was increased by approximately HK$22.1 million compared to corresponding period last year. The above effect was partially offset by a segment loss recognised in Tourism Business of approximately HK$21.6 million, and an increase of administrative and other operating expenses of approximately HK$61.4 million and an increase of finance costs of approximately HK$16.1 million.

BUSINESS REVIEW AND OUTLOOK

During the year 2016, notwithstanding the slowdown in economic growth in the PRC, the Group's Packaging Business, representing production and sale of expanded polystyrene packaging products for household electrical appliances in the PRC, continued to provide steady revenue and cash flow to the Group and still recorded increase in revenue of 13.1%. On the other hand, the Group recorded a profit in the Securities Investments segment of approximately HK$60.0 million (2015: a loss of approximately HK$57.6 million), which was mainly contributed from the investment in Yong Tai, a company listed on the Main Market of Bursa Malaysia Securities Berhad. In view of the volatile stock market in recent year, the Group will closely monitor the performance of investment portfolio and adopt relatively conservative investment strategy to minimise the risk exposure and uncertainty of returns from securities investments.

While maintaining the Packaging Business, the Group has also been exploring other business opportunities to diversify businesses of the Group and enhance the value of shareholders of the Company. In this connection, the Group has commenced Money Lending Business with the money lender licence in Hong Kong under the Money Lenders Ordinance since this year. Interest income of approximately HK$11.4 million from loan receivable was recognised in the income statement during the year. The interest rate charged during the year was ranging from 10% to 15% per annum. It is expected that such business will contribute steady returns to the Group.

Directors' Business Review

To capture the market potential of tourism, entertainment and cultural industries, the Group is engaged in a series of respective projects. Following completion of acquisition of Master Race Group in March 2016, the Group is granted an exclusive ticketing agency right for a popular cultural show namely Impression Liu Sanjie (印象劉三姐) in Guangxi Province, the PRC, for a term of 20 years. Impression Liu Sanjie is an outdoor night show beside the Li River in Yangshuo, the Guangxi Province. Different from other shows in an enclosed space, the show Impression Liu Sanjie stages in the actual Li River. The mist, moonlight, together with peaks and their inverted reflections in the river all creates a spectacular natural backdrop. The large-scaled lights system, special smoke-effect system and the overwhelming sound system in harmony with the natural landscape presents a visual feast to audiences. The show lasts approximately 70 minutes and consists of 7 episodes. Each episode displays different images and sceneries with the ever-changing natural background and lighting. There are 600 actors and actresses involved and most of them are local people from the villages along the river. Zhang Yimou, the chief director of the performance, creatively combines the classical Liu Sanjie's folk songs and ethnic group culture together and presents a large-scale realistic performance in harmony with landscape. During the year, 530 shows were performed and approximately 1,205,000 tickets were sold which contributed revenue of approximately HK$24.8 million to the Group.

In July 2016, the Group completed the acquisition of Golden Truth Enterprises Limited, which owns Dongxing Pingfeng Rainforest Scenic Spot (東興屏峰雨林景區) located at Dongxin City in the southern part of Guangxi Province neighboring Vietnam in the west. Dongxin City covers an area of about 590 sq km and has a total population of about 300,000, renowned for its natural landscape and scenic beauty, and most important of all, longevity of local inhabitants, the National Tourism Scenic Spot Quality Grading Assessment Committee has granted the aforesaid scenic spot the status of "4A-Category" scenic spot.

The management of the Company has kept considering and exploring appropriate opportunities for different investment projects. In view of the prosperity of the health care in the PRC, the Company considered it is an attractive opportunity for the Group to enter healthcare industry in the PRC. In September 2016, the Group acquired the entire issued share capital of Xian Tai International Limited ("Xian Tai") which have been satisfied by allotment and issue of 697,000,000 new shares of the Company at the market price of HK$0.13 per share under general mandate. Currently, Xian Tai provides operation and management entrustment services related to traditional leisure and healthcare massages to eight shops in the PRC and is aiming to upgrade to a professional healthcare management institution, traditional Chinese services including healthcare and massage, professional physical therapy, traditional Chinese mud therapy and featured far infrared ray energy therapy, as well as specializing in providing operation and management entrustment services for various kinds of healthcare clubs which are in operations or planning to operate. The management believes that the acquisition will enable the Group to broaden its income source and strengthen its asset base.

On 7 October 2016, the Group entered into a letter of intent (the "Letter of Intent") with Impression Culture International Holdings Limited ("Impression International"). Pursuant to the Letter of Intent, in order to fully develop tourism resources in Halong City, Vietnam, the Group intends to utilise its local resources and capital to invest in a large performance project tentatively titled "Dream Memory – Halong Bay" in Halong City, Vietnam. The Group as the investor will be responsible for development and operation of the performance project, seeking operating qualifications and government approvals for the performance project as required by local laws, and establishment of the performance group. Impression International will set up the director team and the art team which will be responsible for programme creation, performer rehearsal and training before the formal show, as well as performance, programme maintenance and other related work. Impression International will organise and despatch a management team for post-show operation, training, management and other related work. The construction period will be from 2017 to 2018 and the projected return expect to contribute from year 2018.

Besides acquisition of cultural and tourism business in the PRC, the Group is also seeking for overseas opportunities in Southeast Asia. Given that the Company is optimistic about the prospects of the property industry in Melaka, one of the fastest growing states in Malaysia, the Group successfully subscribed 150,000,000 new ordinary shares of Yong Tai, a company listed on the Main Market of Bursa Malaysia Securities Berhad, and 200,000,000 irredeemable preference shares ("ICPS") in Yong Tai at the issue price of RM0.80 (equivalent to approximately HK$1.48) per subscription share and ICPS respectively on 1 December 2016. The principal activities of the subsidiaries of Yong Tai are manufacturing and dyeing of all types of fabric and property development. The aggregate consideration for the subscription shares and the ICPS are RM280 million (equivalent to approximately HK$518 million) which had been paid by cash from the Company's fund raising exercise of subscription of 6,000,000,000 new shares of the Company. On 28 October 2016, an aggregate of 6,000,000,000 Placing Shares, which represent approximately 58.01% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares, have been successfully placed to not less than six Placees at the Placing Price of HK$0.10 per Placing Share. The raised fund of Yong Tai will be used for project "Impression Melaka" developing in Meleka. Impression Melaka will be the 1st world class international life performance outside China, the performance will feature historic legacies during the colonization era along with the local & modern architecture, it is an Endorsedas Entry Point Project (EPP) under the tourism bureau of Malaysia and Yong Tai will have 100% contribution from the ticket sales.

On 23 November 2016, the Group and an independent third party entered into a letter of intent in relation to a proposed acquisition of 49% issued share capital of Siam Air Transport Co., Ltd., ("Siam Air") at a consideration of approximately RMB300 million (approximately HK$339 million). Siam Air is a limited company incorporated under the law of the Kingdom of Thailand which owned 2 Boeing 737-300 aircrafts and leased 2 Boeing 737-800 aircrafts. The proposed acquisition will enable (i) the development of the Group's aviation business in Asia region; and (ii) the enhancement of the competitiveness of the Group in the aviation industry in Asia, which the management considers would be beneficial to and in the interests of the Company and the shareholders as a whole. Up to the date of this report, no formal agreement was made. Details of the proposed acquisition were set out in the announcement of the Company dated 23 November 2016 and 1 March 2017.

Directors' Business Review

On 29 December 2016, the Group and an independent third party, Summer Glitter Limited, entered into an agreement in relation to the proposed acquisition of 100% of the issued share capital of Super Concise Limited and its subsidiaries ("Super Concise") at the consideration of HK$900 million. The consideration shall be paid to Summer Glitter Limited by the issue of the Convertible Bonds in the principal amount of HK$900 million by the Company at the completion. The acquisition provides an opportunity for the Group to tap into the tourism and cultural market in the PRC. Currently, the Group has an exclusive ticketing agency right for the cultural show namely "Impression Liu Sanjie" (印象劉三姐). After the above proposed acquisition is completed, the Group will be responsible for operation of the performance of the show, which is expected to generate diversified income and additional cash flow for the Group's continuous development. As such, the directors consider the entering into of the agreement is in the interests of the Company and the shareholders as a whole. The proposed acquisition is expected to complete by the second quarter in year 2017. Details of the proposed acquisition were set out in the announcement of the Company dated 30 December 2016.

On 17 January 2017, the Group, JAA Capital Limited ("JAA Capital") and Jet Asia Airways Co., Ltd ("Jet Asia") entered into a Memorandum of Understanding in relation to the proposed acquisition of Jet Asia. Jet Asia is a limited liability company established in the Bangkok Metropolis. Jet Asia commenced operations in 2010 from Bangkok-Suvarnabhumi Airport Thailand, by obtaining an Air Operator Certificate from the Department of Civil Aviation of Thailand to offer air charter services for Africa, China, Japan, Korea, and the Middle East. The proposed acquisition will enable (i) the development of the Group's aviation business in Asia region; (ii) the creation of synergies with the ticketing agency business of the Group; and (iii) the enhancement of the competitiveness of the Group in the aviation industry in Asia, in particular the South East Asia region, which the Company considers would be beneficial to and in the interests of the Company and the shareholders as a whole. The proposed acquisition is expected to complete by the second quarter in year 2017, details of the proposed acquisition were set out in the announcement of the Company dated 17 January 2017.

On 14 December 2016, the Group and an independent third party, Poon Keng Tat, entered into a Sale and Purchase Agreement pursuant to which Poon Keng Tat has agreed conditionally to sell, and the Group has conditionally agreed to purchase 95% issued share capital of Incola Travel Limited ("Incola Travel") at the consideration of approximately HK$4,404,000. Incola Travel is a company incorporated in Hong Kong with limited liability and is held as to 99.9% by Poon Keng Tat. It is a travel related investment holding company, which together with its wholly-owned subsidiary in Hong Kong, Incola Air Services Limited, are principally engaged in the business of travel agency. The Company believes that the potential for developing high yield travel services and products, such as special interest tours, are the next profitable step to take in light of greater interest among the population in the PRC for overseas exposure. The acquisition was completed on 28 February 2017.

On 26 January 2017, the Group and four independent third parties (the "Vendors") entered into a Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to purchase 100% of the issued share capital of Arch Partners Holdings Limited ("Arch Partners") at the consideration of approximately RMB160.0 million (approximately HK$179.2 million). Arch Partners and its subsidiaries are principally engaged in provision of outbound travel, aircraft charter and business travel. The proposed acquisition is expected to complete by the second quarter in year 2017, details of the proposed acquisition were set out in the announcements of the Company dated 27 January 2017 and 22 March 2017.

Facing the fierce competition of the EPS packaging industry in the PRC, the Group continues to take effort to maintain its competitiveness of packaging business including enhancing production technology and cost control, and on the other hand, explore other business opportunities with greater market potential in the PRC and Southeast Asia. As such, the Group has stepped into tourism, entertainment and cultural industries, which are considered as booming industries in recent years and are not significantly affected by economic cycle, through a series of acquisitions this year. To finance the aforesaid acquisitions, the Company strategically increased the authorised share capital of the Company to HK$375,000,000 divided into 30,000,000,000 shares of the Company which was effective from 3 June 2016 and had completed the placement exercise of 6,000,000,000 ordinary shares of HK$0.0125 each in October 2016 which not only provide sufficient funding to the projects but also broaden shareholders base of the Company.

With strong management team who has solid experience in tourism, entertainment and cultural industries, the Company is optimistic about the prospects of the new projects in the PRC and property industry in Melaka. It is expected that these new projects will generate considerable returns to the Group in the future. The Group will continue to review the performance of business portfolios and seek for other potential acquisition opportunities from time to time.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's current assets amounted to approximately HK$788.7 million (2015: approximately HK$609.5 million) of which approximately HK$0.4 million (2015: approximately HK$162.6 million) were financial assets at fair value through profit or loss and approximately HK$22.5 million (2015: approximately HK$90.1 million) were cash and bank balances. The Group's current liabilities amounted to approximately HK$958.7 million (2015: approximately HK$236.0 million) of which mainly comprised its trade and other payables of approximately HK$165.9 million (2015: approximately HK$99.9 million), notes payable of HK$360.0 million (2015: HK$nil) and interest-bearing bank and other borrowings of approximately HK$374.4 million (2015: approximately HK$134.4 million), while the Group's non-current liabilities amounted to approximately HK$37.7 million which mainly comprised of the deferred tax liabilities (2015: approximately HK$282.4 million which mainly comprised of the notes payable).

As at 31 December 2016, the Group's interest-bearing bank and other borrowings of approximately HK$374.4 million (2015: approximately HK$134.4 million) were repayable within one year, which were secured by the Group's buildings, lease premium for land, trade receivables and pledged bank deposits. As at 31 December 2016, HK$251.6 million and HK$122.8 million were denominated in HK$ and RMB, respectively. (2015: all bank and other borrowings were denominated in RMB). As at 31 December 2016, bank and other borrowings of approximately HK$292.9 million (2015: HK$104.7 million) and HK$81.5 million (2015: HK$29.7 million) were interest-bearing at fixed and variable interest rates of 4.79% to 24.0% and 4.79% to 6.40% (2015: 4.79% to 6.72% and 4.79% to 6.16%) respectively.

As at 31 December 2016, the Group had two outstanding interest-bearing notes. One with principal amount of HK$280.0 million (2015: HK$280.0 million) which was interest-bearing at 8% (2015: 8%) per annum, maturing on 21 April 2017. The note was secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company. Another note was issued on 23 November 2016, with principal amount of HK$80.0 million which was interest-bearing at 10% per annum and maturing on 22 November 2017. The note was pledged by 697,000,000 ordinary shares of the Company provided by a shareholder of the Company.

The directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$169.9 million as at 31 December 2016. In the opinion of the directors of the Company, the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that: i) the Group's ability to renew or refinance the borrowings and banking facilities upon maturity; ii) continuous development and improvement of the Group's new businesses in tourism, entertainment and cultural industries; iii) issuance of the second tranche Note with principal amount of HK$120,000,000 on 4 January 2017; and iv) the directors of the Company will consider to utilise the available banking facilities of HK$29,722,000 as at 31 December 2016 so as to meet any financial obligations as and when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

GEARING RATIO

As at 31 December 2016, the total tangible assets of the Group were approximately HK$1,831.4 million (2015: approximately HK$866.1 million) whereas the total liabilities were approximately HK$996.4 million (2015: approximately HK$518.4 million). The gearing ratio (total liabilities divided by total tangible assets) was approximately 54.4% (2015: approximately 59.9%).

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

ALLOTMENT AND ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE IN SEPTEMBER 2016

On 5 August 2016, the Company entered into a sale and purchase agreement with Majestic Wealth International Limited, which is an independent third party and principally engaged in provision of management services on the operation of physical therapy and healthcare massage shops in the PRC, for acquisition of the entire issued share capital of Xian Tai International Limited ("Xian Tai"). On 13 September 2016, the consideration of HK$90,610,000 was satisfied by allotment and issue of 697,000,000 new shares of the Company at the market price of HK$0.13 per share under general mandate. The above newly issued shares rank pari passu in all respects with the existing shares.

SETTLEMENT OF PROFESSIONAL FEE BY MEANS OF ISSUE OF REMUNERATION SHARES

Chanceton Capital Partners Limited ("Chanceton Capital") has been the financial advisor to the Company for the provision of continuing financial advisory service to the Company since 18 January 2016, part of the financial advisory fees has been satisfied by the issue of 10,000,000 remuneration shares to Chanceton Capital at the market price of HK$0.13 per remuneration share on 13 September 2016. The above newly issued shares rank pari passu in all respects with the existing shares.

Mr. Han Ning has been the PRC legal advisor to the Company for the provision of the PRC legal advisory service to the Company. For the PRC legal advisory service provided to the Company by Mr. Han Ning, the PRC legal advisory fee has been satisfied by the issue of 10,000,000 remuneration shares to Mr. Han Ning at the market price of HK$0.13 per remuneration share on 13 September 2016. The above newly issued shares rank pari passu in all respects with the existing shares.

PLACING OF SHARES UNDER SPECIFIC MANDATE COMPLETED IN OCTOBER 2016 AND USE OF PROCEEDS FROM PLACING OF SHARES

On 28 October 2016, the Company has issued and allotted 6,000,000,000 ordinary shares, which represent approximately 58.01% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares, at the placing price of HK$0.10 each to not less than six allottees. The closing market price was HK$0.141 per share of the Company on the date on which the terms of the issue were fixed. The net proceeds of approximately HK$582.0 million (approximately HK$0.97 per share) have been used for acquisition of interests in Yong Tai and general working capital of the Group. The newly issued shares by placing rank pari passu in all respects with the existing shares.

ISSUE OF NOTES IN THE PRINCIPAL AMOUNT OF HK$200 MILLION

On 22 November 2016, the Company and Prosper Talent Limited, an indirectly and wholly-owned subsidiary of CCB International Holdings Limited entered into a Note Purchase Agreement, pursuant to which the Company has issued secured notes in two tranches up to an aggregate principal amount of HK$200 million (the "Notes").

On 23 November 2016, the Company issued the first tranche Note in the principal amount of HK$80 million to the Investor which carries 10% interest per annum and due on 22 November 2017. The note was secured by the charges of 697,000,000 ordinary shares of the Company provided by a shareholder. The Group intends to use the net proceeds of the issuance for developing potential new business should such opportunities arise and for the working capital of the Group.

Subsequent to the year end, on 4 January 2017, the Company issued the second tranche Note in the principal amount of HK$120 million to the Investor. The second tranche Note carries 10% interest per annum and due on 4 January 2018. The note was secured by the charges of 700,000,000 ordinary shares of the Company provided by two shareholders. Same as the first tranche Note, the Group intends to use the net proceeds of the issuance for developing potential new business should such opportunities arise and for the working capital of the Group.

The Notes can be extended to 24 months with the consent of the holders of the Notes. The interest rate would be 13% per annum from the date immediately after the Initial Maturity Date to and including the Extended Maturity Date.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 5 June 2015, a share option scheme (the "Scheme") was adopted by the Company. The purpose of the Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employees or directors of the Company or any advisers, consultants, agents, contractors, customers and suppliers of any members of the Group or whom the board of directors in its sole discretion considers eligible for the scheme on the basis of his or her contribution to the Group.

The total number of the shares of the Company available for issue under the share option scheme as at 31 December 2016 was 1,348,371,137 shares (including options for 313,091,112 shares that have been granted on 27 July 2016 but not yet lapsed or exercised) which represented 13.02% of the issued share capital of the Company as at 31 December 2016. During the year, 358,990,124 share options were granted and the Group recognised a share option expense of approximately HK$21,539,000. Among the share options granted, a total of 145,096,048 share options were granted to the directors. No options were exercised by the directors during the year and up to the date of this report. Subsequent to the end of the year, no additional share options were granted to the employees and directors of the Group.

During the year, 45,899,012 share options were exercised at the subscription price HK$0.145 per share, resulting in the issue of 45,899,012 ordinary shares of the Company for a total cash consideration of approximately HK$6,655,000. As a result of the exercise of these share options, their fair value of approximately HK$2,754,000 previously recognised in the share option reserve was transferred to the share premium account. The above newly issued shares rank pari passu in all respects with the existing shares.

LOANS FROM INDEPENDENT THIRD PARTIES

On 30 June 2016, the Company borrowed a loan in the principal amount of HK$6 million from an independent third party which carries 6% interest per annum and the maturity date is 28 February 2017. The proceed of the loan has been used for developing potential new business and for general working capital of the Group. The loan was fully settled subsequent to the year end.

On 18 August 2016, the Company borrowed a loan in the principal amount of HK$80 million from an independent third party which carries 24% interest per annum and the maturity date is 16 December 2016. The proceed of the loan has been used for developing potential new business and for general working capital of the Group. The loan was extended to 16 May 2017 under mutual agreement between the Company and the independent third party.

On 6 October 2016, the Company borrowed a loan in the principal amount of HK$105.6 million from an independent third party which carries 13% interest per annum and the maturity date is 14 February 2017. The proceed of the loan has been used for developing potential new business and for general working capital of the Group. The loan was fully settled subsequent to the year end.

On 4 November 2016, the Company borrowed a loan in the principal amount of HK$80 million from an independent third party which carries 18% interest per annum and the maturity date is 3 April 2017. The proceed of the loan has been used for developing potential new business and for general working capital of the Group. The loan was partially settled in the amount of HK$20 million during the year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had a total of around 440 (2015: 340) staff. The Group remunerates its employees based on their performance, experience and industry practices.

The employees' remuneration policy was determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. Pursuant to a share option scheme adopted on 5 June 2015 (the "Share Option Scheme"), the Board may offer to grant any employee or director of the Company for the Share Option Scheme on the basis of his or her contribution to the Group, to subscribe for shares of the Company. During the year, 358,990,124 share options were granted and the Group recognised a share option expense of approximately HK$21,539,000. As at 31 December 2016, 313,091,112 shares were granted but not yet lapsed or exercised. Subsequent to the end of the year, no additional share options have been granted to the employee or director of the Group.

CAPITAL STRUCTURE

As at 31 December 2016, the Group's net assets were financed by internal resources, bank and other borrowings and notes payable. The Company's authorised share capital was HK$375,000,000 divided into 30,000,000,000 shares of HK$0.0125 each, of which 10,352,800,252 ordinary shares were issued and fully paid.

Directors' Business Review

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save for disclosed above and in notes 17, 19, 20, 22 and 34 to the consolidated financial statements, there were no significant investments held by the Group as at 31 December 2016 and material acquisitions and disposals during the year.

CAPITAL COMMITMENT

As at 31 December 2016, the group's outstanding capital commitment contracted but not provided for in the consolidated financial statements was approximately HK$3.2 million (2015: approximately HK$5.3 million).

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2016, the Group pledged assets with aggregate carrying value of approximately HK$79.2 million (2015: approximately HK$87.5 million) to secure banking and other facilities and other borrowings and the Group has also placed an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company, to secure the notes payable of HK$280 million (2015: HK$280 million).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities.

HEDGING

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

APPRECIATION

The Board would like to thank all customers, shareholders, business associates and professional advisers for their continuous support and extend its appreciation to all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group during the year.

For and on behalf of the Board

Li Zhenzhen
Executive Director

Hong Kong, 28 March 2017

Environmental, Social and Governance (ESG) Report 2016

ABOUT THIS REPORT

Overview

This Environmental, Social and Governance (ESG) Report (the "Report") of Sino Haijing Holdings Limited and its subsidiaries ("the Group") for the year ended 31 December 2016 covers environmental and social subject areas in accordance with the requirements of Environmental, Social and Governance Reporting Guide stated in Appendix 27 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Corporate governance is addressed separately in the Corporate Governance Report.

Scope of the Report

The Report endeavours to present a balanced representation of the Group's environmental and social performance and covers the entire operations of all entities in the Group.

The content of the Report is defined through a process to determine ESG management approach, strategy, priorities and objectives relating to the Group's operations, to describe our management, measurement and monitoring system employed to implement ESG strategy, and to disclose our key policies, compliance with relevant laws and regulations, and our performance.

Approved by the board of directors

The board has overall responsibility for the Group's ESG strategy and reporting. The board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Report was approved by the board on 28 March 2017.

ENVIRONMENTAL AND SOCIAL SUBJECT AREAS OF THE GROUP

About the Group

The Group is principally engaged in production and sale of expanded polystyrene ("EPS") packaging products for household electrical appliances in the P.R.C. ("Packaging Business"), scenic spot, healthcare massage, ticketing agency, money lending, securities trading and other investment business. The Group mainly operates in Hefei, Qingdao, Dalian, Yangshuo, Dongxing, Shenzhen and Hong Kong. Particulars of the Group's principal entities are set out in note 35 to the consolidated financial statements for the year ended 31 December 2016.

Strategy

Although the Group does not operate in an environmentally sensitive business, we recognise that our operations still have an impact on the environment and acknowledge that addressing environmental issues is a collective responsibility shared by every member of the community. We believe that sustainability in business is not just window dressing, but is essential to the development of the Group. We firmly believe that to act responsibly towards the environment, the community and our stakeholders will drive the long term success of our business.

We are committed to minimising the adverse impact that our operations may have on the environment. We are continually improving our environmental management practices and measures to reduce energy and other resource use, minimise waste, increase recycling, and promote environmental protection in our marketplace.

We value our stuff as our greatest asset. To attract and retain the best people for the Group, we endeavour to provide a comfortable, healthy and safe working environment for our employees and ensure that all their rights and interests are protected.

We believe that each employee should be treated equally and ensure that employees in the workplace or job applicants during the recruitment process will not be subject to any form of discrimination. All employees and job applicants are assessed based on their skills, qualifications and performance irrespective of their age, marital status, race, religion, nationality, gender, disability, sexual orientation or political background.

We value credibility and integrity and prohibit any form of corruption or malpractice such as bribery, money laundering, extortion and fraud. The Group adopts a zero-tolerance policy on bribery, extortion, fraud and money laundering, any matters of genuine concern are to be thoroughly investigated and actions will be taken accordingly. We believe that strong ethical conduct is essential in building a sustainable business and gaining the trust from our employees, customers, suppliers and business allies.

We pursue the sustainable development of our community by assessing and managing the social impact of our operations on the marketplace in Hong Kong and the Mainland. We support long-term community investment by encouraging our employees to participate in volunteer work.

Our strategy is to fulfil the Group's environmental and social responsibilities through achieving environmental and social objectives during daily operations.

Objectives

We integrate environmental and social considerations into the Group's business objectives to achieve:

Environmental objectives:

- Achieve the balance between business growth and environmental protection by improving the operations and practices as well as encouraging the employees to adopt environmentally responsible behaviour in workplace;
- Minimise use and maximise reuse of resources and energy;
- Continuously improve waste management; and
- Consider environmental protection in our purchasing decisions

Social objectives:

- Attract and retain the best people by creating a supportive and quality workplace where employees are motivated to perform to their potential; providing fair, competitive and transparent rewards and recognitions; and maintaining a healthy and safe workplace;
- Care about employees' welfare and satisfaction by encouraging work-life balance and monitoring and improving employees' satisfaction;
- Strengthen team collaboration by encouraging open and transparent communication within the Group; and
- Promote community participation by encouraging and supporting employees to volunteer for the benefit of the communities

Approach

Monitored by the board of directors, the Group is executing its environmental and social strategy and achieving its related objectives through a series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Formulate and document environmental and social policies for management and employees to follow;

- Comply with environmental and social laws and regulations;
- Report our performance on a balanced picture;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do

Environmental and social management system comprises:

- The direction from the board to fulfil the ESG responsibilities;
- Day-to-day execution of environmental and social strategy and achieving its objectives by management;
- Performance and achievements done by staff members in accordance with the Group's environmental and social policies;
- Compliance with environmental and social laws and regulations; and
- Monitoring and review of ESG risk management and internal control systems by the board

Measures for the achievement of environmental and social objectives are:

- Environmental policies;
- Social policies;
- Checklists for the compliance with applicable environmental and social laws and regulations; and
- Requiring documentation for the achievements or performance of environmental and social related activities or matters

The implementation of environmental and social strategies, management of environmental activities, and measurement of achieving environmental and social objectives are monitored by dedicated managerial staff members and finally by the board for its overall ESG responsibility.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Stakeholder engagement is a key success factor in formulating our environmental and social strategy, defining our objectives, assessing materiality, and establishing policies. Our key stakeholders include customers, suppliers, business allies, employees, management and shareholders. We have conducted a survey, discussed or communicated with stakeholders to understand their views and respond to their needs and expectations, evaluated and prioritised their inputs to improve our performance, and finally strived to provide value to our stakeholders, community and the public as a whole.

Based on the stakeholder engagement, we identified issues with significant environmental and social impact and issues concerning stakeholders. The results of materiality assessment prioritised stakeholder inputs and made us focused on the material aspects for actions, performance, achievements and reporting. Except key performance indicators which will be disclosed in our ESG report for the year ending 31 December 2017, we present below the relevant and required disclosure.

GENERAL DISCLOSURE

A. Environmental

The Group recognises the importance of continuous improvement in protecting the natural environment for the benefit of all beings. We are committed to minimising the adverse impact on the environment.

Aspect A1: Emissions

Emissions refer to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

- **Air and Greenhouse Gas Emissions**

  Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

  – Air and Greenhouse Gas Emissions from Production

    We acknowledge our responsibility in managing the environmental consequences during our production. To reduce emissions of air pollutants and greenhouse gases, we are willing to adopt emission controlling techniques and set up policies to better manage our resource consumption.

Hefei Haijing Packaging Material Co., Ltd. ("Hefei Haijing"), one of our subsidiaries, used a coal-fired boiler to generate steam, which was one large source of air and greenhouse gas emissions. In order to reduce the air and greenhouse gas emissions, Hefei Haijing performed a feasibility study for using a natural gas boiler, subsequent to the year ended 31 December 2016, Hefei Haijing installed and started to use a natural gas boiler to generate steam for production.

Qingdao Haijing Packing Materials Co., Ltd. ("Qingdao Haijing") and Qingdao Xinhaijing Packing Materials Co., Ltd. ("Qingdao Xinhaijing"), two of our subsidiaries, are also using coal-fired boilers in production.

Qingdao Haijing applied desulphurisation and dust removal technology to the coal-fired boiler to reduce SO2, pollutants, and other air and greenhouse gas emissions. An online monitoring system is installed to monitor excess emissions of the boiler.

The Group is responsible to continuously reduce and monitor the air and greenhouse gas emissions.

– Air and Greenhouse Gas Emissions from Vehicles

The Group believes that green logistics brings benefits, which include reduction of transportation costs and reduction of energy consumption and pollution. As such, the Group requires that trucks used for long distance transportation are loaded to the optimal capacity. In particular, the Group encourages optimising transportation routes, high loading rate and proper tire pressure to achieve efficiency.

The Group encourages employees to consider environmental impact in their commuting decisions to reduce air and greenhouse gas emissions. Employees are reminded to take public transportation as often as possible and select fuel-efficient vehicles. When employees are driving, they are advised to avoid unnecessary acceleration or deceleration, close windows when the vehicle is travelling at high speed, and only use air-conditioning when it is necessary.

– Indirect Greenhouse Gas Emissions from Electricity Consumption

Electricity consumption of the Group is a major part of its greenhouse gas emissions. Various electricity-saving policies have been established to reduce the electricity consumption by the Group.

Installation of energy-efficient lighting is required by the Group. It is required for proper maintenance of electricity devices to avoid electricity leakage. Air-conditioning is required to be set no lower than 26℃ in summer. It is also required to disable the standby mode for all electrical appliances, including computers, photocopiers and printers when they are not in use.

– Indirect Greenhouse Gas Emissions from Business Travel by Employees

The Group is aware of the severity of indirect greenhouse gas emissions from business travel by employees, and requires employees to utilise more teleconference instead of overseas meetings and choose railway for short distance travel to reduce the number of air travel and ultimately reduce the carbon footprint of business travel.

- **Discharges into Water and Land**

The Group requires that discharges, if any, into water and land must comply with relevant laws and regulations. We examine water and land discharges regularly and design reduction targets. The Group engages external professional service providers to detect and monitor discharges when it is necessary.

In 2016, Hefei Haijing prepared a report regarding discharges into water to monitor the discharges.

- **Generation of Hazardous Waste and Non-hazardous Waste**

Our internal guidance encourages employees to handle industrial and office waste generated in a proper and environmentally-friendly manner.

– Hazardous Waste

Hazardous wastes are those defined by national regulations. Hazardous wastes are required to be separated and recorded for collection. No significant hazardous waste was generated in view of the Group's business nature.

– Non-hazardous Waste

We adopt responsible waste management practices including avoidance of waste, source reduction, reuse, recycling and responsible disposal. Employees are encouraged to purchase supplies or equipment with an option to be upgraded and longer life-span, to prefer manufacturers recovering the packaging materials, to separate non-hazardous waste from hazardous waste, to install recycling bins to collect recyclables, and to have recyclers to collect recyclables.

– Paper Waste

Paper consumption is also an environmental concern in our daily operations. Internally, we have implemented a number of measures to reduce office paper use and promote the reuse of paper. For example, in order to address indirect emissions relating to paper waste deposited at landfills, we encourage staff to reuse paper and will not purchase paper that is a contaminant in recycling; use less paper by effectively using computers and other technologies; use both sides of the sheet of paper; avoid printing out of short e-mails or unnecessary copies of documents; and recycle the paper, etc.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**

  For the year ended 31 December 2016, there were no confirmed non-compliance incidents in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Aspect A2: Use of Resources

The Group recognises that efficient use of resources, including energy, water and other raw materials, in production, storage, transportation, buildings, electronic equipment, etc. is one of the important aspects to protect the environment.

- **Efficient Use of Energy**

  The Group designated personnel of administrative department to be responsible for monitoring consumption of energy, and established policies and procedures to reduce energy consumption in the facilities, to assess the energy efficiency and utilisation of machineries as well as facilities, to increase the use of clean energy, if possible, to set targets to monitor energy consumption, to ensure power is turned off when electrical appliances are not in use, and to admit natural daylight into workplace during the day.

- **Water Consumption**

  The Group requires employees to reduce water consumption. The Group operates its business in offices and factories. We conserve water by checking faucets and pipes for leaks and recommend applicable subsidiaries to adopt water saving appliances.

  Qingdao Haijing applied technology to recycle water used for cooling processes, and reuse wastewater from the desulphurisation and dust removal process of a coal-fired boiler.

- **Efficient Use of Raw Material and Packaging Material**

  The Group endeavours to adopt the lifecycle assessment approach to consider the environmental impact of our EPS products throughout their lifecycle, preferably covering raw material selection, acquisition, production, usage, disposal, and recycling. The Group encourages employees to reduce material for packaging, and to design the packaging to be returnable, reusable, recyclable and recoverable.

Aspect A3: The Environment and Natural Resources

The Group is committed to reducing the production and operation impacts on environment and natural resources. Policies are established to consider the actual impacts on environment and natural resources and to reduce such impacts, especially for the impact as result of expansion of facilities and production.

Environmental education and advocacy among employees encourage the adoption of environmentally responsible behaviour which helps fulfil the Group's commitment to minimising its adverse impact on the environment. We encourage our employees to join external events that promote environmental protection on a regular basis.

To raise the awareness of impacts on the environment and natural resources, certain internal promotion and training on environmental protection are required. For example, administrative department is responsible to organise training on environmental protection, energy saving, and efficient use of resources.

In 2016, Hefei Haijing prepared a checklist for the achievement of environmental objectives, management goals, and measurement results, as well as for the assessment of impact on the environment and natural resources as a result of production and operation.

B. Social

The Group endeavours to fulfil its social responsibilities as a corporate citizen of communities. We strive to establish harmonious relationship with our employees, customers, suppliers, business allies and the communities. We mind the well-being and development of employees, ensure high standard of product responsibility, enhance transparent relationship with external parties including customers, suppliers, and business allies, and contribute to our community development.

Employment and Labour Practices

Aspect B1: Employment

The Group established employment policies, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

- **Compensation and Dismissal**

  The Group offers competitive remuneration to attract and retain talented staff. Remuneration packages are reviewed periodically to ensure consistency with employment market. Laws and regulations on minimum wage and statutory social benefits are required to be followed. Dismissal is required to comply with employment laws and regulations, and to follow the internal policies and procedures, including policy on prevention of dismissal purely on employees' age, marital status, race, religion, nationality, disability, sexual orientation or political background.

  In order to provide fair, competitive and transparent reward and recognition, employees' remuneration packages include basic salaries and performance-based bonuses which shall be determined by their qualifications, experience and prevailing market rates. Salaries are normally reviewed annually based on individual performance appraisals. Apart from the basic remuneration package, our Group also offers a wide range of benefits including medical insurance coverage, Chinese New Year red packets and paid leaves for sick, marriage and bereavement in addition to statutory holidays.

  For Packaging Business, guidelines on employee awards and penalisation were established in writing for management and employees to follow in order to award best performers, and penalise serious violations of policies and procedures.

- **Recruitment and Promotion**

  The Group attracts talent through flexible, fair and transparent recruitment strategy. Recruitment process includes application for recruitment, description of position, collection of job applications, interview, selection, approval, and job offering. Promotion is based on performance and suitability.

- **Working Hours, Rest Periods, Benefits and Welfare**

  Employees' working hours, rest periods, benefits and welfare, including social security benefits and retirement pension plans, are required to be in compliance with employment or labour laws and regulations. For employees of our Packaging Business, we provide staff quarters and canteen services to some of our staff members for their convenience to avoid commuting and impact on the environment.

  Workforce-management relation is a critical factor for achieving our principles of caring about employees' welfare and satisfaction and strengthening team collaboration. Hence, we aim to promote team solidarity and ensure open and transparent communication.

  We inform our employees of any operational changes or development of the Group as soon as we consider appropriate in terms of the nature and importance of the information. Hence, we do not set any minimum period of notice for different kinds of notifications. Important information about the Group, such as the latest strategic directions, business and operational developments, and financial performance, is communicated via a number of effective channels.

- **Equal Opportunity, Diversity and Anti-discrimination**

  The Group strives to provide a fair workplace for employees and follow the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, employment type, age, and geographical region.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**

  For the year ended 31 December 2016, there were no confirmed non-compliance incidents in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Aspect B2: Health and Safety

The Group strives to promote and maintain a healthy and safe workplace for employees, and to prevent workplace injuries and illnesses.

The Group is committed to achieving a high standard of occupational safety and health as set out in its occupational safety and health policies. We also take the approaches of training, drill, safety inspection and incident management to ensure the interest of our employees. Besides, we include safety concerns into the supply chain management.

- **Providing a Safe Working Environment**

  The Group requires entities to establish and document policies and procedures on safety for employees to follow, set targets for the safety of employees, monitor the safety performance against the targets periodically, and report any safety incidents to management. In 2016, Qingdao Haijing prepared a weekly safety checklist to ensure proper operation of machines, tools, automobiles, switches, fire extinguishers and hydrants.

- **Protecting Employees from Occupational Hazards**

  The Group recognises that one of the success factors for protecting employees from occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group requires such training, including training on the use of personal protective equipment and clothing, as well as first aid and life support, to be delivered to employees, especially those who operate equipment and tools.

  In 2016, Qingdao Haijing conducted a fire drill for the improvement of employees' response to fire incidents, rescue techniques, and use of fire extinguishers and hydrants.

- **Work-life Balance**

  The Group organises several social activities such as sports games, with the aim of enhancing work-life balance, personal development and sense of belonging among employees.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**

  For the year ended 31 December 2016, there were no confirmed non-compliance incidents in relation to providing a safe working environment and protecting employees from occupational hazards.

Aspect B3: Development and Training

The Group is committed to providing adequate training for our employees to improve their knowledge and skills for discharging duties at work and for their career development. Training includes vocational training courses provided internally or externally and paid by the Group.

- **Employee Development**

  The Group requires employees to attend internal and external training courses in accordance with departmental or business unit training plan, including new employee orientation and employee continuing education to improve employees' knowledge and skills for their job positions. The costs of qualified training courses are borne by the Group.

- **Training Activities**

  On 3 June 2016, Qingdao Xinhaijing recorded attendance of employee training on "Sort, Straighten, Sweep, Standardise, Sustain" to enhance productivity, visual management, and standardised work. On 1 July 2016, Qingdao Haijing Mould Products Co., Ltd. recorded attendance of employee training on Kingdee accounting system. On 12 October 2016, Qingdao Haijing recorded employee attendance for a training on data process for product distribution.

Aspect B4: Labour Standards

The Group is committed to preventing child and forced labour in the workplace.

- **Preventing Child and Forced Labour**

  The Group prohibits child labour. It requires human resource department and user departments to work together to prevent or identify child labour, and to ensure child labour is not in the workforce.

  The Group is committed to protecting human rights, to prohibiting forced labours, and to creating a workplace with respect, fairness, and free will for our employees.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**

  For the year ended 31 December 2016, there were no confirmed non-compliance incidents in relation to child and forced labour.

Operating Practices

Aspect B5: Supply Chain Management

Supply chain management is one of the important areas of our operation, which includes managing environmental and social risks of the supply chain. The Group requires suppliers to provide products and services for us with up-to-standard quality, health and safety to ensure compliance with environmental laws and regulations, and to ensure compliance with labour standards. The contracting for procurement of products and services is required to be based solely upon specification, quality, service, delivery, price, tendering, and applicable environmental and social considerations.

The Group requires transparent selection of suppliers and service providers, maximisation of competition in tendering process, approval of contract terms, compliance with laws and regulations, prevention and detection of bribery or fraud in the tendering and procurement process, and achievement of efficiency and cost saving in procurement.

The Group established supply chain management policies and procedures, including assessment, selection, approval, procurement, and performance evaluation. Performance evaluation is based on quality, service, cost, delivery, environmental protection, and social responsibilities.

Aspect B6: Product Responsibility

Product responsibility refers to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

- **Health and Safety**

  The Group is fully responsible for our products and services, including health and safety relating to our products. We require health and safety relating to our products from the following areas: product design to ensure health and safety, selection of raw materials with health and safety consideration, quality control during the manufacturing processes, health and safety check for finished products, proper delivery and after-sale services.

- **Advertising**

  The Group respects our customers' rights and is committed to providing accurate product and service information for customers in connection with their purchase or consumption decision. For our exclusive ticketing agency business, we established policies and procedures to review any advertising or promotion material to protect customers' interest.

- **Labelling**

  The Group requires that labelling is accurate, legitimate, clear, and not misleading, and intellectual property rights are protected.

- **Privacy Matters**

  The Group is committed to protecting customer data and privacy information and keeping business information confidential. Training to staff members in this regard and proper information system security are required.

- **Methods of Redress**

  Although we ensure the quality of our products and services, at the same time, the Group requires that products or services with quality, safety, or health issues should be returned, recalled, or compensated in accordance with terms of sales or service contracts. Return, recall, or compensation of products and services is required to be offered to all customers who are affected with consistent treatment and procedures.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**

  For the year ended 31 December 2016, there were no confirmed non-compliance incidents in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Aspect B7: Anti-corruption

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, business allies, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. Staff handbook which lays out the Group's expectations and guiding principles on bribery prevention is provided to each employee. Meanwhile, we encourage employees to report any malpractice and misconduct directly to the human resource department or the senior management. All reports are required to be treated at all times with confidentiality. The Group encourages not only employees, but also other parties to report incidents relating to any conflicts of interest, bribery, extortion, fraud and money laundering.

For our money lending operation, the Group requires to obtain background information of borrowers, and maintain proper records of due diligence concerning the assessment of borrowers.

- **Compliance with Relevant Laws and Regulations that Have a Significant Impact on the Group**

  For the year ended 31 December 2016, there were no confirmed non-compliance incidents in relation to bribery, extortion, fraud and money laundering.

Community

Aspect B8: Community Investment

The Group is committed to supporting the communities in which we operate, including community engagement to understand the needs of communities, and to ensure the Group's activities take into consideration of the communities' interest.

- **Labour Needs**

  The Group endeavours to enlarge the business operation so that we can hire more workers to utilise communities' available labour resources.

- **Community Activities**

  We encourage our employees to contribute their time and efforts to various local community projects in the regions where we operate, such as community activities, memorial-day activities, and charity activities.

- **Environmental Protection**

  All employees of the Group are encouraged to participate in environmental protection activities and raise the environmental awareness of people in the communities.

Report of the Directors

The directors present herewith their annual report and the audited consolidated financial statements of Sino Haijing Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 35 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers in packaging business respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	34%	
Five largest customers in aggregate	74%	
The largest supplier		30%
Five largest suppliers in aggregate		78%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

INFORMATION OF BUSINESS REVIEW

Information of business review and future development of the Group's businesses is set out in the section of Directors' Business Review of this Annual Report.

The environment policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed under section headed "Environmental, Social and Governance (ESG) Report 2016" on pages 23 to 38.

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on pages 68 to 69.

The state of affairs of the Group and the Company as at 31 December 2016 are set out in the consolidated statement of financial position on pages 70 to 71 and the statement of financial position on pages 147 to 151, respectively.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2016.

Report of the Directors

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for each of the last five financial years is set out on page 163.

PROPERTY, PLANT AND EQUIPMENT

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

NOTES PAYABLE AND BANK AND OTHER BORROWINGS

Particulars of the notes payable and bank and other borrowings of the Group as at 31 December 2016 are set out in notes 28 and 29 to the consolidated financial statements respectively.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 72 and note 32 and note 35(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of share premium, share option reserve, contributed surplus and retained earnings, if any. Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Company's reorganisation in 2003. Under 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 distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The share option reserve comprises the fair value of share options granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

As at 31 December 2016, the Company's reserves available for distribution to the equity holders were HK$811,971,000 (2015: HK$285,782,000), representing share premium of HK$970,990,000 (2015: HK$811,971,000), share option reserve of HK$18,785,000 (2015: HK$nil) and contributed surplus of HK$117,000 (2015: HK$117,000) net of accumulated losses of HK$177,921,000 (2015: HK$85,242,000).

Report of the Directors

DIRECTORS

The directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Cheng Chi Kin (appointed on 15 February 2017)
Mr. Lam Wai Hung
Ms. Li Zhenzhen
Mr. Wang Xin (appointed on 5 April 2016)
Mr. Wei Liyi (appointed as non-executive Director on 5 April 2016 and re-designated from non-executive Director to executive Director with effective from 4 August 2016)
Mr. Lam Chi Keung (resigned on 30 November 2016)
Mr. Li Fengrui (appointed on 4 August 2016 and resigned on 27 September 2016)
Ms. Szeto Wai Ling Virginia (resigned on 4 July 2016)

NON-EXECUTIVE DIRECTOR

Ms. Hu Jianping (appointed as executive Director on 30 December 2015 and re-designated from executive Director to non-executive Director with effective from 1 December 2016)
Mr. Fung Wah Bong Peter (resigned on 5 April 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hoi Lun (appointed on 13 July 2016)
Mr. Lee Tao Wai (appointed on 13 July 2016)
Mr. Li Yang (appointed on 15 February 2017)
Mr. Pang Hong
Mr. Foo Tin Chung Victor (resigned on 19 July 2016)
Mr. Lee Siu Woo (resigned on 19 July 2016)

In accordance with Article 86(3) of the Company's articles of association, Mr. Cheng Chi Kin who was appointed as an executive Director of the Company and Mr. Lam Hoi Lun, Mr. Lee Tao Wai and Mr. Li Yang who were appointed as independent non-executive Directors of the Company will hold office until the forthcoming annual general meeting and will be eligible for re-election.

In accordance with Article 87 of the Company's articles of association, Mr. Lam Wai Hung, Ms. Hu Jianping and Mr. Pang Hong will retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 3.13 of the Listing Rules for the year ended 31 December 2016 and the Company considers the independent non-executive directors to be independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the "Connected Transaction and Related Party Transactions" section on page 47, no other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY LINKED ARRANGEMENT

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 5 June 2015, the Company adopted a share option scheme (the "Scheme").

The purpose of the Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employee or director of the Company or any adviser, consultant, agent, contractor, customers and supplier of any member of the Group or whom the Board in its sole discretion considers eligible for the scheme on the basis of his or her contribution to the Group.

As at the date of this report, the total number of shares of the Company available for issue under the Scheme is 1,348,371,137 Shares, representing approximately 13.02% of issued share capital.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant or grantee (including exercised and outstanding options) in any twelve month period up to the date of grant shall not exceed 1% of the Shares in issue unless approval from Company's shareholders has been obtained.

The acceptance of an option, if accepted, must be made within 30 days from the date of the offer with a non-refundable payment of HK$1 from the grantee to the Company.

The option period shall not exceed 10 years from the date of acceptance of option. There is no specified minimum period under the Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Scheme.

The exercise price for options under the Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the date of offer, which must be a business day; (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share on the date of offer.

The Scheme will remain valid for a period of 10 years commencing on 5 June 2015. During the year, 358,990,124 share options were granted and the Group recognised a share option expense of approximately HK$21,539,000. Among the share options granted, a total of 145,096,048 share options were granted to the directors. No options were exercised by the directors during the year and up to the date of this report. During the year, 45,899,012 share options were exercised, resulted in the issue of 45,899,012 ordinary shares of the Company and new share capital of approximately HK$573,000 and share premium of approximately HK$8,836,000. As at 31 December 2016, 313,091,112 shares had been granted but not yet lapsed or exercised. These share options had an exercise price of HK$0.145 per share and a weighted average remaining contractual life of 2.57 at the end of the year. Subsequent to the end of the year, no additional share options were granted to the employee or director of the Group.

Movements of the share options of the Company during the year are as follows:

Name or category of participant	Number of share options: At 1 January 2016	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	As at 31 December 2016	Exercise period of share options	Exercise price of share options HK$	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options HK$	Weighted average closing price of the Company's shares immediately before the exercise date HK$
Directors											
Ms. Li Zhenzhen *(Note 1)*	–	35,899,012	–	–	–	35,899,012	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Lam Chi Keung *(Note 2)*	–	500,000	–	–	–	500,000	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Lam Wai Hung *(Note 3)*	–	500,000	–	–	–	500,000	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Wang Xin *(Note 4)*	–	35,899,012	–	–	–	35,899,012	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Wei Liyi *(Note 5)*	–	35,899,012	–	–	–	35,899,012	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Ms. Hu Jianping *(Note 6)*	–	35,899,012	–	–	–	35,899,012	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Pang Hong *(Note 7)*	–	300,000	–	–	–	300,000	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Lee Tao Wai *(Note 8)*	–	100,000	–	–	–	100,000	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Mr. Lam Hoi Lun *(Note 9)*	–	100,000	–	–	–	100,000	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	–
Subtotal	–	145,096,048	–	–	–	145,096,048					
Mr. Li Fengrui *(Note 10)*	–	35,899,012	(35,899,012)	–	–	–	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	0.13
Employees and financial advisory (other than Directors) in aggregate	–	177,995,064	(10,000,000)	–	–	167,995,064	27 July 2016 to 26 July 2019	0.145	27 July 2016	0.14	0.22
	–	358,990,124	(45,899,012)	–	–	313,091,112					

Note 1: Appointed as executive Director on 30 December 2015.
Note 2: Resigned as executive Director on 30 November 2016.
Note 3: Appointed as executive Director on 19 March 2015.
Note 4: Appointed as executive Director on 5 April 2016.
Note 5: Appointed as non-executive Director on 5 April 2016 and re-designated from non-executive Director to executive Director with effective from 4 August 2016.
Note 6: Appointed as executive Director on 30 December 2015 and re-designated from executive Director to non-executive Director with effective from 1 December 2016.
Note 7: Appointed as independent non-executive Director on 14 April 2015.
Note 8: Appointed as independent non-executive Director on 13 July 2016.
Note 9: Appointed as independent non-executive Director on 13 July 2016.
Note 10: Appointed as executive Director on 4 August 2016 and resigned on 27 September 2016. He exercised all the share options on 23 September 2016.

Details of the valuation of the share options granted during the year are set out in note 33 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme and in the paragraph headed "Interests of Directors and Chief Executives" of the Company, at no time during the year was the Company or its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in ordinary shares and underlying shares of the Company:

Name of Director	Capacity	Number of shares held and underlying shares interested	Approximate percentage of the total issued share capital of the Company %
Ms. Li Zhenzhen	Executive Director	35,899,012 *(Note 1)*	0.35
Mr. Wang Xin	Executive Director	35,899,012 *(Note 1)*	0.35
Mr. Lam Wai Hung	Executive Director	500,000 *(Note 1)*	0.005
Mr. Wei Liyi	Executive Director	35,899,012 *(Note 1)*	0.35
Ms. Hu Jianping	Non-Executive Director	35,899,012 *(Note 1)*	0.35
Mr. Pang Hong	Independent non-executive Director	300,000 *(Note 1)*	0.002
Mr. Lee Tao Wai	Independent non-executive Director	100,000 *(Note 1)*	0.001
Mr. Lam Hoi Lun	Independent non-executive Director	100,000 *(Note 1)*	0.001

Note 1: It represents number of share options granted by the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as is known to the Directors of the Company, the following, not being a Director or the Chief Executive of the Company, have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of SFO:

LONG POSITIONS IN THE SHARES

Name	Nature of interests	Number of shares	Approximate percentage of the issued share capital of the Company %
Dragon Ocean Development Limited	Beneficial owner	830,792,040	8.03
Mr. Wu Qiaofeng	Interest in controlled corporation	830,792,040 *(Note 1)*	8.03
Majestic Wealth International Limited	Beneficial owner	697,000,000	6.74
Ms. Liang Yanzhi	Interest in controlled corporation	697,000,000 *(Note 2)*	6.74
Prosper Talent Limited	Security interest	697,000,000 *(Note 3)*	6.74

Note 1: Mr. Wu Qiaofeng held 100% of the issued share capital of Dragon Ocean Development Limited. Mr. Wu Qiaofeng is therefore deemed under the SFO to be interested in 830,792,040 shares.

Note 2: Ms. Liang Yanzhi held 100% of the issued share capital of Majestic Wealth International Limited. Ms. Liang Yanzhi is therefore deemed under the SFO to be interested in 697,000,000 shares.

Note 3: Prosper Talent Limited, a wholly-owned subsidiary of CCBI Investments Limited, has security interest in 697,000,000 shares in the Company. CCB International (Holdings) Limited owned the entire issued share capital of CCBI Investments Limited. CCB Financial Holdings Limited owned the entire issued share capital of CCB International (Holdings) Limited and CCB International Group Holdings Limited owned the entire issued share capital of CCB Financial Holdings Limited. China Construction Bank Corporation owned the entire issued share capital of CCB International Group Holdings Limited.

Central Huijin Investment Ltd. held 57.31% of the issued share capital of China Construction Bank Corporation.

Hence, CCBI Investments Limited, CCB International (Holdings) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Ltd. were deemed to be interested in the said shares.

COMPETING INTERESTS

As at 31 December 2016, none of the Directors or management shareholders (as defined in Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISIONS

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CONNECTED TRANSACTION AND RELATED PARTY TRANSACTIONS

The related party transactions conducted during the year under review as disclosed in note 9 to the consolidated financial statements are de minimis transactions that are exempted from announcement and/or shareholders' approval under Chapter 14A of the Listing Rules. Save as disclosed above, none of the transactions entered into by the Group during the year constituted a connected transaction of the Group.

ENVIRONMENTAL POLICIES

The Group has adopted effective environmental measures to ensure that the operation of the Group meets the applicable local standards, rules and ethics in respect of environmental protection including waste and energy reduction and recycling of scrap materials. The Group is committed to develop a long-term and sustainable growth with the community and the environment.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group exposes to various risks and uncertainties in its daily operation and management. Save for the credit risk, liquidity risk, interest rate risk, currency risk and equity price risk as disclosed in note 41 to the consolidated financial statements, the Group also exposes to operation risk and market risk. The business and results of operations are susceptible to market volatility and economic cyclicality. In addition, as most of the Group's business is located in the PRC, the Group's business, financial condition, results of operations and prospects are greatly affected by political, economic and legal developments and changes to government policies in the PRC.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance and risk management policies and procedures to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Group is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. The management will ensure that the conduct of business is in conformity with the applicable laws and regulations.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognize that employees are our valuable assets and our Group provides competitive remuneration package to applicable employees. The Group also understands that it is important to maintain good relationship with business partners to meet immediate and long-term goals. During the year, there was no material dispute between our Group and the business partners.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 44 to the consolidated financial statements.

AUDITOR

The financial statements for the year ended 31 December 2016 have been audited by Mazars CPA Limited, who retires and, being eligible, offers itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the board

Li Zhenzhen
Executive Director

Hong Kong, 28 March 2017

Corporate Governance Report

CORPORATE GOVERNANCE DUTIES

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with all code provisions of the Code for the year ended 31 December 2016.

NON-COMPLIANCE WITH LISTING RULE 3.10A

The number of independent non-executive Directors falls below the minimum number required under Rule 3.10A of the Listing Rules upon change of directors on 5 April 2016 and appointment of Mr. Li Fengrui as executive director on 4 August 2016. Following resignation of Ms. Szeto Wai Ling Virginia and Mr. Li Fengrui as executive directors on 4 July 2016 and 27 September 2016 respectively, the Company has fulfilled the requirement under Rule 3.10A of the Listing Rules.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Code Provision A.6.5 of the Code stipulates that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. All directors have participated in continuous professional development by attending seminars and/or studying materials relevant to director's duties and responsibility and provided a record of training they received for the financial period ended 31 December 2016 to the Company.

THE BOARD

RESPONSIBILITIES

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions (in particular those which may involve conflict of interests), appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

All directors have fully and timely access to all relevant information as well as the advice and services of the professional advisers, as and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board of the Company as at the date of this report comprises the following Directors:

EXECUTIVE DIRECTORS

Mr. Cheng Chi Kin (appointed on 15 February 2017)
Mr. Lam Wai Hung
Ms. Li Zhenzhen
Mr. Wang Xin (appointed on 5 April 2016)
Mr. Wei Liyi (appointed as non-executive Director on 5 April 2016 and re-designated from non-executive Director to executive Director with effective from 4 August 2016)
Mr. Lam Chi Keung (resigned on 30 November 2016)
Mr. Li Fengrui (appointed on 4 August 2016 and resigned on 27 September 2016)
Ms. Szeto Wai Ling Virginia (resigned on 4 July 2016)

NON-EXECUTIVE DIRECTORS

Ms. Hu Jianping (appointed as executive Director on 30 December 2015 and re-designated from executive Director to non-executive Director with effective from 1 December 2016)
Mr. Fung Wah Bong Peter (resigned on 5 April 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hoi Lun (appointed on 13 July 2016)
Mr. Lee Tao Wai (appointed on 13 July 2016)
Mr. Li Yang (appointed on 15 February 2017)
Mr. Pang Hong
Mr. Foo Tin Chung Victor (resigned on 19 July 2016)
Mr. Lee Siu Woo (resigned on 19 July 2016)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

None of the members of the Board is related to one another.

In accordance with the Company's articles of association, one-third of the directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Detailed information of the directors standing for re-election will be included in the Company's circular to be dispatched together with the notice of the forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Ms. Li Zhenzhen is the chairman. The role of the chief executive officer has been performed collectively by all executive directors. The Board considers this arrangement allows contributions from all executive directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the Shareholders of the Company as a whole.

BOARD AND BOARD COMMITTEES MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Regular Board meetings should be held at least four times a year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 December 2016, 34 Board meetings 4 of which were regular Board meetings, 2 Audit Committee meetings, 3 Remuneration Committee meetings, 3 Nomination Committee meetings and 4 general meetings were held.

The individual attendance record of each director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meetings, during the year ended 31 December 2016 is set out below:

Name of Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
	Attendance/number of meetings held during the tenure of directorship				
Executive Directors					
– Mr. Lam Chi Keung (resigned on 30 November 2016)	19/30	N/A	N/A	N/A	0/4
– Mr. Lam Wai Hung (appointed on 19 March 2015)	24/34	N/A	N/A	N/A	0/4
– Ms. Li Zhenzhen (appointed on 30 December 2015)	33/34	N/A	N/A	2/2	3/4
– Ms. Szeto Wai Ling Virginia (resigned on 4 July 2016)	6/9	N/A	N/A	N/A	0/2
– Mr. Li Fengrui (appointed on 4 August 2016 and resigned on 27 September 2016)	5/7	N/A	N/A	N/A	1/2
– Mr. Wei Liyi (appointed as non-executive Director on 5 April 2016 and re-designated from non-executive Director to executive Director with effective from 4 August 2016)	22/29	N/A	2/2	N/A	2/4
– Mr. Wang Xin (appointed on 5 April 2016)	27/29	N/A	N/A	N/A	1/4
Non-executive Directors					
– Ms. Hu Jianping (appointed as executive Director on 30 December 2015 and re-designated from executive Director to non-executive Director with effective from 1 December 2016)	33/34	N/A	N/A	N/A	2/4
– Mr. Fung Wah Bong Peter (resigned on 5 April 2016)	0/5	N/A	0/1	0/1	N/A
Independent Non-executive Directors					
– Mr. Foo Tin Chung Victor (resigned on 19 July 2016)	7/11	1/1	2/2	2/2	0/2
– Mr. Lee Siu Woo (resigned on 19 July 2016)	3/11	1/1	1/2	1/2	0/2
– Mr. Pang Hong (appointed on 14 April 2015)	24/34	2/2	2/3	2/3	0/4
– Mr. Lee Tao Wai (appointed on 13 July 2016)	19/24	1/1	1/1	1/1	1/2
– Mr. Lam Hoi Lun (appointed on 13 July 2016)	23/24	1/1	1/1	1/1	1/2

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

In general, at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or Audit Committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

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

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

AUDIT COMMITTEE

The Company had established an Audit Committee in compliance with the Listing Rules. In accordance with Rule 3.10 of the Listing Rules, the Company has already appointed three independent non-executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the Shareholders and the Company. The Company has received confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and believes that, for the year ended 31 December 2016 up to the date of this annual report, they were independent to the Company in accordance with the relevant requirements of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting and internal control procedures of the Group.

The Audit Committee comprises Mr. Lam Hoi Lun, Mr. Lee Tao Wai and Mr. Pang Hong who are independent non-executive Directors of the Company. Mr. Lee Tao Wai is the chairman of the Audit Committee.

During the year, the Audit Committee held 2 meetings to review and comment on the Company's 2015 annual report, 2016 interim report as well as the Company's internal control procedures.

The Group's annual results for the year ended 31 December 2016 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in compliance of the Listing Rules. The primary duties of the Remuneration Committee mainly include: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them.

The Remuneration Committee consists of three independent non-executive Directors, namely, Mr. Lam Hoi Lun, Mr. Lee Tao Wai and Mr. Pang Hong and one executive Director, namely, Mr. Wei Liyi. Mr. Wei Liyi is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee are available on the Company's website.

Remuneration Committee shall meet at least once every year for reviewing the remuneration policies.

The Remuneration Committee had held 3 meetings for the year ended 31 December 2016.

For the year ended 31 December 2016, the Remuneration Committee reviewed the existing remuneration policies of the Company.

The remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out below:

Remuneration band	Number of persons
HK$2,000,001-HK$2,500,000	1

Further particulars regarding Directors', chief executive's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Notes 9 and 10 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee in compliance of the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced, high caliber individuals. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Lam Hoi Lun, Mr. Lee Tao Wai and Mr. Pang Hong and one executive Director, namely, Ms. Li Zhenzhen. Ms. Li Zhenzhen is the chairman of the Nomination Committee.

The Board adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

The written terms of reference of the Nomination Committee are available on the Company's website.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and other related matters.

The Nomination Committee had held 3 meetings for the year ended 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for Directors' securities transactions. Specific enquiry has been made by the Company and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports required under the Listing Rules and other regulatory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 60 to 67.

COMPANY SECRETARY

The company secretary of the Company, Mr. Tsui Siu Hung, Raymond, who was appointed on 30 December 2015, is responsible for facilitating the process of Board meetings, as well as communications among Board members, with Shareholders and the management of the Company. Mr. Tsui's biography is set out in the "Directors and Senior Management" section of this annual report. During the year ended 31 December 2016, Mr. Tsui undertook not less than 15 hours of professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the remuneration payable to the auditor of the Company in respect of audit and non-audit services were HK$900,000 and HK$605,000 respectively. Non-audit services were mainly related to professional services in connection with acquisition transactions and internal control review.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has developed the Group's internal control, risk assessment and management systems and has overall responsibility for reviewing and maintaining an adequate and effective risk management and internal control systems to safeguard the interests of the shareholders of the Company and the assets of the Group. It evaluates the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and budget of the Group's accounting and financial reporting functions.

The Board understands that it is responsible for evaluating and determining the nature and extent of the risks and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board is also responsible for overseeing its risk management and internal control systems on an ongoing basis and reviewing the effectiveness of the risk management and internal control systems has been conducted at least annually. The Board understands that such 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.

An ongoing risk management approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievements of its objectives. The Group established a risk management framework that the Board and management discuss potential risks during board meetings and management meetings regularly. Management from different subsidiaries and departments voluntarily raise any issues that need attention and further discussions. The Board and key management are closely involved in daily operation and monitor the potential risks with their understanding of the industry. When risks arise during business operations, they are assessed at management meetings and risk management actions are taken for significant risks. The Group prioritizes risks identified during management meetings and significant risks are handled at once. Progress on the risks identified at previous meetings is followed up.

The Board has supervised the management in the design, implementation and monitoring of the risk management and internal control systems and evaluated the effectiveness of the Group's risk management and internal control systems during 2016. The yearly review covers all material controls, including financial, risk management, compliance, the adequacy of resources, staff qualifications and budget of the Group's accounting and financial reporting functions.

The Board considers the risk management and internal control systems of the Group of the reporting year are effective and adequate.

The Board has established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures. Every management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Chief Financial Officer, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding recurrence.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year.

SHAREHOLDERS' RIGHTS

Pursuant to article 58 of the Articles, 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 Company 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.

Enquiries of shareholders can be sent to the Company either by post to the Company's Hong Kong registered office at Room 2816, 28/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. Shareholders can also make enquires with the Board directly at the general meetings.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. The Company has established a shareholders communication policy to set out the Company's procedures in providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the Company's website. The Company regards the annual general meeting of the Company as an important event and all directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries.

Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 20 clear business days notice is given. The Company has complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in circulars to shareholders of the Company dispatched by the Company where applicable.

Independent Auditor's Report

To the shareholders of
Sino Haijing Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 68 to 162, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. At the end of the reporting period, the Group had net current liabilities of HK$169,984,000. This condition, along with other matters as set forth in the consolidated financial statements, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The validity of the going concern basis depends on the Group's future profitable operation or the ability to renew or refinance the borrowings and banking facilities upon maturity. As detailed in note 2 to the consolidated financial statements, the Group had available banking facilities of HK$29,722,000 as at the end of the reporting period and issued a note with principal amount of HK$120,000,000 on 4 January 2017. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the necessary finance. We consider that appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

In addition to the matter described in the "MATERIAL UNCERTAINTY RELATED TO GOING CONCERN" section, the key audit matters identified in our audit are summarised as follows:

Key audit matter	How the matter was addressed in our audit
Purchase price allocation on acquisition of subsidiaries *Refer to note 34(a) to the consolidated financial statements* At the date of acquisition of a group of subsidiaries engaging in ticketing agency business, the Group had allocated the consideration transferred into the fair value of identifiable assets acquired and liabilities assumed, with the excess separately recognised as goodwill. Significant estimation and judgement are required by management in the purchase price allocation, particularly in relation to the identification and valuation of intangible asset and assignment of its useful life. The intangible asset and goodwill recognised on the date of acquisition amounted to HK$146,346,000 and HK$41,743,000. Management has engaged an independent professional valuer (the "Valuer") whose work has been relied on in the purchase price allocation of the acquired subsidiaries.	Our key audit procedures in relation to the purchase price allocation included: – Evaluating the competence, capabilities and objectivity of the Valuer; – Assessing the appropriateness of the work of the Valuer by making enquiries on the bases of valuation, obtaining corroborative evidence on the input data and recalculation of bases of the forecast; and – Considering the relevance and reasonableness of key assumptions and method used and the relevance, completeness and accuracy of the source data used.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment of intangible asset and goodwill *Refer to notes 16 and 21 to the consolidated financial statements* As at 31 December 2016, the carrying amounts of intangible asset and goodwill amounted to HK$142,000,000 and HK$96,094,000 respectively. For the purpose of impairment assessment, these assets were allocated to cash generating units ("CGUs"), and the recoverable amount of each CGU was determined by management based on value in use calculations using cash flow projections. Significant estimation and judgement are required by management to determine the key assumptions, including future revenue growth, operating margin, discount rate and terminal growth rate, underlying the value in use calculations. Management has engaged the Valuer whose work has been relied on in the estimation of the value in use of the CGUs.	Our key audit procedures in relation to management's impairment assessment included: – Evaluating the competence, capabilities and objectivity of the Valuer; – Assessing the appropriateness of the work of the Valuer by making enquiries on the bases of valuation, obtaining corroborative evidence on the input data, recalculation of bases of the forecast and performing analytical procedures; – Considering the relevance and reasonableness of key assumptions and methods used and the relevance, completeness and accuracy of the source data used; and – Reviewing the sensitivity analyses provided by management and assessing their impact on the impairment of the carrying amounts of intangible asset and goodwill.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment of property, plant and equipment *Refer to note 15 to the consolidated financial statements* As at 31 December 2016, property, plant and equipment of the Group included scenic spot establishment with carrying amount of HK$186,166,000. Because the scenic spot business had experienced operating losses since acquisition by the Group, management considered that there was indication that the scenic spot establishment may be impaired. For the purpose of impairment assessment, significant estimation and judgement are required by management to determine the recoverable amount of the scenic spot establishment. Management has engaged the Valuer whose work has been relied on in the estimation of the recoverable amount of the scenic spot establishment.	Our key audit procedures in relation to management's impairment assessment included: – Evaluating the competence, capabilities and objectivity of the Valuer; – Assessing the appropriateness of the work of the Valuer by making enquiries on the methodologies used, obtaining corroborative evidence on the input data, recalculation of bases of the calculation; and – Considering the relevance and reasonableness of key assumptions and method used and the relevance, completeness and accuracy of the source data used.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Recoverability of loans receivable *Refer to note 25 to the consolidated financial statements* During the year ended 31 December 2016, the Group had commenced the money lending business and recorded loans receivable of HK$354,437,000 at the end of the reporting period. Impairment provision amounted to HK$5,579,000 had been recognised over these balances. A considerable amount of management judgement is required in assessing the ultimate realisation of these loans receivable, including assessing the current creditworthiness, the past collection history and the subsequent settlement of each borrower.	Our key audit procedures in relation to management's impairment assessment of loans receivable included: – Reviewing and testing, on a sample basis, the Group's credit control policy over acceptance of new borrowers and monitoring of loan repayment according to the terms as stipulated in the loan agreements; – Discussing with management to understand the factors they had considered during the process of identifying impairment; and – Assessing the appropriateness of the critical judgements made by management leading to the conclusion of the recoverability assessment.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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 judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2017

The engagement director on the audit resulting in this independent auditor's report is:
Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	Notes	2016 *HK$'000*	2015 *HK$'000*
REVENUE	*5*	606,669	499,936
Cost of sales		(469,560)	(408,286)
Gross profit		137,109	91,650
Other revenue and other income	*7*	7,555	5,143
Gain on bargain purchase on acquisition of an associate	*17*	84,673	–
Impairment loss on goodwill	*21*	(43,049)	–
Administrative and other operating expenses		(140,117)	(78,670)
Fair value change of financial assets at fair value through profit or loss		–	(50,379)
Net realised loss on financial assets at fair value through profit or loss	*22*	(25,711)	(6,376)
Share of results of an associate		1,760	–
Profit (Loss) from operations		22,220	(38,632)
Finance costs	*8*	(39,561)	(23,483)
Loss before tax	*8*	(17,341)	(62,115)
Income tax expense	*11*	(12,691)	(5,866)
Loss for the year		(30,032)	(67,981)
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(40,333)	(15,804)
Changes in fair value of available-for-sale financial assets	*19*	45,467	–
Total comprehensive loss for the year		(24,898)	(83,785)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Loss attributable to:			
Equity holders of the Company		(31,076)	(67,981)
Non-controlling interests	38	1,044	–
		(30,032)	(67,981)
Total comprehensive loss attributable to:			
Equity holders of the Company		(24,313)	(83,785)
Non-controlling interests		(585)	–
		(24,898)	(83,785)
Loss per share	13		
– Basic		(HK0.64 cents)	(HK2.24 cents)
– Diluted		(HK0.64 cents)	(HK2.24 cents)

Consolidated Statement of Financial Position

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	14	10,925	8,776
Property, plant and equipment	15	348,289	165,137
Intangible asset	16	142,000	–
Interest in an associate	17	293,588	–
Lease premiums for land	18	28,443	28,541
Available-for-sale financial assets	19	346,702	–
Deposits for potential acquisition of subsidiaries	20	11,408	50,000
Deposits for acquisition of land and property, plant and equipment		3,339	4,176
Goodwill	21	96,094	–
		1,280,788	256,630
Current assets			
Financial assets at fair value through profit or loss	22	360	162,615
Inventories	23	24,704	23,381
Lease premiums for land	18	704	687
Trade and other receivables	24	379,413	329,970
Loans receivable	25	354,437	–
Pledged bank deposits	26	6,608	2,658
Cash and cash equivalents		22,496	90,143
		788,722	609,454
Current liabilities			
Trade and other payables	27	165,956	99,985
Notes payable	28	360,000	–
Bank and other borrowings	29	374,406	134,395
Income tax payable		58,344	1,659
		958,706	236,039
Net current (liabilities) assets		(169,984)	373,415
Total assets less current liabilities		1,110,804	630,045

Consolidated Statement of Financial Position

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Deferred tax liabilities	*30*	37,703	2,396
Notes payable	*28*	–	280,000
		37,703	282,396
NET ASSETS		1,073,101	347,649
Capital and reserves			
Share capital	*31*	129,410	44,874
Reserves	*32*	897,331	302,775
Equity attributable to equity holders of the Company		1,026,741	347,649
Non-controlling interests		46,360	–
TOTAL EQUITY		1,073,101	347,649

Approved and authorised for issue by the Board of Directors on 28 March 2017 and signed on its behalf by

Li Zhenzhen
Director

Wang Xin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		Attributable to equity holders of the Company										
	Notes	Share capital HK$'000	Share premium HK$000	Capital reserve HK$'000	Share option reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		31,163	235,950	117	-	-	22,231	40,135	(46,830)	282,766	-	282,766
Transfer to statutory surplus reserve		-	-	-	-	-	4,125	-	(4,125)	-	-	-
Loss for the year		-	-	-	-	-	-	-	(67,981)	(67,981)	-	(67,981)
Other comprehensive loss for the year												
Exchange differences arising from translation of foreign operations		-	-	-	-	-	-	(15,804)	-	(15,804)	-	(15,804)
Total comprehensive loss for the year		-	-	-	-	-	-	(15,804)	(67,981)	(83,785)	-	(83,785)
Transactions with equity holders of the Company												
Contributions and distributions:												
Issue of shares by placements		13,711	134,957	-	-	-	-	-	-	148,668	-	148,668
At 31 December 2015 and 1 January 2016		44,874	370,907	117	-	-	26,356	24,331	(118,936)	347,649	-	347,649
Transfer to statutory surplus reserve		-	-	-	-	-	5,366	-	(5,366)	-	-	-
(Loss) Profit for the year		-	-	-	-	-	-	-	(31,076)	(31,076)	1,044	(30,032)
Other comprehensive income (loss) for the year												
Exchange differences arising from translation of foreign operations		-	-	-	-	-	-	(38,704)	-	(38,704)	(1,629)	(40,333)
Changes in fair value of available-for-sale financial assets		-	-	-	-	45,467	-	-	-	45,467	-	45,467
Total comprehensive income (loss) for the year		-	-	-	-	45,467	-	(38,704)	(31,076)	(24,313)	(585)	(24,898)
Transactions with equity holders of the Company												
Contributions and distributions:												
Issue of shares by placements	*31(a)*	75,000	507,000	-	-	-	-	-	-	582,000	-	582,000
Issue of shares for acquisition of subsidiaries	*31(b)*	8,713	81,897	-	-	-	-	-	-	90,610	-	90,610
Issue of remuneration shares	*31(c)*	250	2,350	-	-	-	-	-	-	2,600	-	2,600
Equity-settled share option arrangements		-	-	-	21,539	-	-	-	-	21,539	-	21,539
Issue of shares upon exercise of options	*31(d)*	573	8,836	-	(2,753)	-	-	-	-	6,656	-	6,656
Changes in ownership interests												
Non-controlling interests arising from business combination		-	-	-	-	-	-	-	-	-	46,945	46,945
At 31 December 2016		129,410	970,990	117	18,786	45,467	31,722	(14,373)	(155,378)	1,026,741	46,360	1,073,101

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
OPERATING ACTIVITIES		
Loss before tax	(17,341)	(62,115)
Exchange difference	(4,063)	729
Interest expenses	39,561	23,483
Depreciation of property, plant and equipment	25,417	20,094
Depreciation of investment properties	574	523
Amortisation of lease premium for land	695	696
Impairment loss on goodwill	43,049	–
Equity-settled share-based payments	24,139	–
Allowance for doubtful debts on loan receivable	5,579	–
Interest income	(1,434)	(939)
Net loss on disposal of property, plant and equipment	1,038	884
Gain on bargain purchase on acquisition of an associate	(84,673)	–
Share of results of an associate	(1,760)	–
Fair value change of financial assets at fair value through profit or loss	–	50,379
Net realised loss on financial assets at fair value through profit or loss	25,711	6,376
Changes in working capital:		
Inventories	(2,565)	808
Trade and other receivables	(47,771)	(55,260)
Loans receivable	(360,016)	–
Trade and other payables	35,496	(11,926)
Cash used in operations	(318,364)	(26,268)
Interest received	1,434	939
Income tax paid	(8,317)	(5,255)
Net cash used in operating activities	(325,247)	(30,584)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(31,505)	(33,648)
Purchase of available-for-sale financial assets		(301,235)	–
Proceeds from disposal of property, plant and equipment		2,234	3,449
Payment of lease premiums for land		(9)	–
Deposits for acquisition of land and property, plant and equipment		(3,339)	(4,176)
Deposits paid for potential acquisition of subsidiaries		(11,408)	(50,000)
Refund of deposits paid for potential acquisition of subsidiaries		50,000	–
Net cash outflows from acquisition of subsidiaries	34	(272,746)	–
Purchase of financial assets at fair value through profit or loss		–	(247,454)
Purchase of an associate		(208,331)	–
Proceeds from sales of financial assets at fair value through profit or loss		136,523	29,766
(Increase) Decrease in pledged bank deposits		(3,950)	93,901
Net cash used in investing activities		(643,766)	(208,162)
FINANCING ACTIVITIES			
New bank and other borrowings raised		603,681	143,569
Repayment of bank and other borrowings		(356,548)	(243,459)
Proceeds from exercise of share options		6,656	–
Interest paid		(13,729)	(7,834)
Proceeds from issue of shares by placements		582,000	148,668
Proceeds from issue of notes payable		80,000	280,000
Net cash from financing activities		902,060	320,944
Net (decrease) increase in cash and cash equivalents		(66,953)	82,198
Effect on exchange rate changes		(694)	(1,204)
Cash and cash equivalents at beginning of reporting period		90,143	9,149
Cash and cash equivalents at end of reporting period		22,496	90,143

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	20,741	45,901
Deposits with financial institutions with original maturity within three months	1,755	44,242
	22,496	90,143
Major non-cash transaction		
Issue of shares for acquisition of subsidiaries	90,610	–

1. GENERAL INFORMATION

Sino Haijing Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 8 July 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of this annual report.

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are detailed in note 35(a) to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

a) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRS, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

During the year ended 31 December 2016, the Group incurred net loss of HK$30,032,000 and, as of that day, the Group had net current liabilities of HK$169,984,000. Nevertheless, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that: i) the Group's ability to renew or refinance the borrowings and banking facilities upon maturity; ii) continuous development and improvement of the Group's new businesses in tourism, entertainment and cultural industries; iii) issuance of the second tranche Note with principal amount of HK$120,000,000 on 4 January 2017 as detailed in note 44(i) to the consolidated financial statements; and iv) the directors of the Company will consider to utilise the available banking facilities of HK$29,722,000 as at 31 December 2016 so as to meet any financial obligations as and when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) BASIS OF PREPARATION *(Continued)*

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below:

Adoption of new/revised HKFRSs

(1) Amendments to HKAS 1: Disclosure Initiative

The amendments include changes in the following five areas: (1) materiality; (2) disaggregation and subtotals; (3) structure of notes; (4) disclosure of accounting policies; (5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

(2) Amendments to HKASs 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to HKAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to HKAS 38 clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) BASIS OF PREPARATION *(Continued)*

Adoption of new/revised HKFRSs (Continued)

(2) *Amendments to HKASs 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation* (Continued)

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

(3) *Annual Improvements Project – 2012-2014 Cycle*

The amendments relevant to the Group include:

i) *HKFRS 7 Financial Instruments: Disclosures*
Applicability of the Amendments to HKFRS 7 concerning Offsetting to Condensed Interim Financial Statements.
These amendments clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods.

ii) *HKAS 19 Employee Benefits: Discount Rate – Regional Market Issue*
The amendment clarifies that the depth of the market for high quality corporate bonds used to determine the discount rate for post-employment benefit obligations should be assessed at a currency level and not at country level.

iii) *HKAS 34 Interim Financial Reporting: Disclosure of Information "elsewhere in the interim financial report"*
The amendment clarifies the meaning of disclosures of certain information "elsewhere in the interim financial report" as allowed by HKAS 34. The disclosures shall be given by cross-reference from the interim financial statements to some other statement that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

The adoption of the above amendments did not have any significant impact on the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

b) BASIS OF MEASUREMENT

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at fair value through profit or loss and available-for-sale financial assets, which are measured at fair value as explained in the accounting policies set out below.

c) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from the equity holders of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c) BASIS OF CONSOLIDATION *(Continued)*

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. 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 the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal 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 determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

d) SUBSIDIARIES

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, investment in subsidiaries is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

e) ASSOCIATES

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

The Group's investment in associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income from bargain purchase.

f) GOODWILL

Goodwill arising on an acquisition of a business is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over 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, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

g) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction-in-progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings and leasehold improvements	5 to 20 years
Plant and machinery	5 to 25 years
Furniture and equipment	5 to 10 years
Motor vehicles	5 to 10 years
Moulds	5 years
Scenic spot establishment	40 years

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

h) INVESTMENT PROPERTIES

Investment properties are land and/or buildings that are held by owner or lessee under finance lease, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use, properties that are being constructed or developed for future use as investment properties and properties that are held under operating lease, which satisfy the definition of investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost less accumulated impairment losses of investment properties over the shorter of unexpired term of lease and the expected economic useful life of 20 years, using straight-line method, after taking into account their estimated residual values.

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

i) CONSTRUCTION-IN-PROGRESS

Construction-in-progress is stated at cost less accumulated impairment losses. Cost comprises all costs directly attributable to the construction. Construction-in-progress is transferred to the appropriate class of assets when construction is completed and the asset is ready for intended use.

j) INTANGIBLE ASSETS

Acquired intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination represents their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

j) INTANGIBLE ASSETS *(Continued)*

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

k) LEASE PREMIUMS FOR LAND

Lease premiums for land are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

l) FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) FINANCIAL INSTRUMENTS *(Continued)*

Recognition and derecognition *(Continued)*

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for the amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1. *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

Financial assets are classified as held for trading if they are (i) acquired or incurred principally for the purpose of selling in the near future; (ii) 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 (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement *(Continued)*

2. *Loans and receivables*

Loans and receivables including bank balances and cash, pledged bank deposits, loans receivable and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

3. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

4. *Financial liabilities*

The Group's financial liabilities include trade and other payables, bank and other borrowings and notes payable. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) FINANCIAL INSTRUMENTS *(Continued)*

Classification and measurement *(Continued)*

5. *Impairment of financial assets*

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

m) REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

(i) Sale of packaging materials is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns;

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

m) REVENUE RECOGNITION *(Continued)*

(ii) Entrustment and management fees from the healthcare business are recognised when the services are rendered;

(iii) Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable;

(iv) Rental income under operating leases is recognised when the properties are let out and on the straight-line basis over the lease terms;

(v) Dividend income from investments is recognised when the Group's rights to receive payments have been established; and

(vi) Service fees from the ticketing agency business and sale of tickets for the scenic spot business are recognised when the admission tickets are sold.

n) CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

o) FOREIGN CURRENCY TRANSLATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

o) FOREIGN CURRENCY TRANSLATION *(Continued)*

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

- Income and expenses for each statement of comprehensive income are translated at average exchange rate;

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

q) IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets, investment in an associate, investment in subsidiaries, investment properties and lease premiums for land may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

r) BORROWING COSTS

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

s) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

t) GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

u) LEASES

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.

Rentals payable and receivable under operating leases are charged or credited to profit or loss on a straight-line basis over the term of the relevant lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

v) EMPLOYEE BENEFITS

i. Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

ii. Defined contribution plans

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the retirement benefit schemes in jurisdictions other than Hong Kong, which are calculated on certain percentages of the applicable payroll costs, are charged as expense when employees have rendered services entitling them to the contributions.

w) SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

w) SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled transactions *(Continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above. Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position which is eliminated on consolidation.

Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

x) TAXATION

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

x) TAXATION *(Continued)*

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

y) RELATED PARTIES

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

y) RELATED PARTIES *(Continued)*

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

z) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, namely, the executive directors, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

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

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 7	Disclosure Initiative [1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [2]
HKFRS 15	Revenue from Contracts with Customers [2]
HKFRS 9 (2014)	Financial Instruments [2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [2]
HKFRS 16	Leases [3]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

HKFRS 16 significantly changes, among others, the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise right-of-use and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties entered into by the Group, which are currently classified as operating leases under HKAS 17, will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is expected that HKFRS 16 will not have a significant impact on the future financial position, financial performance and cash flows of the Group upon adoption. The adoption of other new/revised HKFRSs is not expected to have a significant impact on the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

KEY SOURCES OF ESTIMATION UNCERTAINTY

a) *Allowance for doubtful debts*

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables and loans receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance would be required.

b) *Useful lives of property, plant and equipment*

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of usage and maintenance, which could affect the related depreciation charges included in profit or loss.

c) *Impairment of property, plant and equipment*

Determining an appropriate amount of an impairment requires an estimation of recoverable amounts of relevant property, plant and equipment or the respective cash generating units ("CGU") to which the property, plant and equipment belong, which is the higher of value in use and fair value less cost of disposal. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant assets or the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset or the CGU for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, an additional impairment loss may arise.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

d) Impairment of investments and receivables

The Group assesses annually if investment in subsidiaries and associate has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

e) Impairment of goodwill and intangible asset with indefinite useful life

The Group determines whether goodwill and intangible asset with indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the CGU to which the goodwill and intangible asset with indefinite useful life are allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amounts of goodwill and intangible asset with indefinite useful life are given in note 21 and note 16 to the consolidated financial statements respectively.

f) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The directors have determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Group's certain available-for-sale financial assets, financial assets at fair value through profit or loss and share options granted, the Group uses market-observable data to the extent it is available. The management of the Group will exercise its judgements based on its experience to establish and determine the appropriate valuation techniques and inputs to the valuation model. Where there is a material change in the fair value of the assets/liabilities, the causes of the fluctuations will be reported to the board of directors of the Company. Notes 19, 22 and 33 to the consolidated financial statements provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the Group's certain available-for-sale financial assets, financial assets at fair value through profit or loss and share options granted.

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

CRITICAL JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

(a) Useful life of intangible asset

The Group's intangible asset of the exclusive ticketing agency right acquired as a result of the acquisition of Master Race Group as detailed in note 34 to the consolidated financial statements is classified as an indefinite-lived intangible asset in accordance with HKAS 38. This conclusion is supported by the fact as detailed in note 16 to the consolidated financial statements. Under HKAS 38, the Group re-evaluates the useful life of the exclusive ticketing agency right at the end of each reporting period to determine whether events and circumstances continue to support the view of indefinite useful life for the asset.

5. REVENUE

	2016 *HK$'000*	2015 *HK$'000*
Sale of packaging products	565,633	499,936
Ticket sales from scenic spot business	3,073	–
Loan interest income from money lending business	11,351	–
Service fees from ticketing agency business	24,794	–
Entrustment and management fees from healthcare business	1,818	–
	606,669	499,936

6. SEGMENT INFORMATION

The chief operating decision maker has evaluated the performance of operating segments and allocated resources to those segments based on the Group's internal reporting in respect of these segments. The Group's operating segments are structured and managed separately according to the nature of their businesses. The Group's reportable segments are as follows:

(a) Manufacturing and sale of packaging products ("Packaging Business");

(b) Securities trading and other investing activities ("Securities Investments");

(c) Ticketing agency business ("Ticketing Agency");

(d) Scenic spot business ("Scenic Spot");

6. SEGMENT INFORMATION *(Continued)*

(e) Money lending business ("Money Lending"); and

(f) Healthcare business ("Healthcare Business").

Segment results represent the result from each reportable segment. The following analysis is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

BY BUSINESS SEGMENTS

An analysis of the Group's revenue and result by reportable segment and other segment information are set out below:

	Packaging Business		Securities Investments		Ticketing Agency		Scenic Spot		Money Lending		Healthcare Business		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue														
Revenue from external customers	565,633	499,936	–	–	24,794	–	3,073	–	11,351	–	1,818	–	606,669	499,936
Reportable segment profit (loss)	43,994	21,901	60,037	(57,561)	(2,666)	–	(18,922)	–	5,739	–	(845)	–	87,337	(35,660)
Other income													1,288	722
Finance costs													(34,263)	(16,118)
Corporate expenses													(71,703)	(11,059)
Loss before tax													(17,341)	(62,115)

6. SEGMENT INFORMATION *(Continued)*

BY BUSINESS SEGMENTS *(Continued)*

	Packaging Business		Securities Investments		Ticketing Agency		Scenic Spot		Money Lending		Healthcare Business		Corporate		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information																
Interest income	99	185	213	–	–	–	–	–	–	–	–	–	1,122	754	1,434	939
Depreciation and amortisation	23,215	20,790	–	–	–	–	2,484	–	15	–	–	–	972	–	26,686	20,790
Impairment loss on goodwill	–	–	–	–	27,000	–	16,049	–	–	–	–	–	–	–	43,049	–
Impairment loss on loans receivables	–	–	–	–	–	–	–	–	5,579	–	–	–	–	–	5,579	–
Gain on bargain purchase of associate	–	–	84,673	–	–	–	–	–	–	–	–	–	–	–	84,673	–
Net realised loss on financial assets at fair value through profit or loss	–	–	25,711	6,376	–	–	–	–	–	–	–	–	–	–	25,711	6,376
Share of results of an associate	–	–	1,760	–	–	–	–	–	–	–	–	–	–	–	1,760	–
Finance costs	5,108	7,365	190	–	–	–	–	–	–	–	–	–	34,263	16,118	39,561	23,483
Income tax expense	4,713	5,866	–	–	6,087	–	24	–	1,867	–	–	–	–	–	12,691	5,866
Additions to property, plant, and equipment	32,256	38,892	–	–	–	–	196,000	–	149	–	–	–	3,276	–	231,681	38,892

6. SEGMENT INFORMATION *(Continued)*

BY BUSINESS SEGMENTS *(Continued)*

	2016 *HK$'000*	2015 *HK$'000*
Assets		
Packaging Business	524,962	496,166
Securities Investments	363,658	205,016
Ticketing Agency	180,083	–
Scenic Spot	188,555	–
Money Lending	342,857	–
Healthcare Business	91,459	–
Total assets of reportable segment	1,691,574	701,182
Unallocated headquarter amounts:		
Interest in an associate	293,588	–
Deposits for potential acquisition of subsidaries	11,408	50,000
Property, plant and equipment	2,303	16
Other receivables	58,345	77,202
Cash and cash equivalents	12,292	37,684
	2,069,510	866,084
Liabilities		
Packaging Business	242,943	220,650
Securities Investments	3,231	–
Ticketing Agency	41,445	–
Scenic Spot	49,642	–
Money Lending	1,868	–
Healthcare Business	1,845	–
Total liabilities of reportable segment	340,974	220,650
Unallocated headquarter amounts:		
Accrued interest on notes payable	41,481	15,649
Other payables	2,354	2,136
Bank and other borrowings	251,600	–
Notes payable	360,000	280,000
	996,409	518,435

6. SEGMENT INFORMATION *(Continued)*

GEOGRAPHICAL INFORMATION

The Group operates in three principal geographical areas: Hong Kong, Malaysia and the PRC.

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets excluding financial instruments. The geographical location of customers is based on the location at which the services are provided or the goods are delivered. The geographical location of non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2016	2015	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	11,351	–	13,712	50,016
Malaysia	–	–	293,588	–
The PRC	595,318	499,936	626,786	206,614
	606,669	499,936	934,086	256,630

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from external customers contributing over 10% of the total revenue from the Group's segment of Packaging Business are as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A	191,791	190,742
Customer B	67,092	57,270
Customer C	81,133	61,029
Customer D	–	51,376
	340,016	360,417

7. OTHER REVENUE AND OTHER INCOME

	2016 HK$'000	2015 HK$'000
Other revenue		
Interest income	1,434	939
Rental income	475	536
	1,909	1,475
Other income		
Government grants	2,400	737
Sale of raw materials and scrap products	1,168	1,250
Sale of steam	567	946
Compensation income	666	188
Gain on disposal of property, plant and equipment	36	133
Net exchange gain	87	67
Sundry income	722	347
	5,646	3,668
	7,555	5,143

8. LOSS BEFORE TAX

This is stated after charging:

		2016 HK$'000	2015 HK$'000
a)	**Finance costs:**		
	Interest on bank and other borrowings	16,306	7,834
	Interest on notes payable	23,255	15,649
		39,561	23,483
b)	**Staff costs (Directors' emoluments included):**		
	Salaries, wages and other benefits	75,805	66,519
	Contribution to defined contribution retirement plans	4,203	4,692
	Share-based payment in respect of share options	20,939	–
		100,947	71,211
c)	**Other items:**		
	Amortisation of lease premiums for land	695	696
	Auditor's remuneration	900	630
	Cost of services	3,690	–
	Cost of inventories *(Note)*	465,870	408,286
	Depreciation of investment properties	574	523
	Depreciation of property, plant and equipment	25,417	20,094
	Allowance for doubtful debts on loan receivable	5,579	–
	Loss on disposal of property, plant and equipment, net	1,038	884
	Operating lease charges on rented premises	7,368	4,251

Note: Cost of inventories and cost of services include approximately HK$65,339,000 and HK$3,250,000 (2015: approximately HK$60,421,000 and HK$nil) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. BENEFITS AND INTERESTS OF DIRECTORS

(A) DIRECTOR'S EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2015: eighteen) directors were as follows:

Name of directors	Fees HK$'000	Other emoluments: Salaries, allowances and other benefits HK$'000	Other emoluments: Retirement scheme contributions HK$'000	Other emoluments: Equity settled share-based payment HK$'000	Total HK$'000
Executive Directors ("ED")					
Lam Wai Hung	180	–	9	30	219
Szeto Wai Ling, Virginia (resigned on 4 July 2016)	92	–	5	–	97
Lam Chi Keung (resigned on 30 November 2016)	660	–	17	30	707
Li Zhenzhen	633	137	–	2,154	2,924
Wang Xin (appointed on 5 April 2016)	443	104	–	2,154	2,701
Wei Liyi (appointed as NED on 5 April 2016 and re-designated to ED on 4 August 2016)	89	320	–	2,154	2,563
Li Fengrui (appointed on 4 August 2016 and resigned on 27 September 2016)	–	–	–	–	–
Non-executive Director ("NED")					
Fung Wah Bong, Peter (resigned on 5 April 2016)	32	–	–	–	32
Hu Jianping (re-designated from ED to NED with effective from 1 December 2016)	563	–	–	2,154	2,717
Independent Non-executive Directors ("INED")					
Pang Hong	98	–	–	18	116
Lam Hoi Lun (appointed on 13 July 2016)	56	–	–	6	62
Lee Tao Wai (appointed on 13 July 2016)	56	–	–	6	62
Lee Siu Woo (resigned on 19 July 2016)	53	–	–	–	53
Foo Tin Chung Victor (resigned on 19 July 2016)	53	–	–	–	53
Total for 2016	3,008	561	31	8,706	12,306

9. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(A) DIRECTOR'S EMOLUMENTS *(Continued)*

Name of directors	Fees	Other emoluments: Salaries, allowances and other benefits	Other emoluments: Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Lam Wai Hung (appointed on 19 March 2015)	142	–	7	149
Szeto Wai Ling, Virginia (appointed on 19 March 2015)	142	–	7	149
Lam Chi Keung (appointed on 18 August 2015)	267	–	8	275
Hu Jianping (appointed on 30 December 2015)	–	–	–	–
Li Zhenzhen (appointed on 30 December 2015)	–	–	–	–
Li Weishe (appointed on 23 October 2015 and resigned on 30 December 2015)	113	–	–	113
Lu Zhuo (appointed on 23 October 2015 and resigned on 30 December 2015)	113	–	–	113
Wang Yi (resigned on 24 April 2015)	–	99	3	102
Chao Pang Fei (resigned on 30 April 2015)	–	397	6	403
Hui Hongyan (resigned on 8 June 2015)	–	115	4	119
Non-executive Director				
Fung Wah Bong, Peter (appointed on 24 April 2015)	82	–	–	82
Independent Non-executive Directors				
Pang Hong (appointed on 14 April 2015)	69	–	–	69
Foo Tin Chung, Victor (appointed on 24 April 2015)	65	–	–	65
Lee Siu Woo (appointed on 5 June 2015)	55	–	–	55
Hong Jianhua (appointed on 5 February 2015 and resigned on 5 June 2015)	32	–	–	32
Li Zhiyong (resigned on 5 February 2015)	9	–	–	9
Sin Ka Man (resigned on 14 April 2015)	27	–	–	27
Ho Ka Wing (resigned on 24 April 2015)	30	–	–	30
Total for 2015	1,146	611	35	1,792

9. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(A) DIRECTOR'S EMOLUMENTS *(Continued)*

The directors of the Company are regarded as the key management personnel of the Group for disclosure purposes.

No emolument was paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2016 and 2015. In addition, during the years ended 31 December 2016 and 2015, no directors waived any of their emoluments.

(B) LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS

There were no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the years ended 31 December 2016 and 2015.

(C) DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

The directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company or a connected entity of the director had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 December 2016 and 2015.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, four (2015: two) directors are included in the five highest paid individuals of the Group. The emoluments of the remaining one (2015: three) highest paid individual, who is employee of the Group, are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Basic salaries	–	868
Equity-settled share-based payment	2,154	–
Retirement benefits scheme contributions	–	23
	2,154	891

The emoluments of the five (2015: five) highest paid individuals fell within the following bands:

	Number of individuals	
	2016	2015
HK$nil – HK$500,000	–	5
HK$2,000,001 – HK$2,500,000	1	–
HK$2,500,001 – HK$3,000,000	4	–
	5	5

11. TAXATION

Hong Kong Profits Tax has been provided at 16.5% on the Group's estimated assessable profits arising from Hong Kong in 2016. The Group had no assessable profits arising from Hong Kong in 2015. The income tax provision in respect of operations in the People's Republic of China (the "PRC") is calculated at the applicable tax rate of 25% on the estimated assessable profits for 2016 and 2015 based on existing legislation, interpretations and practices in respect thereof.

	2016 *HK$'000*	2015 *HK$'000*
Current tax		
Hong Kong Profit Tax		
– Current year	1,868	–
	1,868	–
PRC enterprise income tax ("PRC EIT")		
– Current year	10,888	5,269
– Underprovision in prior year	–	665
	10,888	5,934
Deferred tax *(Note 30(a))*	(65)	(68)
Tax expense for the year	12,691	5,866

RECONCILIATION OF TAX EXPENSE

	2016 *HK$'000*	2015 *HK$'000*
Loss before tax	(17,341)	(62,115)
Tax at weighted average rate of 23% (2015: 13%) applicable to the jurisdictions concerned	(3,920)	(8,053)
Non-deductible expenses	16,801	2,584
Non-taxable income	(10,695)	–
Share of results of an associate	(290)	–
Unrecognised temporary differences	6,061	8,368
Unrecognised tax losses	7,659	3,638
Utilisation of previously unrecognised tax losses	(2,870)	(1,441)
Under-provision of PRC EIT in prior year	–	665
Others	(55)	105
Tax expense for the year	12,691	5,866

12. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2016 and 2015.

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the equity holders of the Company is based on the following data:

	2016 HK$'000	2015 HK$'000
Loss attributable to equity holders of the Company	(31,076)	(67,981)

	2016 Number of shares '000	2015 Number of shares '000
Issued ordinary shares at 1 January	3,589,901	249,300
Effect of issue of shares by placements	1,065,574	54,012
Effect of issue of new shares for acquisition of subsidiaries	209,481	–
Effect of share sub-division	–	2,729,809
Effect of issue of remuneration shares	6,011	–
Issue of new shares upon exercise of options	11,093	–
Weighted average number of ordinary shares for basic and diluted loss per share	4,882,060	3,033,121
Loss per share:		
– Basic	(HK0.64 cents)	(HK2.24 cents)
– Diluted	(HK0.64 cents)	(HK2.24 cents)

13. LOSS PER SHARE *(Continued)*

The computation of diluted loss per share for the year ended 31 December 2016 did not assume the exercise of outstanding share options of the Company since the assumed exercise would result in a decrease in loss per share. For the year ended 31 December 2015, diluted loss per share is the same as the basic loss per share because there were no potential dilutive shares outstanding.

14. INVESTMENT PROPERTIES

	2016 *HK$'000*	2015 *HK$'000*
Carrying amount		
At beginning of reporting period	8,776	9,809
Exchange realignment	(602)	(510)
Depreciation for the year	(574)	(523)
Reclassified to property, plant and equipment *(Note 15)*	(8,316)	–
Reclassified from property, plant and equipment *(Note 15)*	11,641	–
At end of reporting period	10,925	8,776
Cost	11,375	11,107
Accumulated depreciation	(450)	(2,331)
	10,925	8,776

The Group's investment properties are located outside Hong Kong and held under medium term lease of between 10 and 50 years. Fair value of these properties has been disclosed in note 42 (ii) to the consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Scenic spot establishment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost									
At 1 January 2016	48,081	250	104,867	12,683	–	9,672	63,528	17,871	256,952
Exchange realignment	(3,318)	(4)	(7,520)	(863)	(7,462)	(686)	(4,025)	(503)	(24,381)
Additions	1,469	2,672	2,719	1,054	–	1,628	12,887	13,252	35,681
Additions – acquisition of subsidiaries *(Note 34(b))*	–	–	–	–	196,000	–	–	–	196,000
Transfer from construction-in-progress	11,375	–	12,331	–	–	–	–	(23,706)	–
Reclassified from investment properties *(Note 14)*	10,997	–	–	–	–	–	–	–	10,997
Reclassified to investment properties *(Note 14)*	(11,909)								(11,909)
Disposals	–	–	(4,872)	–	–	(640)	(6,356)	–	(11,868)
At 31 December 2016	56,695	2,918	107,525	12,874	188,538	9,974	66,034	6,914	451,472
Accumulated depreciation									
At 1 January 2016	12,575	250	29,165	7,589	–	5,097	37,139	–	91,815
Exchange realignment	(1,082)	(4)	(3,199)	(602)	(112)	(421)	(2,446)	–	(7,866)
Charge for the year	2,809	891	8,672	776	2,484	1,216	8,569	–	25,417
Reclassified from investment properties *(Note 14)*	2,681	–	–	–	–	–	–	–	2,681
Reclassified to investment properties *(Note 14)*	(268)								(268)
Written back on disposals	–	–	(2,838)	–	–	(576)	(5,182)	–	(8,596)
At 31 December 2016	16,715	1,137	31,800	7,763	2,372	5,316	38,080	–	103,183
Net book value									
At 31 December 2016	39,980	1,781	75,725	5,111	186,166	4,658	27,954	6,914	348,289
Cost									
At 1 January 2015	50,590	254	104,157	12,694	–	9,635	56,822	12,074	246,226
Exchange realignment	(2,980)	(4)	(7,449)	(895)	–	(677)	(3,830)	(931)	(16,766)
Additions	374	–	3,798	1,302	–	3,195	12,618	17,605	38,892
Transfer from construction-in-progress	97	–	10,365	–	–	–	–	(10,462)	–
Disposals	–	–	(6,004)	(418)	–	(2,481)	(2,082)	(415)	(11,400)
At 31 December 2015	48,081	250	104,867	12,683	–	9,672	63,528	17,871	256,952
Accumulated depreciation and impairment									
At 1 January 2015	10,929	254	27,784	7,397	–	6,380	33,387	–	86,131
Exchange realignment	(866)	(4)	(3,080)	(598)	–	(436)	(2,359)	–	(7,343)
Charge for the year	2,512	–	7,997	986	–	1,165	7,434	–	20,094
Written back on disposals	–	–	(3,536)	(196)	–	(2,012)	(1,323)	–	(7,067)
At 31 December 2015	12,575	250	29,165	7,589	–	5,097	37,139	–	91,815
Net book value									
At 31 December 2015	35,506	–	75,702	5,094	–	4,575	26,389	17,871	165,137

The buildings are located outside Hong Kong.

16. INTANGIBLE ASSET

	Ticketing agency right *HK$'000*
Reconciliation of carrying amount – year ended 31 December 2016	
At beginning of the year	–
Additions – acquisition of subsidiaries *(Note 34(a))*	146,346
Exchange realignment	(4,346)
At end of the reporting period	**142,000**

The exclusive ticketing agency right was recognised as a result of acquisition of subsidiaries as detailed in note 34 to the consolidated financial statements. The exclusive ticketing agency right for the cultural show namely, Impression – Liu Sanjie, acquired has been granted for a period of 20 years with pre-emptive right of renewal at the expiry date. Coupled with the fact that the cultural show, Impression – Liu Sanjie, has been operated since 2004 and there are over 500 shows every year, the Group has determined that this asset has an indefinite useful life. The exclusive ticketing agency right is therefore measured at cost less accumulated impairment losses.

The Group has appointed an independent professional valuer, Witz International Consultants Group Limited, to perform an appraisal of the value of the exclusive ticketing agency business as at 31 December 2016. The recoverable amount of intangible asset has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management from 2017 to 2021 by applying average growth rate of 3% in income per ticket and show attendees, growth rate of 2% per annum after 2021 and a discount rate of 20.4%. Cash inflows/outflows have been determined based on past performance and management's expectations for the market development.

16. INTANGIBLE ASSET *(Continued)*

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the intangible asset to exceed its carrying amount.

17. INTEREST IN AN ASSOCIATE

	2016 *HK$'000*	2015 *HK$'000*
Cost of investments in an associate		
– Listed in Malaysia	208,331	–
Gain on bargain purchase	84,673	–
Share of post-acquisition profit, net of dividend received	1,760	–
Exchange realignment	(1,176)	–
Group's share of net assets of an associate	293,588	–
Fair value of listed investments	326,613	–

In December 2016, the Group completed the subscription of 150,000,000 new shares of Yong Tai Berhad ("Yong Tai"), which is listed on the Main Market of Bursa Malaysia Securities Berhad. Gain on bargain purchase of HK$84,673,000 has been recognised in the consolidated statement of comprehensive income based on the fair value of the net assets of the associate at completion date.

17. INTEREST IN AN ASSOCIATE *(Continued)*

Set out below are details of the associate of the Group as at 31 December 2016, which in the opinion of the directors is material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group:

Name of associate	Principal place of business and place of incorporation	Nominal value of registered capital	Attributable direct equity interest to the Group 2016 %	2015 %	Principal activities
Yong Tai Berhad ("Yong Tai") *(Note i)*	Malaysia	RM190,172,000	39.44	–	Manufacturing and dyeing of all types of fabric and property development

Note:

(i) The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Yong Tai

	2016 HK$'000	2015 HK$'000
Current assets	661,470	–
Non-current assets	210,150	–
Current liabilities	(127,230)	–
	744,390	–
Revenue	5,196	–
Profit for the year	4,464	–
Other comprehensive income for the year	–	–
Total comprehensive income for the year	4,464	–

17. INTEREST IN AN ASSOCIATE *(Continued)*

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

	2016 *HK$'000*	2015 *HK$ '000*
Net assets of Yong Tai	744,390	–
Proportion of the Group's ownership interest in Yong Tai	39.44%	–
Group's share of net assets of Yong Tai	293,588	–

18. LEASE PREMIUMS FOR LAND

	2016 *HK$'000*	2015 *HK$'000*
Carrying amount		
At beginning of reporting period	29,228	31,647
Additions	9	–
Additions – acquisition of subsidiaries *(Note 34(b))*	2,250	–
Exchange realignment	(1,645)	(1,723)
Amortisation	(695)	(696)
At end of reporting period	29,147	29,228
Outside Hong Kong	29,147	29,228
Analysed for reporting purposes as:		
Current asset	704	687
Non-current asset	28,443	28,541
	29,147	29,228

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK$'000	2015 HK$'000
Irredeemable convertible preference shares listed outside Hong Kong, at fair value (a)	343,894	–
Equity shares listed outside Hong Kong, at fair value (b)	2,808	–
	346,702	–

(a) The amount represents 200,000,000 irredeemable convertible preference shares ("ICPS") of Yong Tai, which are listed on the Main Market of Bursa Malaysia Securities Berhad. The ICPS are convertible into ordinary shares of Yong Tai at the option of the holder from time to time after the 3rd anniversary of the date of issue on 28 November 2016 and up to the maturity date, which is the 10th anniversary of the date of issue of the ICPS. All issued ICPS that remain outstanding after the maturity date will be automatically converted into ordinary shares of Yong Tai. Since the ICPS are prohibited from conversion within 3 years from the date of issue and the Group has no intention to convert the ICPS into Yong Tai's ordinary shares until the maturity date, the investment in ICPS in Yong Tai has been accounted for as available-for-sale financial asset and measured at fair value at the end of the reporting period.

(b) The fair value of listed securities is based on quoted market prices in active markets at the end of the reporting period.

(c) As at 31 December 2016, increase in fair value of HK$45,467,000 in respect of these shares held by the Group was recognised in the available-for-sale financial assets revaluation reserve.

20. DEPOSITS FOR POTENTIAL ACQUISITION OF SUBSIDIARIES

(a) On 2 November 2016, the Company and four independent third parties (the "Vendors"), entered into a letter of intent (the "Letter of Intent") in relation to a proposed acquisition of 100% equity interest of Arch Partners Holdings Limited ("Arch Partners"). Arch Partners is incorporated in the British Virgin Islands with limited liability, the entire issued shares of which are held by the Vendors. Yalu International Limited ("Yalu International") is a wholly owned subsidiary of Arch Partners and is incorporated in Hong Kong with limited liability. Yalu International has entered into a long-term aircraft charter contract and the master contractor contract in respect of outbound tourism and hospitality with Beijing Mega Global International Travel Service Co., Ltd ("Mega International"). In addition, Yalu International will establish a tourism consultancy company in the PRC and sign a long-term consultation agreement with Mega International. Mega International is a company incorporated in the PRC with limited liability and its principal businesses involve domestic traveling, inbound and outbound tourism. A refundable deposit of HK$11,408,000 was paid upon signing the Letter of Intent.

On 26 January 2017, the Company and the Vendors entered into a sale and purchase agreement pursuant to which the Vendors have agreed conditionally to sell, and the Company has conditionally agreed to purchase 100% of the issued share capital of Arch Partners (the "Sale Shares") at a consideration of RMB160,000,000 (equivalent to approximately HK$179,200,000).

In addition to the refundable deposit of HK$11,408,000 which was paid before the end of the reporting period, the remaining balance shall be settled through the allotment and issue of the Company's 280,000,000 ordinary shares to the Vendors on a pro rata basis in proportion to the Vendors' shareholdings in Arch Partners prior to the acquisition and by the issue of zero coupon convertible bonds by the Company with a principal amount of HK$112,000,000.

(b) Deposit for potential acquisition of subsidiaries as at 31 December 2015, amounting to HK$50,000,000, represented refundable deposit for the proposed acquisition of entities engaging in the business of photovoltaic power in the PRC. The proposed acquisition was terminated and the deposit of HK$50,000,000 was refunded to the Group during the year.

21. GOODWILL

	2016 *HK$'000*	2015 *HK$'000*
Reconciliation of carrying amount		
At beginning of reporting period	–	–
Acquisition of subsidiaries *(Note 34)*	139,143	–
Impairment loss for the year	(43,049)	–
At end of reporting period	96,094	–

21. GOODWILL *(Continued)*

Goodwill is allocated to the cash-generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to the Group's CGU's identified as follows:

	2016 *HK$'000*	2015 *HK$'000*
Ticketing Agency		
– Master Race Limited ("Master Race") *(Note 34(a))*	41,743	–
Less: Impairment loss for the year	(27,000)	–
	14,743	–
Scenic Spot		
– Golden Truth Enterprises Ltd. ("Golden Truth") *(Note 34(b))*	16,049	–
Less: Impairment loss for the year	(16,049)	–
	–	–
Healthcare Business		
– Xian Tai International Ltd. ("Xian Tai") *(Note 34(c))*	81,351	–
	96,094	–

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

The recoverable amount of each CGU has been determined on the basis of value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period by applying average growth rate of 3%, 15% and 10% for Master Race, Golden Truth and Xian Tai from 2017 to 2021. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2%, 3% and 3% per annum for Master Race, Golden Truth and Xian Tai. The growth rate used is based on historical growth and past experience and does not exceed the currently estimated long-term growth rate of the industries in which the CGUs operate. The discount rates used, which management estimates to reflect current market assessments of the time value of money and the risks specific to the CGU's cash flows are 20.4%, 20.9% and 18.8% for Master Race, Golden Truth and Xian Tai, respectively.

The recoverable amounts of the CGUs, Master Race and Golden Truth, are less than their carrying amounts. Accordingly, their goodwill was impaired during the year.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of goodwill of Xian Tai to exceed its recoverable amount.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	*HK$'000*
Equity securities, held for trading:		
Listed in Hong Kong	–	128,563
Listed outside Hong Kong	360	381
Non-listed investment funds, held for trading	–	33,671
	360	162,615

The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period. During the year ended 31 December 2016, all the equity securities listed in Hong Kong and the non-listed investment funds held for trading were disposed and the net realised loss on financial assets at fair value through profit and loss of HK$25,711,000 was recognised in the consolidated statement of comprehensive income.

23. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials and consumables	13,296	12,462
Work-in-progress	333	378
Finished goods	11,075	10,541
	24,704	23,381

24. TRADE AND OTHER RECEIVABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade receivables	205,419	144,747
Less: Allowance for trade receivables *(Note (b))*	(80)	(482)
	205,339	144,265
Bills receivable *(Note (d))*	90,808	102,988
Other receivables *(Note (e))*	19,957	72,222
Prepayments and deposits *(Note (f))*	63,309	10,495
	379,413	329,970

a) The normal credit period granted to the customers of the Group is 90 to 120 days (2015: 90 to 120 days). The ageing analysis of the trade receivables by invoice date at the end of the reporting period is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Within 3 months	192,437	137,717
Over 3 months but within 6 months	11,943	5,011
Over 6 months but within 1 year	357	15
Over 1 year	682	2,004
	205,419	144,747
Less: Allowance for trade receivables	(80)	(482)
	205,339	144,265

24. TRADE AND OTHER RECEIVABLES *(Continued)*

b) Allowance for trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in allowance for trade receivables during the year are as follows:

	2016 *HK$'000*	2015 *HK$'000*
At beginning of reporting period	482	523
Amount written off	(393)	(12)
Exchange realignment	(9)	(29)
At end of reporting period	80	482

c) The ageing analysis of trade receivables by past due date that are neither individually nor collectively considered to be impaired is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Neither past due nor impaired	192,437	137,717
Less than 3 months past due	11,943	5,011
3 months to 1 year past due	357	15
Over 1 year past due	602	1,522
Past due but not impaired	12,902	6,548
	205,339	144,265

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

c) *(Continued)*

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

d) All bills receivable were not past due and there was no history of default. The normal terms granted by the banks are 90 to 120 days (2015: 90 to 120 days).

e) Included in other receivables as at 31 December 2015 was prepayment of HK$70,000,000 which was paid for the purchase of trading goods. The amounts were subsequently refunded from suppliers in 2016 due to the cancellation of the purchases.

f) Included in prepayments and deposits as at 31 December 2016 was prepayment of HK$54,921,000 which was paid for a large performance project in Halong City, Vietnam. The details of the operation of this project is still in negotiation stage.

25. LOANS RECEIVABLE

The credit quality analysis of the loans receivable is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired –		
Unsecured loans to third parties		
– Principal	309,885	–
– Interest	6,787	–
	316,672	–
Guaranteed loans to third parties		
– Principal	37,143	–
– Interest	622	–
	37,765	–
Total	354,437	–

	2016 HK$'000	2015 HK$'000
Gross loans and interest receivables	360,016	–
Less: Allowance for doubtful debts for the year	(5,579)	–
Net carrying amounts	354,437	–
Represented by:		
Current portion of loan and interest receivables	354,437	–
Non-current portion of loan and interest receivables	–	–
	354,437	–

The Group's loans receivable mainly arise from the money lending business in Hong Kong, which are denominated in US dollars and Hong Kong dollars. All the loans are unsecured, with loan principal of HK$37,143,000 being guaranteed by an independent third party.

25. LOANS RECEIVABLE *(Continued)*

The loan and interest receivables that were neither past due nor impaired as at 31 December 2016 relate to a number of borrowers for whom there was no recent history of default.

The maximum exposure to credit risk at the end of the reporting period is the carrying value of the loans receivable.

All the loan agreements are entered with contractual maturity within 1 year, except for a loan receivable from a third party of RMB5,000,000 (equivalent to HK$5,579,000) which will be repayable on 19 May 2019. Because management considered that such loan would not be recoverable, full allowance for doubtful debts was made as at 31 December 2016. The Group seeks to maintain tight control over its loans receivable in order to minimise credit risk by reviewing the borrowers' or guarantors' financial positions.

At the end of the reporting period, loans receivable carried fixed interest rates and had effective interest rates ranging from 10% to 15% per annum.

Interest income and allowance for doubtful debts on loans receivable of approximately HK$11,351,000 and HK$5,579,000 respectively have been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2016.

26. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group had pledged bank deposits, which carried interest at prevailing market rate, amounting to HK$6,608,000 (2015: HK$2,658,000) to banks for securing bills payable and bank borrowings.

27. TRADE AND OTHER PAYABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade payables	78,805	59,996
Bills payable	14,216	4,839
Other payables and accruals	31,454	19,501
Accrued interest on notes payable	41,481	15,649
	165,956	99,985

27. TRADE AND OTHER PAYABLES *(Continued)*

The ageing analysis of trade payables by invoice date at the end of the reporting period is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Within 3 months	67,078	47,991
Over 3 months but within 6 months	8,031	7,560
Over 6 months but within 1 year	1,746	2,611
Over 1 year	1,950	1,834
	78,805	59,996

28. NOTES PAYABLE

	2016 *HK$'000*	2015 *HK$'000*
8% 2-year notes *(Note a)*	280,000	280,000
10% 1-year notes *(Note b)*	80,000	–
	360,000	280,000

(a) The notes are interest-bearing at 8% per annum, maturing on 21 April 2017 and secured by an equitable mortgage over the entire issued shares of Great Prospect Enterprise Limited, a wholly-owned subsidiary of the Company which is incorporated under the laws of the British Virgin Islands. The notes holder is an independent third party.

(b) The notes are interest-bearing at 10% per annum, maturing on 12 months from the issue date of 23 November 2016 and pledged by 697,000,000 ordinary shares of the Company provided by a shareholder of the Company with the consent of the notes holder, maturity date of the notes can be extended to 24 months, with the interest rate be increased to 13% per annum for the extended 12 months. The notes holder is an independent third party.

29. BANK AND OTHER BORROWINGS

	2016 HK$'000	2015 HK$'000
Current		
Bank borrowings – secured	104,924	104,648
Other borrowings – secured	17,882	29,747
Other borrowings – unsecured	251,600	–
	374,406	134,395

At 31 December 2016 and 2015, all of the bank and other borrowings were repayable within one year.

The secured and unsecured bank and other borrowings are interest-bearing at fixed or variable interest rates. The ranges of effective interest rates on the Group's borrowings are as follows:

	2016	2015
Effective interest rates per annum		
Bank borrowings – secured	4.79% to 6.40%	4.79% to 6.72%
Other borrowings – secured	6.40%	4.79% to 6.16%
Other borrowings – unsecured	6.00% to 24.00%	–

29. BANK AND OTHER BORROWINGS *(Continued)*

Bank and other borrowings are denominated in the following currencies:

	2016 *HK$'000*	2015 *HK$'000*
RMB	122,806	134,395
Hong Kong dollars	251,600	–
	374,406	134,395

The bank and other borrowings totalling HK$122,806,000 (2015: HK$134,395,000) were secured by:

(a) buildings with a carrying value of approximately HK$27,746,000 (2015: HK$21,957,000);

(b) lease premiums for land with carrying value of approximately HK$27,012,000 (2015: HK$29,228,000);

(c) certain of the trade and other receivables with carrying value of approximately HK$17,882,000 (2015: HK$24,849,000); and

(d) investment properties with carrying value of approximately HK$nil (2015: HK$8,776,000).

(e) pledged bank deposits with carrying value of approximately HK$6,608,000 (2015: HK$2,658,000).

The unsecured other borrowings of HK$251,600,000 (2015: HK$nil) represent loans from independent third parties, in which HK$165,000,000 are guaranteed by an independent third party.

30. DEFERRED TAX

a) Deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	HK$'000
At 1 January 2015	2,606
Credit to profit or loss	(68)
Exchange realignment	(142)
At 31 December 2015 and 1 January 2016	2,396
Credit to profit or loss *(Note 11)*	(65)
Exchange realignment	(1,215)
Recognition upon acquisition of Master Race Group in 2016	36,587
At 31 December 2016	37,703
Represented by:	
Fair value adjustment on lease premiums for land	2,203
Fair value adjustment on intangible asset	35,500
	37,703

In March 2007, the National People's Congress enacted a new Enterprise Income Tax Law, which became effective on 1 January 2008 (the "New PRC EIT Law"). Pursuant to the New PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated since 1 January 2008. Deferred tax liabilities are provided to the extent that such earnings are expected to be distributed in the foreseeable future. At the end of the reporting period, the estimated withholding tax effects on the distribution of retained earnings of the subsidiaries established in Mainland China were approximately HK$4,461,000 (2015: HK$3,638,000). The directors of the Company are of the opinion that no dividends would be distributed by its subsidiaries established in Mainland China in the foreseeable future and therefore no deferred tax liabilities are provided.

30. DEFERRED TAX *(Continued)*

b) Unrecognised deferred tax assets arising from:

	2016 *HK$'000*	2015 *HK$'000*
Deductible temporary differences		
– Fair value changes of financial assets at fair value through profit or loss	–	50,218
Tax losses	72,410	48,407
	72,410	98,625

As at 31 December 2016, the Group had unrecognised deferred tax assets of HK$nil (2015: approximately HK$8,286,000) and HK$12,121,000 (2015: approximately HK$9,152,000) in respect of the deductible temporary differences and the tax losses respectively. As it is not probable that taxable profits will be available against which the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The expiry dates of unrecognised tax losses are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Tax losses without expiry date	70,375	34,709
Tax losses expiring on 31 December 2020	884	44
Tax losses expiring on 31 December 2019	–	13,654
Tax losses expiring on 31 December 2018	1,151	–
Tax losses expiring on 31 December 2017	–	–
	72,410	48,407

31. SHARE CAPITAL

	2016		2015	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.0125 each (2015: HK$0.0125 each)	30,000,000,000	375,000	8,000,000,000	100,000
Issued and fully paid:				
At beginning of reporting period	3,589,901,240	44,874	249,300,124	31,163
Issue of shares by placement *(Note a)*	6,000,000,000	75,000	109,690,000	13,711
Issue of new shares for acquisition of subsidiaries *(Note b)*	697,000,000	8,713	–	–
Issue of remuneration shares *(Note c)*	20,000,000	250	–	–
Issue of new shares upon exercise of options *(Note d)*	45,899,012	573	–	–
Shares subdivision	–	–	3,230,911,116	–
At end of reporting period	10,352,800,252	129,410	3,589,901,240	44,874

(a) On 19 May 2016, the Company entered into a placing agreement in respect of the placement of 6,000,000,000 ordinary shares of HK$0.0125 each to not less than six independent investors at a price of HK$0.10 per share. The placement was completed on 28 October 2016. The premium on the issue of shares, amounting to approximately HK$507,000,000, net of share issuance expenses of approximately HK$18,000,000, was credited to the Company's share premium account. The net proceeds from the placing have been used for acquisition of an associate, Yong Tai, acquisition of available-for-sale financial assets and providing general working capital of the Group.

The above newly issued shares rank pari passu in all respects with the existing shares.

31. SHARE CAPITAL *(Continued)*

(b) On 13 September 2016, the Company acquired 100% shareholding in Xian Tai International Limited and its subsidiaries, which are principally engaged in provision of management services on the operation of physical therapy and healthcare massage shops in the PRC at a consideration of HK$90,610,000. The consideration had been satisfied by allotment and issue of 697,000,000 new shares of the Company at the market price of HK$0.13 per share.

The above newly issued shares rank pari passu in all respects with the existing shares.

(c) Chanceton Capital Partners Limited ("Chanceton Capital") was the financial advisor to the Company for the provision of continuing financial advisory service to the Company in 2016. Part of the financial advisory fees was satisfied by the issue of 10,000,000 remuneration shares to Chanceton Capital at the market price of HK$0.13 per remuneration share on 13 September 2016.

Mr. Han Ning was the PRC legal advisor to the Company for the provision of the PRC legal advisory service to the Company in 2016 and the fees were satisfied by the issue of 10,000,000 remuneration shares to Mr. Han Ning at the market price of HK$0.13 per remuneration share on 13 September 2016.

The above newly issued shares rank pari passu in all respects with the existing shares.

(d) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 5 June 2015, a share option scheme was adopted by the Company. The purpose of the scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employees or directors of the Company or any advisers, consultants, agents, contractors, customers and suppliers of any members of the Group or whom the board of directors in its sole discretion considers eligible for the scheme on the basis of his or her contribution to the Group. A summary of the principal terms and conditions of the scheme is set out in note 33 to the consolidated financial statements.

During the year, 45,899,012 share options were exercised at the subscription price of HK$0.145 per share, resulting in the issue of 45,899,012 ordinary shares of the Company for a total cash consideration of HK$6,656,000. Upon the exercise of these share options, their fair values of HK$2,753,000 recognised in the share option reserve was transferred to the share premium account.

The above newly issued shares rank pari passu in all respects with the existing shares.

32. RESERVES

	Attributable to equity holders of the Company							
	Share premium HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Share option reserve HK$'000 (Note c)	Available-for-sale financial assets revaluation reserve HK$'000 (Note d)	Statutory surplus reserve HK$'000 (Note e)	Translation reserve HK$'000 (Note f)	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2015	235,950	117	–	–	22,231	40,135	(46,830)	251,603
Transfer to statutory surplus reserve	–	–	–	–	4,125	–	(4,125)	–
Loss for the year	–	–	–	–	–	–	(67,981)	(67,981)
Other comprehensive loss for the year								
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(15,804)	–	(15,804)
Total comprehensive loss for the year	–	–	–	–	–	(15,804)	(67,981)	(83,785)
Transactions with equity holders of the Company								
Contributions and distributions:								
Issue of shares by placements	134,957	–	–	–	–	–	–	134,957
At 31 December 2015 and 1 January 2016	370,907	117	–	–	26,356	24,331	(118,936)	302,775
Transfer to statutory surplus reserve	–	–	–	–	5,366	–	(5,366)	–
Loss for the year	–	–	–	–	–	–	(31,076)	(31,076)
Other comprehensive income (loss) for the year								
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(38,704)	–	(38,704)
Changes in fair value of available-for-sale financial assets, net	–	–	–	45,467	–	–	–	45,467
Total comprehensive income (loss) for the year	–	–	–	45,467	–	(38,704)	31,076	(24,313)
Transactions with equity holders of the Company								
Contributions and distributions:								
Issue of shares by placements	507,000	–	–	–	–	–	–	507,000
Issue of shares for acquisition of subsidiaries	81,897	–	–	–	–	–	–	81,897
Issue of remuneration shares	2,350	–	–	–	–	–	–	2,350
Equity-settled share option arrangements	–	–	21,539	–	–	–	–	21,539
Issue of shares upon exercise of options	8,836	–	(2,753)	–	–	–	–	6,083
At 31 December 2016	970,990	117	18,786	45,467	31,722	(14,373)	(155,378)	897,331

32. RESERVES *(Continued)*

(a) SHARE PREMIUM

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

(b) CAPITAL RESERVE

Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the Company's reorganisation in 2003.

(c) SHARE OPTION RESERVE

The share option reserve comprises the fair value of share options granted which are yet to be exercised, lapsed, cancelled or forfeited as further explained in the accounting policy for share-based payment transactions in Note 2(w) to the consolidated financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

(d) AVAILABLE-FOR-SALE FINANCIAL ASSETS REVALUATION RESERVE

The revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets and is dealt with in accordance with the accounting policies adopted.

(e) STATUTORY SURPLUS RESERVE

According to the articles of association of the PRC subsidiaries, they are required to transfer at least 10% of their net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of their registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

32. RESERVES *(Continued)*

(f) TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

33. SHARE OPTION SCHEME

The Company has a share option scheme which was adopted by the Company at the special general meeting held on 5 June 2015 (the "Share Option Scheme") whereby the directors are authorised, at their discretion, to invite full time or part time employees of the Company (including any directors, whether executive or non-executive and whether independent or not, of the Company); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees) or distributors, landlords or tenants (including any sub-tenants) of the Company, to take up option to subscribe the ordinary shares of the Company as incentives and rewards for their contribution to the Group. Upon acceptance of the option, the grantee shall pay a non-refundable nominal consideration of HK$1 to the Company. The Company by ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered.

The option period shall not exceed 10 years from the date of acceptance of option. There is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

The total number of the shares of the Company available for issue under the Share Option Scheme as at 31 December 2016 was 1,348,371,137 shares (including options for 313,091,112 shares that have been granted but not yet lapsed or exercised) which represented 13.02% of the issued share capital of the Company as at 31 December 2016. The total number of shares issued and to be issued upon exercise of the options granted to each participant or grantee (including exercised and outstanding options) in any twelve-month period up to the date of grant shall not exceed 1% of the shares in issue unless approval from Company's shareholders has been obtained.

33. SHARE OPTION SCHEME *(Continued)*

Any grant of options to a connected person (including but not limited to a director or substantial shareholder) or its associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Where options are proposed to be granted to a connected person who is also a substantial shareholder of the Company or an independent non-executive director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders taken on a poll in a general meeting.

The grant of option will be open for acceptance within 30 business days from the date of the letter of grant, upon payment of a sum of HK$1 as consideration for the grant of option. The exercise price of options is determined by the Board at its sole discretion, save that such price will not be less than the highest of (i) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date.

The following share options were outstanding under the Share Option Scheme during the year:

	Notes	2016 Weighted average exercise price HK$ *per share*	2016 Number of options *'000*
At beginning of the reporting period		–	–
Granted during the year	*(a)*	0.145	358,990
Lapsed/cancelled/forfeited during the year		–	–
Exercised during the year	*(b)*	0.145	(45,899)
At end of the reporting period	*(c)*	0.145	313,091

33. SHARE OPTION SCHEME *(Continued)*

Notes:

(a) The exercise period of share options granted during the year is from 27 July 2016 to 26 July 2019 and the fair values of the options were calculated using the Binomial Option Pricing Model. The inputs to the model are as follows:

Share price at the date of grant	HK$0.140
Exercise price per share	HK$0.145
Expected volatility (%)	82
Risk-free interest rate (%)	0.56
Expected dividend yield	nil
Weighted average turnover rate	8.61%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

358,990,124 share options were granted during the year, and the Group recognised a share option expense of HK$21,539,000 during the year.

(b) During the year, 45,899,012 share options were exercised, resulted in the issue of 45,899,012 ordinary shares of the Company and new share capital of HK$573,000 and share premium of HK$8,836,000 (before issue expenses), as further detailed in note 31(d) to these consolidated financial statements. The weighted average market price per share at exercise dates was HK$0.147.

(c) At the end of the reporting period, the Company had 313,091,112 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 313,091,112 additional ordinary shares of the Company and additional share capital of approximately HK$3,914,000 and share premium of approximately HK$60,270,000 (before issue expenses). These share options had an exercise price of HK$0.145 per share and a weighted average remaining contractual life of 2.57.

(d) Subsequent to the end of the reporting period, no additional share options were granted to the employees of the Group.

34. ACQUISITION OF SUBSIDIARIES

(a) MASTER RACE LIMITED AND ITS SUBSIDIARIES ("MASTER RACE GROUP")

On 24 March 2016, the Group acquired 85% shareholding in Master Race Limited and its subsidiaries ("Master Race Group") at a consideration of HK$135,000,000. Master Race Group is principally engaged in ticketing agency business, corporate image advisory and cultural and marketing activities planning business. Master Race Group entered into an exclusive ticketing agency agreement with 桂林廣維文華旅遊文化產業有限公司 ("Guangwei Wenhua ") pursuant to which Master Race Group is granted an exclusive ticketing agency right for the cultural show named Impression-Liu Sanjie (印象劉三姐) by Guangwei Wenhua for a term of 20 years.

The acquisition is to better manage the business risk, to diversify the business of the Group and to explore appropriate opportunities for different investment projects. Considering the prosperity of the tourism industry in Guangxi and the track record of the cultural show Impression Liu Sanjie (印象劉三姐), the Group is optimistic about the acquisition and is of the view that the acquisition is an attractive opportunity for the Group to enhance its business portfolio in the tourism industry,

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) MASTER RACE LIMITED AND ITS SUBSIDIARIES ("MASTER RACE GROUP") *(Continued)*

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

	HK$'000
Consideration satisfied by:	
Cash paid	135,000

Recognised amounts of identifiable assets acquired and liabilities assumed:	*HK$'000*
Net assets acquired:	
Intangible asset *(Note 16)*	146,346
Other payable	(45)
Deferred tax liabilities *(Note 30)*	(36,587)
Total identifiable net assets	109,714
Non-controlling interests	(16,457)
Goodwill *(Note 21)*	41,743
Total consideration	135,000
Net cash outflow arising on acquisition	
Cash consideration paid	(135,000)

At the date of completion of the Master Race Group on 24 March 2016, a gain on bargain purchase of HK$19,655,000 was recognised based on management's preliminary assessment of the fair value of the assets acquired and liabilities assumed, which had been disclosed in the interim financial report of the Group for the six months ended 30 June 2016. However, taking into consideration of the unexpected delay in obtaining local government's approval for the increase in ticket price, management considers that certain key assumptions used in assessing the fair value of the assets acquired, including the growth rate for ticket prices, should be adjusted. This has resulted in the acquisition-date amount of intangible asset being reduced from HK$182,000,000 to HK$146,346,000 and recognition of deferred tax liabilities of HK$36,587,000, leading to goodwill on consolidation of HK$41,743,000.

Master Race Group contributed revenue of HK$24,794,000 and profit of HK$32,900,000 in the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2016, total revenue and loss of the Group would have been HK$606,669,000 and HK$30,032,000 respectively.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) GOLDEN TRUTH ENTERPRISES LIMITED AND ITS SUBSIDIARIES ("GOLDEN TRUTH GROUP")

On 12 July 2016, the Group acquired 80% shareholding in Golden Truth Group at a consideration of HK$138,000,000. Golden Truth Group is principally engaged in tourism development, scenic spot investment and management business. It owns Dongxing Pingfeng Rainforest Scenic Spot located at Dongxing City. The consideration was settled by cash.

The acquisition is to better manage the business risk, to diversify the business of the Group and to explore for appropriate opportunities for different investment projects.

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

	HK$'000
Consideration satisfied by:	
Cash paid	138,000

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) GOLDEN TRUTH ENTERPRISES LIMITED AND ITS SUBSIDIARIES ("GOLDEN TRUTH GROUP") *(Continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK$'000
Net assets acquired:	
Scenic Spot Establishment *(Note 15)*	196,000
Prepaid land lease payment *(Note 18)*	2,250
Trade and other receivables	6,386
Cash and cash equivalents	222
Trade and other payables	(263)
Income tax payable	(52,156)
Total identifiable net assets	152,439
Non-controlling interests	(30,488)
Goodwill *(Note 21)*	16,049
Total consideration	138,000
Net cash outflow arising on acquisition:	
Cash consideration paid	138,000
Less: Cash and cash equivalents acquired	222
	(137,778)

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) GOLDEN TRUTH ENTERPRISES LIMITED AND ITS SUBSIDIARIES ("GOLDEN TRUTH GROUP") *(Continued)*

The goodwill arising on the acquisition of Golden Truth Group is attributable to the benefit of expected revenue growth and future market development. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for intangible assets and cannot be reliably measured.

Golden Truth Group contributed revenue of HK$3,073,000 and loss of HK$24,525,000 in the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2016, total revenue and profit of the Group would have been HK$606,669,000 and HK$130,166,000 respectively.

(c) XIAN TAI INTERNATIONAL LIMITED AND ITS SUBSIDIARIES ("XIAN TAI GROUP")

On 13 September 2016, the Group acquired 100% shareholding in Xian Tai Group at a consideration of HK$90,610,000, which was satisfied by allotment and issue of 697,000,000 new ordinary shares of the Company at the market price of HK$0.13 per share. Xian Tai Group is principally engaged in the provision of management services on the operation of physical therapy and healthcare massage shops in the PRC. Xian Tai Group is aiming to develop traditional Chinese healthcare services including healthcare and massage, professional physical therapy, traditional Chinese mud therapy and featured far infrared ray energy therapy, as well as specialising in providing operation and management entrustment services for various kinds of healthcare clubs which are in operations or planning to operate.

To better manage the business risk and to diversify the business of the Company, the Board has been considering and exploring appropriate opportunities for different investment projects. Considering the prosperity of the healthcare business in the PRC, the Group is optimistic about the acquisition and is of the view that the acquisition is an attractive opportunity for the Group to enter healthcare industry in the PRC.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) XIAN TAI INTERNATIONAL LIMITED AND ITS SUBSIDIARIES ("XIAN TAI GROUP") *(Continued)*

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

	HK$'000
Consideration satisfied by:	
Allotment and issue of 697,000,000 new ordinary shares of the Company at fair value of HK$0.13 per share	90,610

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK$'000
Net assets acquired:	
Trade and other receivables	9,287
Cash and cash equivalents	32
Trade and other payables	(60)
Total identifiable net assets	9,259
Goodwill *(Note 21)*	81,351
Total consideration	90,610
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	32

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) XIAN TAI INTERNATIONAL LIMITED AND ITS SUBSIDIARIES ("XIAN TAI GROUP") *(Continued)*

The goodwill arising on the acquisition of Xian Tai Group is attributable to the benefit of expected revenue growth and future market development. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for intangible assets and cannot be reliably measured.

Xian Tai Group contributed revenue of HK$1,818,000 and loss of HK$845,000 in the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 January 2016, total revenue and loss of the Group would have been HK$615,955,000 and HK$20,773,000 respectively.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	35(a)	1,443,213	488,779
Deposits for potential acquisition of subsidiaries		11,408	50,000
		1,454,621	538,779
CURRENT ASSETS			
Loans receivable		37,143	–
Other receivables		58,965	72,402
Cash and cash equivalents		7,685	40,562
		103,793	112,964
CURRENT LIABILITIES			
Other payables		5,460	2,136
Due to subsidiaries		279,973	318,951
Other borrowings		251,600	–
Notes payable		80,000	–
		617,033	321,087
NET CURRENT LIABILITIES		(513,240)	(208,123)
NET ASSETS		941,381	330,656
CAPITAL AND RESERVES			
Share capital	31	129,410	44,874
Reserves	35(b)	811,971	285,782
TOTAL EQUITY		941,381	330,656

Approved and authorised for issue by the Board of Directors on 28 March 2017 and signed on its behalf by

Li Zhenzhen
Director

Wang Xin
Director

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

a) PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued/paid up/registered share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Able Zone Investment Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Securities trading and other investments
Click Smart Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Great Prospect Enterprises Limited	BVI	Hong Kong	200 ordinary shares of US$1	100%	100%	–	Investment holding
Impression Culture Asia Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Investment holding
Kentway Investments Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Investment holding
Noble Core Holdings Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Nowry Global Investments Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Ovalane Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Sino Haijing Group Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Sino Richtone Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Securities trading and other investments
Sunshine Margin Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Ways Finance Limited	Hong Kong	Hong Kong	1 ordinary share	100%	–	100%	Money lending
World Spark Holdings Limited	BVI	Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding

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

a) PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued/paid up/registered share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
合肥海景包裝制品有限公司	PRC	PRC	RMB55,000,000	100%	–	100%	Manufacturing of EPS packaging products
合肥榮豐包裝制品有限公司	PRC	PRC	RMB30,000,000	100%	–	100%	Manufacturing of EPS packaging products
合肥啟鵬紙制品有限公司	PRC	PRC	RMB14,000,000	100%	–	100%	Manufacturing of packaging materials
青島海景包裝制品有限公司	PRC	PRC	RMB20,000,000	100%	–	100%	Manufacturing of EPS packaging products
青島新海景包裝制品有限公司	PRC	PRC	RMB10,000,000	100%	–	100%	Manufacturing of EPS packaging products
青島海景模具制品有限公司	PRC	PRC	RMB1,000,000	100%	–	100%	Manufacturing of moulds products
大連海景包裝製品有限公司	PRC	PRC	RMB1,000,000	100%	–	100%	Manufacturing of EPS packaging products
東興屏峰雨林景區投資有限公司	PRC	PRC	RMB5,000,000	80%	–	80%	Scenic Spot operations
深圳阿牛哥健康科技有限公司	PRC	PRC	RMB10,000,000	100%	–	100%	Healthcare massage business
桂林錦綉山河旅遊咨詢有限公司	PRC	PRC	RMB1,000,000	85%	–	85%	Ticketing agency business

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

b) MOVEMENTS OF RESERVES

	Share premium	Share option reserve	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note i)		
At 1 January 2015	235,950	–	117	(8,551)	227,516
Loss for the year	–	–	–	(76,691)	(76,691)
Transactions with equity holders of the Company					
Contributions and distributions					
Issue of shares by placement	134,957	–	–	–	134,957
At 31 December 2015 and 1 January 2016	370,907	–	117	(85,242)	285,782
Loss for the year	–	–	–	(92,679)	(92,679)
Transactions with equity holders of the Company					
Contributions and distributions					
Issue of remuneration shares	2,350	–	–	–	2,350
Issue of shares for acquisition of subsidiaries	81,897	–	–	–	81,897
Issue of shares by placements	507,000	–	–	–	507,000
Equity-settled share option arrangements	–	21,539	–	–	21,539
Issue of shares upon exercise of options	8,836	(2,754)	–	–	6,082
At 31 December 2016	970,990	18,785	117	(177,921)	811,971

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

b) MOVEMENTS OF RESERVES *(Continued)*

(i) CONTRIBUTED SURPLUS

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Company's reorganisation in 2003. Under the Companies Law of the Cayman Islands, the contributed surplus is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) DISTRIBUTABLE RESERVES

The Company's reserves as at 31 December 2016 available for distribution to the equity holders are HK$811,971,000 (2015: HK$285,782,000).

36. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF") for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees.

Contributions to the MPF Scheme are calculated at five percent of the relevant income of each employee subject to a maximum amount of HK$1,500 per month. All statutory contributions under the MPF Scheme are immediately fully vested on the employees.

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

37. TRANSFER OF FINANCIAL ASSETS

At the end of the reporting period, the transferred financial assets of the Group measured at amortised cost that were not qualified for derecognition in their entirety were as follows:

	2016 *HK$'000*	2015 *HK$'000*
Carrying amount of transferred assets		
– Bills receivable discounted to banks with recourse	41,318	34,485
Carrying amount of associated liabilities	41,318	34,485

The Group transferred the contractual rights to receive cash flows from bills receivable to certain banks by discounting them for cash on a full recourse basis. Therefore, the directors of the Company consider the Group retained substantially all of the risk and rewards of ownership of the bills receivable and continued to recognise the bills receivable in the consolidated statement of financial position. Associated liabilities have been recognised and included in bank and other borrowings.

38. MATERIAL NON-CONTROLLING INTERESTS

The following table shows the information relating to the Master Race Group and Golden Truth Group with material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

	Master Race Group	Golden Truth Group
Proportion of NCI's ownership interest	15%	20%
	HK$'000	*HK$'000*
Non-current assets	142,000	188,247
Current assets	23,329	300
Current liabilities	(5,950)	(49,638)
Deferred tax liabilities	(35,500)	–
Net assets	123,879	138,889
Non-controlling interests	18,582	27,778
Revenue	24,794	3,073
Profit (Loss) for the year	18,247	(8,468)
Profit (Loss) attributable to NCI	2,737	(1,693)
Other comprehensive loss attributable to NCI	(613)	(1,016)
Total comprehensive income (loss) attributable to NCI	2,124	(2,709)
Net cash flows from (used in):		
Operating activities	394	(156)
Investing activities	–	–
Financing activities	–	–

39. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

The Group leases certain of its office premises under operating lease arrangements. The leases run for an average term of one to three years (2015: one to three years). The terms of the leases require the Group to pay security deposits.

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

	2016 *HK$'000*	2015 *HK$'000*
Within one year	2,158	4,791
In the second to fifth year inclusive	3,767	7,073
	5,925	11,864

THE GROUP AS LESSOR

The Group leases its investment properties under an operating lease with a lease term of 2 years (2015: 2 years). The future aggregate minimum rental receivables under non-cancellable operating lease are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Within one year	765	721

40. CAPITAL COMMITMENTS

The Group's authorised capital commitments outstanding at the end of the reporting period and not provided for in the consolidated financial statements are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Contracted but not provided for		
Construction of production facilities	–	4,844
Purchase of property, plant and equipment	3,159	463
	3,159	5,307

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include pledged deposits, bank balances, borrowings, financial assets at fair value through profit or loss, trade and other receivables, loans receivable, trade and other payables and notes payable. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The policies on how management mitigates these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) CREDIT RISK

As at 31 December 2016, the credit risk of the Group is primarily attributable to trade and other receivables, loans receivable, bills receivable, pledged bank deposits and bank balances.

i) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors' financial position and condition are performed on each and every major debtor periodically. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. The Group does not require collateral in respect of its financial assets. Debts are usually due between 90 and 120 days from the date of billing.

The Group's exposure to credit risk of trade and other receivables is influenced mainly by the individual characteristics of each debtor. At the end of the reporting period, the Group had certain concentration of credit risk as 18% (2015: 15%) and 35% (2015: 42%) of the total trade and other receivables was due from the Group's largest debtor and the five largest debtors respectively.

ii) In respect of loans receivable, the Group has adopted procedures in extending credit terms to loan borrowers and in monitoring its credit risk. The credit policy on extending credit terms to loan borrowers includes assessing and evaluating loan borrowers' creditworthiness and financial standing. Management also closely monitors all outstanding debts and reviews the collectability of loans receivable periodically. At the end of the reporting period, 14% and 58% of the total loans receivable was due from the Group's largest borrower and the five largest borrowers respectively.

iii) The credit risk on pledged bank deposits, bank balances and bills receivable is limited because the counterparties are mainly banks with high credit ratings assigned by international credit-rating agencies.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the Company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank and other borrowings as a significant source of funding. At 31 December 2016, the Group had HK$29,722,000 (2015: HK$40,534,000) available un-utilised banking facilities.

The following liquidity tables set out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period) and the earliest date the Group is required to pay:

	2016				2015			
	Within 1 year or on demand	More than 1 year	Total contractual undiscounted cash flows	Carrying amount	Within 1 year or on demand	More than 1 year	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank and other borrowings	381,518	–	381,518	374,406	136,043	–	136,043	134,395
Trade and other payables	165,956	–	165,956	165,956	99,985	–	99,985	99,985
Notes payable	373,957	–	373,957	360,000	–	309,273	309,273	280,000
	921,431	–	921,431	900,362	236,028	309,273	545,301	514,380

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c) INTEREST RATE RISK

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings. Details of interest rates of the Group's bank and other borrowings of HK$81,488,000 (2015: HK$99,910,000) at the end of the reporting period are set out in note 29 to the consolidated financial statements. The Group closely monitors interest rate level and outlook as well as potential impact on the Group's result and financial position arising from volatility of interest rates.

The bank and other borrowings and notes payable of the Group of HK$292,918,000 (2015: HK$34,485,000) and HK$360,000,000 (2015: HK$280,000,000) respectively which are fixed rate instruments and are insensitive to any change in interest rates. A change in market interest rates at the end of the reporting period would not affect profit or loss.

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate borrowings, with all other variables held constant, would increase/decrease the Group's loss after tax and accumulated losses by approximately HK$815,000 (2015: HK$999,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest-bearing non-derivative financial instruments in existence at that date. In respect of the exposure to cash flow interest rate risk, the analysis is prepared assuming the interest-bearing financial instruments outstanding at the end of the reporting period were outstanding for the whole year for which the impact of interest rate changes are annualised. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual date of the reporting period. The analysis is performed on the same basis for 2015.

d) CURRENCY RISK

The Group has transactional currency exposure. Such exposure arises from trading transactions denominated in a currency other than the functional currency of an operating unit to which they relate. The Group has no significant foreign currency risk in its PRC operations as the carrying amounts of financial assets and liabilities are denominated in RMB.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

e) EQUITY PRICE RISK

The Company's equity securities are measured at fair value at the end of each reporting period with reference to the market price. Therefore, the Company is exposed to equity price risks and management monitors the price movements and takes appropriate actions when required.

The sensitivity analysis below has been determined assuming that a change in the corresponding equity prices had occurred at the end of the reporting period and had been applied to the equity securities that would have affected the profit or loss and equity. A change of 3% (2015: 5%) in stock price for the available-for-sale financial assets and financial assets at fair value through profit or loss was applied at the end of the respective reporting period.

	2016 Effect on other comprehensive income *HK$'000*	2015 Effect on other comprehensive income *HK$'000*	2016 Effect on profit or loss *HK$'000*	2015 Effect on profit or loss *HK$'000*
Change in the relevant equity price risk variable:				
Increase 3% (2015: 5%)	10,401	–	11	8,131
Decrease 3% (2015: 5%)	(10,401)	–	(11)	(8,131)

42. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 31 December 2016 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

42. FAIR VALUE MEASUREMENTS *(Continued)*

(i) ASSETS MEASURED AT FAIR VALUE

	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets	346,702	–	–	346,702	–	–	–	–
Financial assets at fair value through profit or loss								
Equity securities, listed in Hong Kong	–	–	–	–	128,563	–	–	128,563
Equity securities, listed outside Hong Kong	360	–	–	360	381	–	–	381
Non-Listed investment funds	–	–	–	–	–	33,671	–	33,671
	347,062	–	–	347,062	128,944	33,671	–	162,615

Description of valuation techniques and inputs used in Level 2 fair value measurement

The non-listed investment funds were valued based on quoted market price from dealers. If unavailable, fair value is determined by reference to quoted market price for similar instruments.

During the years ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

(ii) ASSETS WITH FAIR VALUE DISCLOSURE, BUT NOT MEASURED AT FAIR VALUE

As set out in notes 14 and 17 to these consolidated financial statements, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss and interest in an associate is accounted for using the equity method. The fair value information of the investment properties and the associate is shown in the table below.

	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties	–	6,669	–	6,669	–	7,394	–	7,394
Interest in an associate	326,613	–	–	326,613	–	–	–	–

42. FAIR VALUE MEASUREMENTS *(Continued)*

(ii) ASSETS WITH FAIR VALUE DISCLOSURE, BUT NOT MEASURED AT FAIR VALUE *(Continued)*

The fair value of the investment properties at the end of the reporting period were determined on an open market basis by Asset Appraisal Limited, which are independent qualified professional valuers not connected with the Group and with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to the price information of comparable properties.

The fair value of interest in associate is based on the quoted market price on the Bursa Malaysia Securities Berhad as at the end of the reporting period.

43. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

44. EVENTS AFTER THE REPORTING PERIOD

(i) ISSUE OF NOTES

On 4 January 2017, the Company issued the second tranche Note in the principal amount of HK$120,000,000 to Prosper Talent Limited, an indirectly and wholly-owned subsidiary of CCB International Holdings Limited (the "Investor") pursuant to a note purchase agreement (the "Note Purchase Agreement") entered between the Company and the Investor on 22 November 2016. Pursuant to the Note Purchase Agreement, the Company agreed to issue, and the Investor agreed to purchase from the Company, secured notes in two tranches up to an aggregate principal amount of HK$200,000,000 (the "Notes"). On 23 November 2016, the Company issued the first tranche Note in the principal amount of HK$80,000,000, details of which have been disclosed in note 28(b) to the consolidated financial statements.

The second tranche Note is interest-bearing at 10% per annum from the issue date, maturing on 12 months ("Initial Maturity Date") from the issue date of 4 January 2017, which can be extended to 24 months ("Extended Maturity Date") with the consent of the holders of the Notes. The interest rate would be 13% per annum from the date immediately after the Initial Maturity Date to and including the Extended Maturity Date. The second tranche Note is pledged by 700,000,000 ordinary shares of the Company provided by shareholders of the Company.

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

(ii) PROPOSED ACQUISITION OF JET ASIA AIRWAYS CO., LTD

On 17 January 2017, the Group, JAA Capital Limited ("JAA Capital") and Jet Asia Airways Co., Ltd ("Jet Asia") entered into a non-legally binding memorandum of understanding (the "MOU") in relation to the proposed acquisition of Jet Asia. Jet Asia is a limited liability company established in Thailand. Jet Asia commenced operations in 2010 from Bangkok-Suvarnabhumi Airport Thailand, by obtaining an Air Operator Certificate from the Department of Civil Aviation of Thailand to offer air charter services for Africa, China, Japan, Korea, and the Middle East. JAA Capital has the right to acquire 49% shareholding interest or 1,225,000 shares of Jet Asia and transfers the shares to the Group or the third party designated by the Group.

JAA Capital has the right to acquire four Boeing 767 aircrafts, seven aircraft engines (the "Target Equipment") and intends to set up a company with the Target Equipment in either Hong Kong, BVI or Singapore ("Target Company"), and transfers 75% shareholding interest ("Target Share") of the Target Company to the Group or the third party designated by the Group.

The estimated consideration for the acquisition of Jet Asia is US$10,000,000 and the Company shall issue shares to pay for the consideration. The estimated consideration of Target Share is US$24,000,000 and the Company shall pay for the consideration in either cash and/or issuing shares.

The proposed acquisition is expected to complete by the second quarter in year 2017. Details of the proposed acquisition were set out in the announcement of the Company dated 17 January 2017.

(iii) ACQUISITION OF SHARES IN LORENZO INTERNATIONAL LIMITED

On 10 February 2017, the Group and BD Corporation Pte Ltd ("BD Corporation") entered into a sale and purchase agreement whereby the Group has agreed to acquire 42,000,000 shares of Lorenzo International Limited ("Lorenzo") from BD Corporation, representing approximately 9.6% of the issued share capital of Lorenzo, at a consideration of SGD$1,260,000 (equivalent to approximately HK$6,935,000). Lorenzo is a company incorporated in Singapore with limited liability, the shares of which are listed on the Singapore Exchange. Lorenzo and its subsidiaries are principally engaged in the design, manufacture, assembly and distribution of lifestyle furniture.

The aggregate consideration was paid by the Group in cash to BD Corporation upon completion on 27 February 2017. The consideration was determined with reference to the historic and recent market price of the Lorenzo shares and financed by the internal resources of the Group.

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

(iv) ACQUSITION OF SHARES IN INCOLA TRAVEL LIMITED

On 14 December 2016, the Group and an independent third party, Poon Keng Tat, entered into a sale and purchase agreement pursuant to which Poon Keng Tat agreed conditionally to sell, and the Group agreed conditionally to purchase 95% issued share capital of Incola Travel Limited ("Incola Travel") at a consideration of approximately HK$4,404,000. Incola Travel is a company incorporated in Hong Kong with limited liability and is held as to 99.9% by Poon Keng Tat. It is a travel-related investment holding company, which together with its wholly-owned subsidiary in Hong Kong, Incola Air Services Limited, are principally engaged in the business of travel agency. The Company believes that the potential for developing high yield travel services and products, such as special interest tours, are the next profitable step to take in light of greater interest among the population in the PRC for overseas exposure. The acquisition was completed on 28 February 2017.

Five Year Financial Summary

Year ended 31 December 2016

FINANCIAL SUMMARY

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	606,669	499,936	563,565	575,579	517,842
Loss before tax	(17,341)	(62,115)	(7,880)	(15,926)	(21,981)
Income tax expense	(12,691)	(5,866)	(3,706)	(3,857)	(3,182)
Loss for the year	(30,032)	(67,981)	(11,586)	(19,783)	(25,163)
Attributable to:					
Equity holders of the Company	(31,076)	(67,981)	(11,586)	(20,059)	(25,131)
Non-controlling interests	1,044	–	–	276	(32)
	(30,032)	(67,981)	(11,586)	(19,783)	(25,163)

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	2,069,510	866,084	630,601	652,691	619,106
Total liabilities	(996,409)	(518,435)	(347,835)	(338,033)	(297,102)
	1,073,101	347,649	282,766	314,658	322,004
Attributable to:					
Equity holders of the Company	1,026,741	347,649	282,766	299,164	307,229
Non-controlling interests	46,360	–	–	15,494	14,775
	1,073,101	347,649	282,766	314,658	322,004

Major Properties Held by the Group

Year ended 31 December 2016

	Location	Existing use	Term of lease	Percentage of interest
1.	Factory Complex at the junction of Furong Road and Yuping Road, Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
2.	Factory Complex at Ziyun Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
3.	Factory Complex at Wolong Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
4.	Factory Complex at the South of Horizontal Road 47 and the West of Vertical Road 1, Lu Village, Madian Town, Jiaozhou City, Qingdao City, Shangdong Province, the PRC	Industrial	Medium	100%
5.	Dongxing Pingfeng Rainforest Scenic Spot in Ping Feng Village of Ma Lu Town of Dongxin City, Guangxi Province, the PRC	Scenic Spot	Medium	80%