



—CIFI—  
中投國際

# 中國投資基金國際控股有限公司

CHINA INVESTMENT FUND INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)  
Formerly known as "China Investment Fund Company Limited"  
Stock Code : 00612



87,422.06	186,958.88		
82,522.50	186,802.09		
71,522.10	174,987.81		
67,924.50	177,665.05	97,382.17	111.25
67,909.24	175,156.00	8,882.15	131.25
67,713.95	173,900.00	8,356.30	10,348.19
65,698.90	142,678.72	8,156.80	10,348.20
61,588.35	194,685.28	67,694.50	
51,588.35	192,814.92	17,500.00	
39,322.00	173,73.92	18,938.00	
87,422.06	186,958.88	16,890.00	
82,522.50	186,802.09	8,902.50	
71,522.10	174,987.81	8,882.15	
67,924.50	177,665.05	97,382.17	
67,909.24	175,156.00	8,882.15	
67,713.95	173,900.00	8,356.30	
65,698.90	142,678.72	8,156.80	
61,588.35	194,685.28	67,694.50	
51,588.35	192,814.92	17,500.00	

2016 ANNUAL REPORT

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Luk Hong Man, Hammond (*Chief Executive Officer & Financial Controller*)

Mr. Zhang Xi (*Chief Investment Officer*)

### Non-executive Directors

Mr. Sui Guangyi (*Chairman*)

Mr. Wang Mengtao (*Vice-president of the Group*)

Mr. Leung Ka Fai

### Independent Non-executive Directors

Ms. Jing Siyuan

Mr. Zhang Aimin

Mr. Zhang Qiang

## COMPANY SECRETARY

Ms. Hong Lai Ping

## AUDIT COMMITTEE

Ms. Jing Siyuan (*Chairman*)

Mr. Zhang Aimin

Mr. Zhang Qiang

## REMUNERATION COMMITTEE

Mr. Zhang Aimin (*Chairman*)

Ms. Jing Siyuan

Mr. Zhang Xi

## NOMINATION COMMITTEE

Ms. Jing Siyuan (*Chairman*)

Mr. Zhang Aimin

Mr. Luk Hong Man, Hammond

## RISK MANAGEMENT COMMITTEE

Mr. Zhang Aimin (*Chairman*)

Ms. Jing Siyuan

Mr. Luk Hong Man, Hammond

Mr. Yang Ja Wah (non-Board member)

## INVESTOR RELATIONS COMMITTEE

Mr. Zhang Qiang (*Chairman*)

Mr. Sui Guangyi

Mr. Wang Mengtao

Mr. Leung Ka Fai

## CUSTODIAN

DBS Bank Ltd. Hong Kong Branch

18/F, The Center

99 Queen's Road Central

Hong Kong

## PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

G/F, The Center

99 Queen's Road Central

Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## AUDITOR

HLM CPA Limited

*Certified Public Accountants*

Room 305

Arion Commercial Centre

2-12 Queen's Road West

Hong Kong

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6602-03, Level 66

International Commerce Centre

1 Austin Road West

Kowloon, Hong Kong

## STOCK CODE

00612 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)

## WEBSITE

[www.cifund.com.hk](http://www.cifund.com.hk)

# Management Discussion and Analysis

I am pleased to present the annual report of China Investment Fund International Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016.

## BUSINESS REVIEW

The Group is principally engaged in investment in both listed and unlisted securities.

In 2016, a couple of major events made shocking and lasting impacts on political, economical and financial fronts all around the world. Donald Trump defied almost all predictions to become President of the United States. Concern about protectionism from President Donald Trump is rising substantially. The UK referendum result was a shattering blow to European Union leaders, who were only just beginning to breathe more easily after years of battles to keep the euro currency together. Under such highly uncertain investment environment, the Directors have taken prudent investment strategy to manage the Group’s investment portfolio.

For the year ended 31 December 2016, the Group recorded a net loss of approximately HK\$123,448,000 (2015: approximately HK\$92,698,000), representing an increase in net loss of approximately HK\$30,750,000 or 33% as compared to last year. The loss was mainly due to net realised loss on disposals of financial assets at fair value through profit or loss, the increase in the net unrealised loss on financial assets at fair value through profit or loss, impairment loss on prepayments and deposits, administrative expenses and finance costs during the year.

## SECURITIES INVESTMENTS

The Board exercised caution while actively managing its investment portfolio in accordance with the Company’s investment objective and policy for the best interest for our shareholders. For the year ended 31 December 2016, the Group recorded a revenue of approximately HK\$572,000 (2015: approximately HK\$841,000), decreased by approximately 32% over the previous year. The Group made a net realised gain on disposals of available-for-sale financial assets of approximately HK\$38,436,000 (2015: approximately HK\$3,666,000). The Group recorded a net realised loss on disposals of financial assets at fair value through profit or loss of approximately HK\$16,169,000 (2015: net realised gain of approximately HK\$3,846,000). The Group made a net unrealised loss on financial assets at fair value through profit or loss of approximately HK\$55,550,000 (2015: approximately HK\$3,208,000).

### Investment in listed securities

For the year ended 31 December 2016, included in the Group’s available-for-sale financial assets of approximately HK\$3,917,000 (2015: approximately HK\$89,445,000) and the financial assets at fair value through profit or loss of approximately HK\$46,813,000 (2015: approximately HK\$50,968,000).

### Investment in unlisted securities

For the year ended 31 December 2016, the Group’s investment portfolio in unlisted securities consists of Mountain Gold Holdings Inc. (“Mountain Gold”) of approximately HK\$39,286,000 (2015: approximately HK\$52,215,000) and Galaxy Automotive MS Inc. (“Galaxy AMS”) of approximately HK\$15,210,000 (2015: approximately HK\$15,923,000).



## Management Discussion and Analysis

In October 2015, the Group acquired 6.4% equity interest in Mountain Gold, a company principally engaged in the mining industry with an underground high-grade gold mine and exploration property located in Guizhou, the People's Republic of China, with a mining license called Jinping County Jinchangxi-Bize Gold Mine with an area of 0.8934 km<sup>2</sup> and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property with an area of 3.64 km<sup>2</sup>. A total resource was estimated to be 21.6 tons of gold at a grade of 10.37g/t gold in compliance with the JORC Code. Mining, processing and administration facilities plant were constructed in place. The validity period of the mining license and the exploration license is from August 2015 to October 2021 and from 29 May 2016 to 28 May 2018 respectively.

In August 2015, the Group acquired 29% equity interest in Galaxy AMS, a company principally engaged in the research and development and manufacturing of high-quality auto parts as well as research and development and sales of automobile system solutions. Galaxy AMS's current sales market includes China, Taiwan, Hong Kong and Macau. The racing team which was sponsored by Galaxy AMS had been awarded with numerous trophies in a variety of regional events in the past few years. Recognition of its products and automobile system solutions is on the rise in the industry and the retail market.

## INVESTMENT REVIEW

The Company held seven investments as of 31 December 2016, comprising five equity securities listed in Hong Kong and two private equity securities in Republic of Vanuatu.

### At 31 December 2016

Name of investee company	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Unrealised gain/(loss) recognised HK\$	Net assets attributable to the Company HK\$000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
<i>Listed equity securities in Hong Kong</i>									
Newtree Group Holdings Limited	Cayman Islands	5,168,000	0.22%	1,494,463	2,454,800	960,337	694	–	1.65%
Tech Pro Technology Development Limited	Cayman Islands	16,700,000	0.24%	28,337,612	3,072,800	(25,264,812)	1,907	–	2.06%
Zhidao International (Holdings) Limited	Cayman Islands	30,360,000	1.53%	38,248,211	18,519,600	(19,728,611)	7,031	–	12.43%
WLS Holdings Limited	Cayman Islands	98,980,000	0.78%	29,722,944	22,765,400	(6,957,544)	6,251	–	15.28%
Kingbo Strike Limited	Cayman Islands	11,190,000	1.47%	12,976,745	3,916,500	(9,060,245)	7,657	–	2.63%
<i>Private equity securities</i>									
Galaxy Automotive MS Inc.	Republic of Vanuatu		29%	27,975,000	15,210,000	(12,765,000)	1,793	–	10.21%
Mountain Gold Holdings Inc.	Republic of Vanuatu		6.4%	50,000,000	39,285,714	(10,714,286)	39,286	–	26.36%

## Management Discussion and Analysis

### At 31 December 2015

Name of investee company	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Unrealised gain/(loss) recognised HK\$	Net assets attributable to the Company HK\$000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
<b>Listed equity securities in Hong Kong</b>									
Newtree Group Holdings Limited	Cayman Islands	8,200,000	0.91%	29,340,340	21,402,000	(7,938,340)	5,496	–	7.37%
Tech Pro Technology Development Limited	Cayman Islands	16,704,000	0.26%	23,754,444	29,566,080	5,811,636	2,820	–	10.19%
Kingbo Strike Limited	Cayman Islands	15,000,000	2.34%	17,395,100	28,500,000	11,104,900	3,109	–	9.82%
China Baoli Technologies Holdings Limited	Cayman Islands	239,000,000	3.16%	30,558,200	60,945,000	30,386,800	7,174	–	21.00%
<b>Private equity securities</b>									
Galaxy Automotive MS Inc.	Republic of Vanuatu		29%	27,975,000	15,923,000	(12,052,000)	446	–	5.49%
Mountain Gold Holdings Inc.	Republic of Vanuatu		6.4%	50,000,000	52,214,634	2,214,634	52,215	–	17.99%

### Going forward

Given the fluctuation in the worldwide financial markets, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. The Board will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

Since September 2015 when the service agreement with its then outside investment manager terminated, the Company's investment decisions have been based upon the professional judgement of its executive Directors with the assistance of outside professional advice as appropriate. While it is not a mandatory requirement for the Company to engage an outside investment manager, the Company notes the contribution an outside investment manager may bring. The Company aims to formally engage an investment manager before the end of the second quarter in 2017 subject to obtaining the required regulatory approval. Until the engagement of the investment manager takes effect, all the investment decisions of the Company will need to be approved unanimously by the Company's executive Directors, who will have to demonstrate, with the assistance of legal or other professional advisers as appropriate, that their investment decisions will not contravene the investment restrictions currently set out in the Company's articles of association.

### SUMMARY OF MATERIAL LEGAL PROCEEDINGS INVOLVING THE COMPANY

#### High Court Action 796 of 2016 and High Court Action 2654 of 2016

A Writ of Summons with an Indorsement of Claim dated 29 March 2016 has been issued in the High Court of Hong Kong in High Court Action 796 of 2016 by Yang Yan ("Ms. Yang") as plaintiff against the Company and its subsidiary Grand Dragon Investment Development Limited ("Grand Dragon") as defendants whereby the plaintiff claims against the defendants for the forfeiture of deposit for HK\$10,000,000 paid by the defendants. Service of the Writ of Summons and the Statement of Claim took place on respectively in May 2016 and August 2016. The outcome of the hearing in March 2017 of an application by the Company and Grand Dragon that the Writ of Summons and the Statement of Claim be struck out purely on the ground that the claims disclosed no reasonable cause of action based on the plaintiff's pleaded claim was unsuccessful. Notwithstanding this, the Company and Grand Dragon will continue to strenuously contest the above legal proceedings and proceed with other procedural steps which may ultimately lead to a trial of the action. In addition, Grand Dragon as plaintiff will continue to pursue its claim under the Writ of Summons together with a Statement of Claim dated 12 October 2016 against Ms. Yang as defendant under High Court Action 2654 of 2016 for the return of the HK\$10 million paid to Ms. Yang.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK\$17,170,000 as at 31 December 2016 (2015: approximately HK\$33,983,000). As at 31 December 2016, the Group had the long-term debt which are interest-bearing loan notes and advance from a shareholder in an aggregate amount of approximately HK\$68,512,000 (2015: approximately HK\$43,355,000).



## Management Discussion and Analysis

Apart from the long-term debt, the Group had unsecured bonds with principal amount of HK\$3,000,000, matured on 28 December 2017.

The Group's gearing ratio, representing the total debt divided by equity attributable to owners of the Company, was approximately 95% as at 31 December 2016 (2015: 18%).

There were capital commitments of approximately HK\$7,208,000 as at 31 December 2016 (2015: Nil) which would require a substantial use of the Group's present cash resources or external funding (2015: Nil).

The Group did not have any material contingent liability as at 31 December 2016 (2015: Nil).

The exchange risk of the Group is minimal as the substantial assets and liabilities of the Group are denominated in Hong Kong dollars. In Year 2015, the Group had financial assets of HK\$24,275,000 which was denominated in Renminbi. The Group currently does not have any foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### ESTABLISHMENT OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

Total 27 subsidiaries were established, 9 subsidiaries were disposed and 3 subsidiaries were deregistered during the year ended 31 December 2016.

### CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year, there was no movements in the Company's share capital.

### PROSPECTS

The economic environment for China this year becomes more challenging due to rising tensions in Northeast Asia, South China Sea, as well as the Middle East, which will have a significant impact on commodity prices and international trade. However, China's GDP is still expected to grow 6.5% in 2017, well above global average. Hence, the Directors will continue to take prudent strategies, such as investing in projects in China with strong growth prospect and favorable government policy, to manage our portfolio.

### COMPLIANCE WITH THE APPLICABLE LAW AND REGULATIONS

In relation to human resources, during 2016 the Company has in all material respects complied with the requirements of the ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group.

On the corporate level, during 2016 the Group has in all material respects complied with the applicable requirements under the Companies Law (Revised) under the laws of the Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange, the Companies Ordinance and the Securities and Futures Ordinance under the laws of Hong Kong.

### **EMPLOYEES**

As at 31 December 2016, the Company had 22 employees (2015: 22), including executive Directors, non-executive Directors and independent non-executive Directors. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. During the year, the Group has generally maintained good relationship with its employees.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of member of the Company will be closed from Wednesday, 21 June 2017 to Monday, 26 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting ("AGM") to be held on Monday, 26 June 2017, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 June 2017.



# Biographical Details of Directors

## EXECUTIVE DIRECTORS

**Mr. Luk Hong Man, Hammond** (“Mr. Luk”), aged 36, is currently the Chief Executive Officer and the Financial Controller of the Group. Mr. Luk is a member of the Chartered Professional Accountants of Canada. Mr. Luk is also a fellow member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors and the Association of Chartered Certified Accountants respectively. Mr. Luk has a degree of bachelor of laws from the University of London and a degree of bachelor of commerce from the University of Alberta. Mr. Luk has over 15 years of experience in management accounting, financial control, internal audit and compliance with different companies in Canada and Hong Kong including the Group. Through joining the Group in July 2011 as an executive Director and financial controller and taking up additional duties as chief executive officer and a member of the risk management committee in April 2016, Mr. Luk has gained experience in investment management and corporate governance. Prior to joining the Group in July 2011, Mr. Luk had worked as an executive director and compliance officer in Media Asia Group Holdings Limited (stock code: 8075) and an executive officer in charge of the accounting and finance department in China Public Procurement Limited (stock code: 1094).

**Mr. Zhang Xi** (“Mr. Zhang”), aged 48, is currently the Chief Investment Officer of the Group. He has over 13 years of experience in the financial sector. He is currently a Chartered Financial Analyst (CFA) charterholder. Mr. Zhang graduated with a bachelor’s degree in science (electrical engineering) from Shanghai Jiao Tong University in July 1991. Mr. Zhang obtained an International Master’s degree of Business Administration from York University in Canada in 1998. Mr. Zhang has been an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075) since September 2009 and was an independent non-executive director of Asia Energy Logistics Group Limited (stock code: 351) from March 2006 to July 2016.

## NON-EXECUTIVE DIRECTOR

**Mr. Sui Guangyi** (“Mr. Sui”), aged 54, is currently the Chairman of the Group. He is a legal representative and a director of 深圳市鼎益豐資產管理股份有限公司 (Shenzhen Ding Yi Feng Assets Management Co., Ltd.), the director of HK DYF Int’l Holding Group Limited, and a director of Singapore DYF Int’l Capital Management Pte. Ltd.

**Mr. Wang Mengtao** (“Mr. Wang”), aged 42, is currently the Vice-president of the Group. He is currently an assistant director of the Center of Taoism Business School\* (禪道商學院) and a general manager of Shenzhen Zhi Chong Culture Broadcast Co., Ltd.\* (深圳知崇文化傳播有限公司), which is a wholly-owned subsidiary and a non-wholly-owned subsidiary of Shenzhen Ding Yifeng Assets Management Co., Ltd\* (深圳市鼎益豐資產管理有限公司), a substantial shareholder of the Company, respectively.

**Mr. Leung Ka Fai** (“Mr. Leung”), aged 38 has been an independent non-executive Director of Rui Kang Pharmaceutical Group Investments Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8037) since 26 June 2013. Mr. Leung was employed by a law firm in Hong Kong as community service manager. He also worked in Beta Field Capital Limited as a business director from December 2011 to February 2012 and he has worked as the China Business director in Beta Field Capital Limited from April 2013 to September 2015. Mr. Leung has been a district council member of Sha Tin District Council since 2008. Mr. Leung has also been a committee member of Yunfu City of the Chinese People’s Political Consultative Conference\* (中國人民政治協商會議雲浮市委員會) in the PRC since January 2013. Mr. Leung is currently a member of Sha Tin District of Fight Crime Committee (沙田區撲滅罪行委員會), a vice-president of Sha Tin East District in New Territories East Region of District Scout Council of Scout Association of Hong Kong (香港童軍總會新界東地域沙田東區區務委員會). Mr. Leung has been a director of Hong Kong Association For The Development of Western China Limited (香港中國西部發展促進會有限公司) since 2011. Mr. Leung obtained a Master of Arts degree in Chinese Language and Literature from The Hong Kong Polytechnic University in October 2008, a Postgraduate Diploma in Education (Teaching in Chinese) from Hong Kong Baptist University in November 2012 and a Master of Arts degree in Sociology from The Chinese University of Hong Kong in November 2014.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Jing Siyuan** (“Ms. Jing”), aged 40, has been working as general manager in Shenzhen An Ping Tai Management Consulting Co., Ltd. (深圳市安平泰企業管理諮詢有限公司) since July 2015. Ms. Jing has been working as an internal control and financial consultant in Shenzhen Fronter Electronics Co., Ltd. (深圳市福浪電子有限公司), Shenzhen Hi-Chipcom Electronics Co., Ltd. (深圳市海芝通股份有限公司), a company whose shares are listed on The National Equities Exchange and Quotations (company code: 837413) and Shenzhen Zhi Ling Wei Ye Technology Co., Ltd. (深圳志凌偉業股份有限公司), a company whose shares are listed on The National Equities Exchange and Quotations (company code: 834148) from August 2015 to August 2016. Ms. Jing graduated from Oxford Brookes University in the United Kingdom with a degree in Bachelor of Science (Applied Accounting) in July 2008. She graduated from Henan University in the PRC with a diploma in Chinese language and literature education in July 2001. Ms. Jing was admitted as a member of the Association of Chartered Certified Accountants (“ACCA”) in October 2013. She obtained the certificate of qualified secretary of board of directors from the Shenzhen Stock Exchange in April 2013. Ms. Jing qualified as an Accounting Technician of the ACCA in May 2004.

**Mr. Zhang Aimin** (“Mr. Zhang AM”), aged 40, is a director and chief executive officer of Zhejiang Xinyuan Education Consulting Limited (浙江心元教育諮詢有限公司), a company principally engaged in the business of providing education consultancy and training related services. Mr. Zhang AM has over 6 years experience in the education consultation fields. Mr. Zhang AM obtained a master of business administration from China Europe International Business School in September 2010 and a bachelor’s degree in international trade and economics from Beijing University in July 1999.

**Mr. Zhang Qiang** (“Mr. Zhang”), aged 31, is a practising lawyer qualified in the People’s Republic of China. Mr. Zhang has over 5 years experience in the practice of law in China. Mr. Zhang obtained his licence to practise law in China in February 2009 and a bachelor’s degree in law from Heilongjiang University in June 2007.



# Report of the Directors

The Directors of the Company (the “Directors”) are pleased to present their annual report and the audited financial statements for the year ended 31 December 2016.

## **BUSINESS REVIEW AND PERFORMANCE**

A review and outlook of the business of the Company and a discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis from pages 3 to 9 of this annual report.

## **PRINCIPAL ACTIVITIES**

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 34 to the consolidated financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 36 to 105. The Directors do not recommend the payment of a final dividend for the year.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements during the year in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

## **SHARE CAPITAL**

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

## **RESERVES AND DISTRIBUTABLE RESERVES**

Details of movements in the reserves of the Company during the year are set out in note 25. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum (“Memorandum”) and Articles of Association (“Articles”) and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profit of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. There were no reserves available for distribution in both years ended 31 December 2016 and 2015.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The Group’s entire revenue is derived from the Group’s investments in listed and unlisted securities and financial institutions and thus the disclosure of customers and suppliers information would not be meaningful.

## DIRECTORS

The Directors of the Company who held office during the year ended 31 December 2016 and up to the publication of this annual report are:

### Executive Directors

Mr. Zhang Xi  
Mr. Luk Hong Man, Hammond (removed on 20 July 2016 and re-appointed on 21 July 2016)  
Mr. Ye Yinggang (resigned on 2 June 2016)

### Non-executive Directors

Mr. Sui Guangyi  
Mr. Yao Yuan (removed on 20 July 2016)  
Mr. Shi Minqiang (removed on 20 July 2016)  
Mr. Yao Zhixiang (removed on 20 July 2016)  
Mr. Wong Mengtao (appointed on 22 April 2016, removed on 20 July 2016 and re-appointed on 31 October 2016)  
Mr. Leung Ka Fai (appointed on 31 October 2016)

### Independent non-executive Directors

Mr. Zhang Qi (resigned on 30 January 2016)  
Ms. Li Jiangtao (removed on 28 September 2016)  
Mr. Luo Ji (appointed on 12 February 2016 and resigned on 22 April 2016)  
Mr. Guo Miao (appointed on 17 May 2016 and removed on 20 July 2016)  
Ms. Jing Siyuan (appointed on 17 May 2016)  
Mr. Zhang Aimin (appointed on 22 July 2016)  
Mr. Leung Po Hon (resigned on 9 May 2016)  
Mr. Wong Chung Kin, Quentin (resigned on 17 May 2016)  
Mr. Leung Ka Fai (appointed on 22 April 2016 and removed on 20 July 2016)  
Mr. Zhang Qiang (appointed on 1 November 2016)

At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of each Director and the chief executives of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in shares as at 31 December 2016

Name of Director	Capacity	Notes	Number of shares	Approximate percentage of shareholding
Sui Guangyi ("Mr. Sui")	Beneficial owner		135,984,000	12.28%
Sui Guangyi	Interest of controlled corporation	(1)	180,104,000	16.27%

(ii) Long positions in underlying shares as at 31 December 2016

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Luk Hong Man, Hammond	Beneficial owner	(2)	11,070,200	1.00%
Zhang Xi	Beneficial owner	(2)	11,070,200	1.00%
Wang Mengtao	Beneficial owner	(3)	9,800,000	0.89%
Leung Ka Fai	Beneficial owner	(3)	9,800,000	0.89%
Sui Guangyi	Beneficial owner	(3)	1,100,000	0.10%
Jing Siyuan	Beneficial owner	(3)	1,100,000	0.10%
Zhang Aimin	Beneficial owner	(3)	1,100,000	0.10%
Zhang Qiang	Beneficial owner	(3)	1,100,000	0.10%

Notes:

- (1) These shares are held by HK DYF Int'l Holding Group Limited, which is held as to 74.55% by Shenzhen Ding Yi Feng Assets management Co., Ltd. which is in turn held as to 29.39% by Mr. Sui. Mr. Sui is deemed to be interested in these shares by virtue of the SFO.
- (2) 765,120 share options were granted on 17 June 2015 at an exercise price of HK\$0.74 per share of the Company with exercise period from 17 June 2015 to 16 June 2025. 10,305,080 share options were granted on 15 November 2016 at an exercise price of HK\$0.82 per share of the Company with exercise period from 16 November 2016 to 15 November 2026.
- (3) These share options were granted on 15 November 2016 at an exercise price of HK\$0.82 per share of the Company with exercise period from 16 November 2016 to 15 November 2026.

Save as disclosed above, at 31 December 2016, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

## DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 26 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

As at 31 December 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than being a Director or chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

### Long position

Name	Number of shares and underlying shares	Type of interest	Approximately percentage of issued share capital of the Company
HK DYF Int'l Holding Group Limited	180,104,000	Beneficial owner	16.27%
Shenzhen Ding Yi Feng Assets Management Co., Ltd. (Note 1)	180,104,000	Interest of controlled corporation	16.27%
Mr. Sui (Note 2)	317,188,000	Beneficial owner and interest of controlled corporation	28.65%
Fu Haiyan	57,216,000	Beneficial owner	5.17%

Note 1: Shenzhen Ding Yi Feng Assets Management Co., Ltd. is deemed to be interested in 180,104,000 shares through its controlling interest (74.55%) in HK DYF Int'l Holding Group Limited.

Note 2: 180,104,000 of these shares are held by HK DYF Int'l Holding Group Limited, which is held as to 74.55% by Shenzhen Ding Yi Feng Assets Management Co., Ltd., which is in turn held as to 29.39% by Mr. Sui. Mr. Sui is deemed to be interested in these shares by virtue of the SFO.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

## **CONNECTED TRANSACTION AND DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE**

Details are set out in note 28 to the consolidated financial statements.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

For the year ended 31 December 2016, the Directors had not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

## **AUDIT COMMITTEE**

The Audit Committee currently comprised solely of independent non-executive Directors, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit Committee comply with the requirement under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2016.

### **CORPORATE GOVERNANCE**

Details of the Company's corporate governance are set out in the Corporate Governance Report on pages 19 to 27 of this Annual Report.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company of those who served as Director during the year ended 31 December 2016, all, except Mr. Yao Yuan, Mr. Shi Minqiang and Mr. Yao Zhixiang, have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

### **PRE-EMPTIVE RIGHTS**

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

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **PERMITTED INDEMNITY PROVISION**

The Articles provide that the Directors are entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which they may sustain or incur in their respective offices. The Company has arranged directors and officers' liabilities insurance for the year ended 31 December 2016, which provides appropriate coverage for the Directors and directors of the subsidiaries of the Company.

## **FIVE YEAR SUMMARY**

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 106.

## **CONFIRMATION OF INDEPENDENCE**

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

## **AUDITOR**

The consolidated financial statements for the year ended 31 December 2016 were audited by HLM CPA Limited who will retire and seek for re-election at the forthcoming AGM.

On behalf of the Board

**China Investment Fund International Holdings Limited**

**Sui Guangyi**

*Chairman*

Hong Kong, 31 March 2017

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the “CG Code”), as set out in Appendix 14 of the Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the CG Code. We have, throughout the year ended 31 December 2016, complied with the code provisions of the CG Code as and when they were/are applicable and in force, except for the deviations from code provisions A.2.1 set out as below:

### Code Provision A.2.1

In accordance with Code Provision A.2.1, it stipulates that the roles of the chairman and the chief executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Board has appointed Mr. Sui Guangyi as chairman with effect from 2 October 2015 while the role of chief executive remained vacant until 22 April 2016 when it was assumed by Mr. Luk Hong Man, Hammond when the Board appointed him as chief executive officer with effect from that date.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors, except for Mr. Yao Yuan, Mr. Shi Minqiang and Mr. Yao Zhixiang, have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

## BOARD OF DIRECTORS

### Composition and role

#### *Executive Directors*

Mr. Zhang Xi

Mr. Luk Hong Man, Hammond (removed on 20 July 2016 and re-appointed on 21 July 2016)

Mr. Ye Yinggang (resigned on 2 June 2016)

#### *Non-executive Directors*

Mr. Sui Guangyi

Mr. Yao Yuan (removed on 20 July 2016)

Mr. Shi Minqiang (removed on 20 July 2016)

Mr. Yao Zhixiang (removed on 20 July 2016)

Mr. Wong Mengtao (appointed on 22 April 2016, removed on 20 July 2016 and re-appointed on 31 October 2016)

Mr. Leung Ka Fai (appointed on 31 October 2016)

### *Independent non-executive Directors*

Mr. Zhang Qi (resigned on 30 January 2016)  
Ms. Li Jiangtao (removed on 28 September 2016)  
Mr. Luo Ji (appointed on 12 February 2016 and resigned on 22 April 2016)  
Mr. Guo Miao (appointed on 17 May 2016 and removed on 20 July 2016)  
Ms. Jing Siyuan (appointed on 17 May 2016)  
Mr. Zhang Aimin (appointed on 22 July 2016)  
Mr. Leung Po Hon (resigned on 9 May 2016)  
Mr. Wong Chung Kin, Quentin (resigned on 17 May 2016)  
Mr. Leung Ka Fai (appointed on 22 April 2016 and removed on 20 July 2016)  
Mr. Zhang Qiang (appointed on 1 November 2016)

There is no relationship between members of the Board, except for Mr. Yao Yuan, Mr. Shi Minqiang and Mr. Yao Zhixiang.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director's appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

The Board comprises of two executive Directors, three non-executive Director and three independent non-executive Directors. The biographical details of all Directors are presented on pages 10 and 11 of this annual report. At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

An independent non-executive Director, Ms. Jing Siyuan possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

During the year 2016, the Board maintained the Audit Committee, the Remuneration Committee and the Nomination Committee as required by the applicable rules. In April 2016, in order to strengthen the governance of the Company, the Board set up the Risk Management Committee and the Investor Relations Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from all the independent non-executive Directors an annual confirmation of independence, and accordingly the Company considers them to be independent.

## Board meetings and Directors' Attendance

The full Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM and board meeting held in 2016 are set out in the following table:

Name of Directors	Meeting attended/held	
	Board meeting	AGM held on 28 September 2016
<b>Executive Directors</b>		
Mr. Zhang Xi	20/21	1/1
Mr. Luk Hong Man, Hammond (removed on 20 July 2016 and re-appointed on 21 July 2016)	20/21	1/1
Mr. Ye Yinggang (resigned on 2 June 2016)	9/21	–
<b>Non-Executive Directors</b>		
Mr. Sui Guangyi	21/21	1/1
Mr. Yao Yuan (removed on 20 July 2016)	0/21	–
Mr. Shi Minqiang (removed on 20 July 2016)	1/21	–
Mr. Yao Zhixiang (removed on 20 July 2016)	1/21	–
Mr. Wong Mengtao (appointed on 22 April 2016, removed on 20 July 2016 and re-appointed on 31 October 2016)	11/21	–
Mr. Leung Ka Fai (appointed on 31 October 2016)	6/21	–
<b>Independent Non-executive Directors</b>		
Mr. Zhang Qi (resigned on 30 January 2016)	0/21	–
Ms. Li Jiangtao (removed on 28 September 2016)	4/21	0/1
Mr. Luo Ji (appointed on 12 February 2016 and resigned on 22 April 2016)	3/21	–
Mr. Guo Miao (appointed on 17 May 2016 and removed on 20 July 2016)	4/21	–
Ms. Jing Siyuan (appointed on 17 May 2016)	13/21	1/1
Mr. Zhang Aimin (appointed on 22 July 2016)	8/21	1/1
Mr. Leung Po Hon (resigned on 9 May 2016)	5/21	–
Mr. Wong Chung Kin, Quentin (resigned on 17 May 2016)	6/21	–
Mr. Leung Ka Fai (appointed on 22 April 2016 and removed on 20 July 2016)	5/21	–
Mr. Zhang Qiang (appointed on 1 November 2016)	5/21	–

## Directors' Training and Professional Development

During the year, most Directors participated in continuous professional development to develop and refresh their knowledge and skill by way of attending seminars, briefings or training courses and reading the relevant materials.

In addition, every newly appointed Director will receive an introduction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under the Listing Rules and relevant regulatory requirements.

According to the records maintained by the Company, the training received by the Directors in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2016 to 31 December 2016 are set out below:

Name of Directors	Reading materials	Attending seminars/ briefings/ training courses
<b>Executive Directors</b>		
Mr. Zhang Xi	✓	✓
Mr. Luk Hong Man, Hammond (removed on 20 July 2016 and re-appointed on 21 July 2016)	✓	✓
Mr. Ye Yinggang (resigned on 2 June 2016)	-	-
<b>Non-Executive Directors</b>		
Mr. Sui Guangyi	✓	✓
Mr. Yao Yuan (removed on 20 July 2016)	-	-
Mr. Shi Minqiang (removed on 20 July 2016)	-	-
Mr. Yao Zhixiang (removed on 20 July 2016)	-	-
Mr. Wong Mengtao (appointed on 22 April 2016 removed on 20 July 2016 and re-appointed on 31 October 2016)	✓	✓
Mr. Leung Ka Fai (appointed on 31 October 2016)	✓	✓
<b>Independent Non-executive Directors</b>		
Mr. Zhang Qi (resigned on 30 January 2016)	-	-
Ms. Li Jiangtao (removed on 28 September 2016)	-	-
Mr. Luo Ji (appointed on 12 February 2016 and resigned on 22 April 2016)	-	-
Mr. Guo Miao (appointed on 17 May 2016 and removed on 20 July 2016)	✓	✓
Ms. Jing Siyuan (appointed on 17 May 2016)	✓	✓
Mr. Zhang Aimin (appointed on 22 July 2016)	✓	✓
Mr. Leung Po Hon (resigned on 9 May 2016)	-	-
Mr. Wong Chung Kin, Quentin (resigned on 17 May 2016)	-	-
Mr. Leung Ka Fai (appointed on 22 April 2016 and removed on 20 July 2016)	-	-
Mr. Zhang Qiang (appointed on 1 November 2016)	✓	✓

### Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is responsible for the leadership and effective running of the Board. The Chief Executive is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

The Board has appointed Mr. Sui Guangyi as chairman with effect from 2 October 2015 while the role of chief executive remained vacant until 22 April 2016 was assumed by Mr. Luk Hong Man, Hammond when the Board appointed him as chief executive officer with effect from that date.

### Appointments, Re-election and Removal

In accordance with Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive Directors have been appointed for a specific term of 3 years but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

In accordance with our Articles, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

## BOARD COMMITTEES

Pursuant to Rule 3.21, Rule 3.25 and Corporate Governance Code A.5.1, during 2016 the Board has maintained the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing relevant aspects of the affairs of our Company. These committees are established with written terms of reference are available on our website and on the website of The Stock Exchange of Hong Kong Limited.

### Audit Committee

The Audit Committee currently comprised solely of independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit committee comply with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.



## Corporate Governance Report

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management of the Company including a review of the consolidated financial statements of the Group for the year ended 31 December 2016.

The Group's 2016 audited financial statements had been duly reviewed by the Audit Committee with the auditor. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of the auditor and therefore recommends the Board that HLM CPA Limited ("HLM") be re-appointed as our auditor in the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2016 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

HLM was appointed as auditor of the Company until conclusion of the AGM. During the year, the remuneration paid for the services provided by the auditor are as follows:

Audit services	HK\$690,000
Non-Audit services	HK\$170,000

The Audit Committee held six meetings during 2016. The Committee recommended the Board regarding the re-appointment of HLM to act as the auditor of the Company and its subsidiaries and has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the consolidated financial statements for the period ended 30 June 2016 and for the year ended 31 December 2016.

The attendance of the Audit Committee meetings held during 2016 of those persons who were members of the committee in 2016 is as follows:

<b>Audit Committee members</b>	<b>Meetings attended/held</b>
<b>Independent Non-executive Directors</b>	
Wong Chung Kin, Quentin, Chairman (resigned on 17 May 2016)	4/6
Leung Po Hon (resigned on 9 May 2016)	4/6
Li Jiangtao (removed on 22 April 2016)	0/6
Luo Ji (appointed on 12 February 2016 and resigned on 22 April 2016)	3/6
Leung Ka Fai (appointed on 22 April 2016 and removed on 20 July 2016)	1/6
Jing Siyuan, Chairman (appointed on 17 May 2016)	2/6
Guo Miao (appointed on 17 May 2016 and removed on 20 July 2016)	1/6
Zhang Aimin (appointed on 22 July 2016)	1/6
Zhang Qiang (appointed on 1 November 2016)	0/6

## Remuneration Committee

The Remuneration Committee currently comprised of executive Director, Mr. Zhang Xi and independent non-executive Directors, namely, Mr. Zhang Aimin (chairman) and Ms. Jing Siyuan.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

The Remuneration Committee held five meetings during 2016 to discuss about the remuneration package of Directors and make recommendation to the Board on the amount of discretionary bonus for the Directors and senior management.

The attendance of the Remuneration Committee meetings held during 2016 of those persons who were members of the committee in 2016 is as follows:

Remuneration Committee members	Meetings attended/held
<b>Independent Non-executive Directors</b>	
Wong Chung Kin, Quentin, Chairman (ceased on 22 April 2016)	2/5
Leung Po Hon (resigned on 9 May 2016)	3/5
Li Jiangtao (removed on 22 April 2016)	0/5
Luo Ji (appointed on 12 February 2016 and resigned on 22 April 2016)	1/5
Zhang Xi (appointed on 22 April 2016)	3/5
Leung Ka Fai, Chairman (appointed on 22 April 2016 and removed on 20 July 2016)	2/5
Guo Miao (appointed on 17 May 2016 and removed on 20 July 2016)	0/5
Jing Siyuan (appointed on 22 July 2016)	1/5
Zhang Aimin, Chairman (appointed on 22 July 2016)	1/5

## Nomination Committee

The Nomination Committee currently comprised of executive Director, Mr. Luk Hong Man, Hammond and independent non-executive Directors, namely, Ms. Jing Siyuan (chairman) and Mr. Zhang Aimin.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the Board diversity policy and the Company has adopted the Board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity in Board members. Selection of Board members will be based on a range of diversified perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, or professional experience. All Board appointments will be based on merit and the needs of the Company's business while taking into account diversity. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

The Nomination Committee held four meetings during 2016 to make recommendation to the Board on the re-election of Directors, review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and review and discuss the Board diversity policy.

The attendance of the Nomination Committee meetings held during 2016 of those persons who were members of the committee in 2016 is as follows:

<b>Nomination Committee members</b>	<b>Meetings attended/held</b>
<b>Executive Director</b>	
Luk Hong Man, Hammond	4/4
<b>Independent Non-executive Directors</b>	
Leung Po Hon (ceased on 22 April 2016)	2/4
Li Jiangtao, Chairman (removed on 22 April 2016)	0/4
Luo Ji (appointed on 12 February 2016 and resigned on 22 April 2016)	1/4
Leung Ka Fai, Chairman (appointed on 22 April 2016 and removed on 20 July 2016)	1/4
Wong Chung Kin, Quentin (appointed on 22 April 2016 and resigned on 17 May 2016)	1/4
Guo Miao (appointed on 3 June 2016 and removed on 20 July 2016)	0/4
Jing Siyuan, Chairman (appointed on 22 July 2016)	1/4
Zhang Aimin (appointed on 22 July 2016)	1/4
Zhang Qiang (appointed on 1 November 2016)	0/4

## INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the Directors and reviews conducted by the Audit Committee. The Board believes that the existing internal control system is adequate and effective.

## COMPANY SECRETARY

Ms. Hong Lai Ping was appointed as the Company Secretary of the Company on 5 February 2010. The Company Secretary reports to the Directors of the Company and is responsible for advising the Board on governance matters. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken not less than 15 hours of relevant professional training during the year.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the consolidated financial statements should be distributed to the shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2016, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

### **SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS**

#### **Procedures for convening an extraordinary general meeting and putting forward proposals at general meeting**

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company at the Units 6602-03, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

### **ENQUIRIES TO THE BOARD**

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary of the Company and the contact details are as follows:

Company Secretary  
China Investment Fund International Holdings Limited  
Units 6602-03, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong  
Email: info@cifund.com.hk  
Tel. No.: (852) 2838 9806  
Fax No.: (852) 2838 6782

### **CONSTITUTIONAL DOCUMENTS**

During the year ended 31 December 2016, the Company has not made any changes to its Memorandum and Articles.



# Independent Auditor's Report

## 恒健會計師行有限公司 HLM CPA LIMITED Certified Public Accountants

Room 305, Arion Commercial Centre  
2-12 Queen's Road West, Hong Kong.  
香港皇后大道西2-12號聯發商業中心305室  
Tel 電話: (852) 3103 6980  
Fax 傳真: (852) 3104 0170  
E-mail 電郵: info@hlm.com.hk

### TO THE SHAREHOLDERS OF CHINA INVESTMENT FUND INTERNATIONAL HOLDINGS LIMITED FORMERLY KNOWN AS "CHINA INVESTMENT FUND COMPANY LIMITED"

中國投資基金國際控股有限公司(前稱為「中國投資基金有限公司」)

*(Incorporated as an exempted company in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of China Investment Fund International Holdings Limited, formerly known as "China Investment Fund Company Limited" (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 105, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of the unlisted available-for-sale (“AFS”) financial assets</b></p> <p>Refer to note 17 to the consolidated financial statements</p> <p><i>Fair value of unlisted AFS investment in Galaxy Automotive MS Inc. (“Galaxy AMS”)</i></p> <p>The Group’s unlisted AFS investment in Galaxy AMS amounting to HK\$15,210,000 was measured at fair value as at 31 December 2016 and there was a revaluation loss of HK\$713,000 for the year then ended. The fair value was assessed by the management based on a valuation performed by an independent valuer (the “valuer”) engaged by the Group.</p> <p>The valuation of the unlisted AFS investment in Galaxy AMS involved significant judgement and estimates, including the determination of valuation methodology and the selection of different inputs to the valuation models.</p> <p>Considering the determination of fair value involves significant judgement and estimation and the financial impacts of the valuation to the consolidated financial statements, we identified the valuation as a key audit matter.</p> <p>The valuation of the unlisted AFS investment in Galaxy AMS was disclaimed in 2015 because of limitation of audit evidence in assessing the reasonableness of the bases and assumptions used in the valuation.</p>	<p>Our procedures in relation to the valuation assessment of the unlisted investment in Galaxy AMS included the following:</p> <ul style="list-style-type: none"> <li>– assessing the competence, capabilities, independence and objectivity of the valuer,</li> <li>– assessing the valuation methodology used and the appropriateness of the key bases and assumptions used in the profit forecast, including future growth rates and discount rates, and discussing these bases and assumptions with the management and the valuer,</li> <li>– challenging the reasonableness of the key assumptions based on our knowledge of the business and industry,</li> <li>– obtaining supportive evidence for the significant judgements and estimates of the valuation and the key inputs used in the valuation model,</li> <li>– checking the mathematical accuracy of the valuation, and</li> <li>– performing procedures to properly address the valuation of the unlisted AFS investment in Galaxy AMS and checking if the respective matters disclaimed in 2015 had been resolved.</li> </ul> <p>Based on available evidence, we consider that the management’s bases and assumptions used in the valuation of the AFS investment in Galaxy AMS as at the year end date were reasonable and the matter disclaimed in 2015 had been resolved.</p>

### Key audit matter

*Fair value of unlisted AFS investment in Mountain Gold Holdings Inc. ("Mountain Gold")*

The Group's unlisted AFS investment in Mountain Gold amounting to HK\$39,285,714 was measured at fair value as at 31 December 2016 and there was a revaluation loss of HK\$12,928,920 for the year then ended. The fair value was assessed by the management based on a valuation performed by an independent valuer engaged by the Group.

The valuation of the unlisted AFS investment in Mountain Gold involved significant judgement and estimates, including the determination of valuation methodology and the selection of different inputs to the valuation models.

Considering the determination of the fair value involves significant judgement and estimation and the financial impacts of the valuation to the consolidated financial statements, we identified the valuation as a key audit matter.

The valuation of the unlisted AFS investment in Mountain Gold was disclaimed in 2015 because of limitation of audit evidence in assessing the reasonableness of the bases and assumptions used in the valuation.

### How our audit addressed the key audit matter

Our procedures in relation to the valuation assessment of the unlisted investment in Mountain Gold included the following:

- assessing the competence, capabilities, independence and objectivity of the valuer,
- assessing the valuation methodology used by the valuer and the appropriateness of the key bases and assumptions adopted in the valuation, including recent sales or offerings of comparable mining properties, validity of the exploration and mining licenses and spot gold price etc., and discussing these bases and assumptions with the management and the valuer,
- challenging the reasonableness of the key bases and assumptions based on our knowledge of the business and industry,
- assessing the validity of the licenses for the mining operations,
- obtaining supportive evidence for the significant judgement and estimates of the valuation and the key inputs used in the valuation model,
- conducting site visit to the gold mines of Mountain Gold,
- checking the mathematical accuracy of the valuation, and
- performing procedures to properly address the valuation of the unlisted AFS investment in Mountain Gold and checking if the respective matters disclaimed in 2015 had been resolved.

Based on available evidence, we consider that the management's bases and assumptions used in the valuation of AFS investment in Mountain Gold as at the year end date were reasonable and the matter disclaimed in 2015 had been resolved.

## Key audit matter

## How our audit addressed the key audit matter

### Impairment assessment on deposits and prepayments

Refer to note 18 to the consolidated financial statements

We identified impairment loss on deposits and prepayments amounting to HK\$10,000,000 as a key audit matter because of its significance to the consolidated financial statements and the determination of such impairment involves significant management judgement and estimation of the ultimate realisation of these deposits and prepayments.

The rights and obligations and the recoverability of the deposits and prepayments were disclaimed in 2015 because there was a lack of evidence to support the recoverability of these deposits.

Our procedures in relation to the impairment assessment of deposits and prepayments included the following:

- challenging the reasonableness of the assumptions and considered by the management to arrive at the impairment of deposits and prepayments,
- assessing the progress of the circumstances which might have an impact on the realisation of these deposits and prepayments, as well as the creditworthiness of the counterparty, and
- performing procedures to properly address the recoverability of deposits and prepayments and checking if the respective matters disclaimed in 2015 had been properly resolved.

Based on available evidence, we consider that the judgement and assessment made by the management in respect of the impairment on deposits and prepayments were reasonable and the matter disclaimed in 2015 had been resolved.

Key audit matter	How our audit addressed the key audit matter
<p><b>Share-based payments</b></p> <p>We have identified the measurement of the share-based payments amounting to HK\$18,591,000 as a key audit matter because of the significant financial impact of the share-based payments to the consolidated financial statements and the valuation of share options involves significant management judgement and estimation.</p>	<p>Our procedures in relation to the measurement of share-based payments included the following:</p> <ul style="list-style-type: none"><li>– understanding and challenging the underlying assumptions and bases used in the valuation of share options by the valuer,</li><li>– assessing the competence, capabilities, independence and objectivity of the valuer,</li><li>– checking the mathematical accuracy of valuation, and</li><li>– discussing the bases and assumptions of the valuation with the management and valuer.</li></ul> <p>We consider that the bases and assumptions of the valuation used in determining the share-based payments were reasonable and supportable.</p>

## OTHER INFORMATION

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

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

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

### **RESPONSIBILITIES OF THE 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 the 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 charge with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, 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.



## Independent Auditor's Report

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2015 ("2015 Financial Statements") was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which were set out in our auditor's report dated 16 June 2016 on the Group's consolidated financial statements for the year ended 31 December 2015. During the course of the audit in 2016, we have obtained sufficient and appropriate audit evidence to conclude that the matters disclaimed in our auditor's report on 2015 Financial Statements have been approximately resolved.

**HLM CPA Limited**

*Certified Public Accountants*

**Yuen Suk Ching**

Practising Certificate Number: P1107

Hong Kong

31 March 2017

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 HK\$	2015 HK\$
Revenue	7	572,162	840,901
Net realised gain on disposals of available-for-sale financial assets		38,435,795	3,665,506
Net realised (loss) gain on disposals of financial assets at fair value through profit or loss		(16,168,562)	3,846,224
Net unrealised loss on financial assets at fair value through profit or loss		(55,550,058)	(3,207,804)
		(32,710,663)	5,144,827
Other income	7	—	52,456
Net gain (loss) on disposals of subsidiaries/deregistration of subsidiaries	32	225,905	(317,275)
Impairment loss on available-for-sale financial assets		—	(29,232,240)
Impairment loss on prepayments and deposits	18(b)	(10,000,000)	(1,215,000)
Administrative expenses		(78,799,333)	(65,908,706)
Finance costs	9	(2,164,185)	(1,221,793)
Loss before tax	10	(123,448,276)	(92,697,731)
Income tax expense	11	—	—
Loss for the year attributable to owners of the Company		(123,448,276)	(92,697,731)
Loss per share	14		
— Basic (HK cents per share)		(11.15)	(10.12)
— Diluted (HK cents per share)		(11.15)	(10.12)

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 HK\$	2015 HK\$
Loss for the year attributable to owners of the Company	(123,448,276)	(92,697,731)
<b>Other comprehensive (expenses) income:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of a foreign operation	32,433	(23,919)
Net (loss) gain arising on revaluation of available-for-sale financial assets	(30,986,420)	31,499,434
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	(33,207,445)	10,824,319
Other comprehensive (expenses) income for the year, net of tax	(64,161,432)	42,299,834
Total comprehensive expenses attributable to owners of the Company	(187,609,708)	(50,397,897)

# Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 HK\$	2015 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	15	3,012,037	2,761,880
Intangible assets	16	3,612,279	—
Available-for-sale financial assets	17	58,412,214	157,582,634
Rental deposits	18	4,655,471	1,610,071
		<b>69,692,001</b>	<b>161,954,585</b>
<b>Current assets</b>			
Prepayments, deposits and other receivables	18	15,358,050	19,071,121
Available-for-sale financial assets	17	—	24,274,600
Financial assets at fair value through profit or loss	19	46,812,600	50,968,080
Cash and cash equivalents	20	17,170,079	33,983,457
		<b>79,340,729</b>	<b>128,297,258</b>
<b>Current liabilities</b>			
Accruals and other payables	21	2,222,672	2,579,479
Borrowings	22	3,000,000	—
		<b>5,222,672</b>	<b>2,579,479</b>
<b>Net current assets</b>		<b>74,118,057</b>	<b>125,717,779</b>
<b>Total assets less current liabilities</b>		<b>143,810,058</b>	<b>287,672,364</b>
<b>Non-current liabilities</b>			
Borrowings	22	42,193,144	43,355,361
Advance from a shareholder	23	26,318,619	—
		<b>68,511,763</b>	<b>43,355,361</b>
<b>Net assets</b>		<b>75,298,295</b>	<b>244,317,003</b>
<b>Capital and reserves</b>			
Share capital	24	55,351,000	55,351,000
Reserves		19,947,295	188,966,003
<b>Total equity</b>		<b>75,298,295</b>	<b>244,317,003</b>
Net asset value per share	14	0.07	0.22

The consolidated financial statements on pages 36 to 105 were approved and authorised for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

**Luk Hong Man, Hammond**  
Director

**Zhang Xi**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital HK\$	Share premium HK\$	Exchange reserve HK\$	Share options reserve HK\$	Investment revaluation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2015	38,256,000	197,332,138	—	—	(10,669,419)	(87,510,644)	137,408,075
Loss for the year	—	—	—	—	—	(92,697,731)	(92,697,731)
Other comprehensive income (expenses) for the year:							
Exchange differences arising on translation of a foreign operation	—	—	(23,919)	—	—	—	(23,919)
Net gain arising on revaluation of available-for-sale financial assets	—	—	—	—	31,499,434	—	31,499,434
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	—	—	—	—	10,824,319	—	10,824,319
Total comprehensive income (expenses) for the year	—	—	(23,919)	—	42,323,753	(92,697,731)	(50,397,897)
Issue of shares under placement of ordinary shares	16,800,000	127,545,000	—	—	—	—	144,345,000
Share issue expenses	—	(2,404,743)	—	—	—	—	(2,404,743)
Recognition of equity-settled share-based payments	—	—	—	11,859,000	—	—	11,859,000
Exercise of share options	295,000	4,071,000	—	(858,432)	—	—	3,507,568
Share options lapsed	—	—	—	(8,700,305)	—	8,700,305	—
At 31 December 2015 and 1 January 2016	55,351,000	326,543,395	(23,919)	2,300,263	31,654,334	(171,508,070)	244,317,003
Loss for the year	—	—	—	—	—	(123,448,276)	(123,448,276)
Other comprehensive income (expenses) for the year:							
Exchange differences arising on translation of a foreign operation	—	—	32,433	—	—	—	32,433
Net loss arising on revaluation of available-for-sale financial assets	—	—	—	—	(30,986,420)	—	(30,986,420)
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	—	—	—	—	(33,207,445)	—	(33,207,445)
Total comprehensive income (expenses) for the year	—	—	32,433	—	(64,193,865)	(123,448,276)	(187,609,708)
Recognition of equity-settled share-based payments	—	—	—	18,591,000	—	—	18,591,000
Share options lapsed	—	—	—	(1,758,654)	—	1,758,654	—
At 31 December 2016	55,351,000	326,543,395	8,514	19,132,609	(32,539,531)	(293,197,692)	75,298,295

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK\$	2015 HK\$
<b>Operating activities</b>			
Loss for the year		(123,448,276)	(92,697,731)
Adjustments for:			
Depreciation of property, plant and equipment	15	1,018,887	921,873
Impairment loss on available-for-sale financial assets		—	29,232,240
Impairment loss on prepayments and deposits		10,000,000	—
Interest income		(572,162)	(825,401)
Dividend income		—	(15,500)
Interest expenses		2,164,185	1,221,793
Net (gain) loss on disposals of subsidiaries/deregistration of subsidiaries	32	(225,905)	317,275
Loss on disposals of property, plant and equipment		36,384	641,514
Net realised gain on disposals of available-for-sale financial assets		(38,435,795)	(3,665,506)
Net realised loss (gain) on disposals of financial assets at fair value through profit or loss		16,168,562	(3,846,224)
Net unrealised loss on financial assets at fair value through profit or loss		55,550,058	3,207,804
Equity-settled share-based payments		18,591,000	11,859,000
Operating cash flows before movements in working capital		(59,153,062)	(53,648,863)
(Increase) decrease in prepayments, deposits and other receivables		(9,333,109)	6,246,321
(Decrease) increase in accruals and other payables		(88,062)	1,783,405
Proceeds on disposals of financial assets at fair value through profit or loss		11,688,990	17,609,580
Proceeds on disposals of available-for-sale financial assets		97,686,950	56,872,025
Purchase of financial assets at fair value through profit or loss		(79,252,130)	(58,907,640)
Purchase of available-for-sale financial assets		—	(162,040,040)
Cash used in operations		(38,450,423)	(192,085,212)
Interest paid		(2,795,147)	(302)
<b>Net cash used in operating activities</b>		<b>(41,245,570)</b>	<b>(192,085,514)</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK\$	2015 HK\$
<b>Investing activities</b>			
Interest received		572,162	20,379
Dividend received		—	15,500
Purchase of property, plant and equipment	15	(1,879,823)	(3,026,313)
Purchase of intangible assets	16	(3,612,279)	—
Net cash inflows from disposals of subsidiaries	32	1,080	2,732,499
<b>Net cash used in investing activities</b>		<b>(4,918,860)</b>	<b>(257,935)</b>
<b>Financing activities</b>			
Net proceeds from issue of shares		—	148,711,000
Net proceeds from issue of interest-bearing loan notes		—	42,133,870
Shares issue expenses		—	(3,263,175)
Proceeds from issue of interest-bearing bonds		3,000,000	—
Advance from a shareholder		26,318,619	—
<b>Net cash from financing activities</b>		<b>29,318,619</b>	<b>187,581,695</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(16,845,811)</b>	<b>(4,761,754)</b>
<b>Effect of foreign exchange rate changes</b>		<b>32,433</b>	<b>(23,919)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>33,983,457</b>	<b>38,769,130</b>
<b>Cash and cash equivalents at end of the year</b>			
Represented by cash at bank and in hand	20	17,170,079	33,983,457



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 2 January 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The principal activities of the Company and its subsidiaries are engaged in investing in listed and unlisted securities. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### New and amendments to HKFRSs in issue but not effective

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

#### *HKFRS 9 Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### New and amendments to HKFRSs in issue but not effective (continued)

#### HKFRS 9 Financial Instruments (continued)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors of the Company is in the process of making an assessment of the potential impact of the application of HKFRS 9 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

The Directors of the Company is in the process of making assessment of the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether these other new and revised HKFRSs would have any significant impact on its results of operations and financial position of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The significant accounting policies are set out below.

#### **Basis of consolidation**

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

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Basis of consolidation** *(continued)*

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

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

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

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

#### *Acquisition of a subsidiary not constituting a business*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

#### *Investments in subsidiaries*

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### **Property, plant and equipment**

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Intangible assets

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

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

#### Impairment of non-financial assets

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

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

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

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### Foreign currencies

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

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

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

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

#### 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.

##### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Borrowing costs**

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

#### **Retirement benefit costs**

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund (“MPF”) Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

#### **Share-based payment arrangements**

##### *Equity-settled share-based payment transactions*

Share options granted to employees (including directors)

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

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

#### **Taxation**

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

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Taxation** *(continued)*

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

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

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

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

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

#### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments

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

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

#### *Financial assets*

The Group's financial assets are classified into the following specified categories: (i) financial assets at fair value through profit or loss ("FVTPL"), (ii) available-for-sale ("AFS") financial assets and (iii) loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Effective interest method

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

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



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial instruments *(continued)*

##### *Financial assets (continued)*

##### Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading; (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "revenue" line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 6 to the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial instruments** *(continued)*

##### *Financial assets (continued)*

##### AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated certain items as AFS financial assets on initial recognition of those items.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss of financial assets below).

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

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposits, prepayments, deposits and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of financial assets below).

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

##### Impairment of financial assets

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial instruments** *(continued)*

##### *Financial assets (continued)*

##### Impairment of financial assets (continued)

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

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

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### *Financial assets (continued)*

#### Impairment of financial assets *(continued)*

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

#### *Financial liabilities and equity instruments*

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

#### Equity instruments

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

#### Interest-bearing loan notes

Interest-bearing loan notes are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, interest-bearing loan notes are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings together with any interest and fee payable, using the effective interest method.

#### Financial liabilities

The Group's financial liabilities (including accruals and other payables, borrowings and advance from a shareholder) are subsequently measured at amortised cost, using the effective interest method.

#### Effective interest method

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

Interest expense is recognised on an effective interest basis.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial instruments** *(continued)*

##### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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 its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

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

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

#### **Due from and due to brokers**

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the end of the reporting period respectively.

#### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks or other financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturing at acquisition. For the purpose of the consolidated statement of financial position, cash and cash equivalent comprise cash on hand and at bank, including fixed deposits, which are not restricted to use.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Related parties

A related party is a person or an 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 the Company's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of the Group or an entity related to the Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close member 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 include:

- (i) the person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

##### *Useful lives of property, plant and equipment*

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account of their estimated residual values, using the straight-line method. The estimated useful life reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the Directors' estimated amount that the Group would currently obtain from the disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

#### Key sources of estimation uncertainty

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

##### *Impairment loss in respect of prepayments and deposits*

The policy for impairment loss in respect of prepayments and deposits of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

##### Key sources of estimation uncertainty *(continued)*

###### *Fair value measurements and valuation processes*

Some of the Group's assets and liabilities are measured at fair value for financial reporting purpose. The board of directors of the Company has a designated team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Group's unlisted equity securities which are classified as available-for-sale financial assets, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation of the Group's unlisted available-for-sale financial assets. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurement. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 input are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company. Information about the valuation techniques and inputs used in determining the fair value of the Group's unlisted equity securities are disclosed in note 6 to the consolidated financial statements.

#### 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings and advance from a shareholder disclosed in Notes 22 and 23 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure on a regular basis. As part of this review, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	2016 HK\$	2015 HK\$
<b>Financial assets</b>		
Financial assets at FVTPL	46,812,600	50,968,080
AFS financial assets	58,412,214	181,857,234
Loan and receivables		
– Rental deposits	4,655,471	1,610,071
– Financial assets included in prepayments, deposits and other receivables	2,673,126	18,491,509
– Cash and cash equivalents	17,170,079	33,983,457
	<b>129,723,490</b>	<b>286,910,351</b>
<b>Financial liabilities at amortised cost</b>		
– Financial liabilities included in accruals and other payables	2,222,672	2,579,479
– Borrowings	45,193,144	43,355,361
– Advance from a shareholder	26,318,619	—
	<b>73,734,435</b>	<b>45,934,840</b>

## 6. FINANCIAL INSTRUMENTS *(continued)*

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

The Group's major financial instruments include financial assets at FVTPL, AFS financial assets, rental deposits, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, financial liabilities included in accruals and other payables, borrowings and advance from a shareholder. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include equity price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

#### (i) *Equity price risk*

The Group is exposed to equity price risk mainly through its investment in listed and unlisted equity securities. The Group's strategy for the management of market risk is driven by the Group's investment objective. The Group's market risk is managed by the Board of Directors in accordance with policies and procedures in place. The Group's market positions are monitored on a monthly basis by the Board of Directors, and the investments in equity of other entities are Hong Kong listed financial assets. Decisions to buy or sell financial assets are based on daily monitoring of the performance of individual financial assets compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the financial assets, the Group maintains a portfolio of diversified investments in terms of industry distribution such as manufacturing and financial services. In addition, the Group's management has monitored price risk and will consider hedging of the risk exposure if necessary.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to financial assets price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate remained at 15% in the current year.

If financial assets prices had been 15% higher/lower (2015: 15%), loss for the year ended 31 December 2016 would decrease/increase by HK\$7,021,890 (2015: HK\$7,645,212) which is mainly due to the changes in fair value of financial assets designated as held for trading. Also, if the fair value of the AFS financial assets had increased/decreased by 15% (2015: 15%) and all other variables were held constant, the investment revaluation reserve would increase/decrease by HK\$8,761,832 (2015: HK\$23,637,395).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. FINANCIAL INSTRUMENTS *(continued)*

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

##### *(ii) Credit risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Financial assets which potentially subject the Group to concentrations of credit risk consist principally of AFS financial assets, financial assets at FVTPL and cash and cash equivalents.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings which the Group considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by broker.

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

##### *(iii) Liquidity risk*

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's listed securities are considered readily realisable, as all such securities are listed on the Stock Exchange.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. FINANCIAL INSTRUMENTS (continued)

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

##### (iii) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, was as follows:

	On demand/ within 12 months HK\$	The two to five years HK\$	More than five years HK\$	Undiscounted cash flow HK\$	Carrying amount HK\$
<b>2016</b>					
Non-derivative financial liabilities Financial liabilities included in accruals and other payables	2,222,672	—	—	2,222,672	2,222,672
Advance from a shareholder	—	26,318,619	—	26,318,619	26,318,619
Borrowings	5,574,996	8,499,984	46,082,631	60,157,611	45,193,144
	<b>7,797,668</b>	<b>34,818,603</b>	<b>46,082,631</b>	<b>88,698,902</b>	<b>73,734,435</b>
<b>2015</b>					
Non-derivative financial liabilities Financial liabilities included in accruals and other payables	2,579,479	—	—	2,579,479	2,579,479
Borrowings	2,980,361	8,500,000	36,539,278	48,019,639	43,355,361
	<b>5,559,840</b>	<b>8,500,000</b>	<b>36,539,278</b>	<b>50,599,118</b>	<b>45,934,840</b>

##### (iv) Interest rate risk

The Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's exposure to risk of changes in market interest rates primarily related to the Group's interest-bearing bank deposits with floating rates.

##### Sensitivity analysis

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

If interest rates had been 100 basis points (2015: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2016 would decrease/increase by HK\$170,753 (2015: HK\$338,887). This is mainly attributable to the Group's exposure to interest rates on its interest-bearing bank deposits.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. FINANCIAL INSTRUMENTS (continued)

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

##### (v) Foreign currency risk

The functional currency of the Group is HK\$ in which most of the transactions are denominated. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have any foreign currency hedging policy. However, the management will closely monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	ASSETS	
	2016 HK\$	2015 HK\$
Renminbi ("RMB")	28,096	24,316,690
United States dollars ("USD")	4,650	70,356

##### Sensitivity analysis

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HK\$, the effect in loss for the year is as follow:

	IMPACT OF RMB	
	2016 HK\$	2015 HK\$
Decrease/increase in loss for the year	1,405	1,215,835

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. FINANCIAL INSTRUMENTS (continued)

#### (c) Fair value measurements of financial instruments

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

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>At 31 December 2016</b>				
AFS financial assets				
— Listed equity securities (Note a)	3,916,500	—	—	3,916,500
— Unlisted equity securities (Note b)	—	—	54,495,714	54,495,714
	3,916,500	—	54,495,714	58,412,214
Financial assets at FVTPL				
— Listed equity securities (Note a)	46,812,600	—	—	46,812,600
Total	50,729,100	—	54,495,714	105,224,814

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. FINANCIAL INSTRUMENTS (continued)

#### (c) Fair value measurements of financial instruments (continued)

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

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2015				
AFS financial assets				
— Listed equity securities (Note a)	89,445,000	—	—	89,445,000
— Unlisted equity securities (Note b)	—	—	68,137,634	68,137,634
	89,445,000	—	68,137,634	157,582,634
Financial assets at FVTPL				
— Listed equity securities (Note a)	50,968,080	—	—	50,968,080
Total	140,413,080	—	68,137,634	208,550,714

Note:

- (a) The fair value of listed equity securities classified as Level 1 was determined by the quoted closing price in an active market.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. FINANCIAL INSTRUMENTS (continued)

#### (c) Fair value measurements of financial instruments (continued)

- (i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

Note: (continued)

- (b) The fair value of unlisted equity securities classified as Level 3 was determined by management's valuation assessment with reference to the valuation reports provided by respective independent valuers. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used).

	2016 HK\$	2015 HK\$	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
AFS financial assets							
Unlisted equity securities in Galaxy Automotive MS Inc.	15,210,000	15,923,000	Level 3	Income approach	Free cash flow	N/A	The higher the free cash flow, the higher the fair value
					Discount rate	13.3%	The higher the discount rate, the lower the fair value
					Discount for lack of marketability	14.3%	The higher the discount for lack of marketability, the lower the fair value
Unlisted equity securities in Mountain Gold Holdings Inc.	39,285,714	52,214,634	Level 3	Market approach	Spot gold price	US\$1,159.1/oz	The higher the gold price, the higher the fair value

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follow:

	AFS unlisted equity securities HK\$
At 1 January 2015	—
Purchases during the year	77,975,000
Fair value loss recognised	(9,837,366)
31 December 2015 and 1 January 2016	68,137,634
Fair value loss recognised	(13,641,920)
At 31 December 2016	54,495,714

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 6. FINANCIAL INSTRUMENTS (continued)

#### (c) Fair value measurements of financial instruments (continued)

- (i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

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

#### (d) Fair value of financial instruments carried at amortised cost

The Directors of the Company consider the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

### 7. REVENUE AND OTHER INCOME

Revenue represents interest income and dividend income from financial assets for the year. An analysis of the Group's revenue and other income for the year is as follows:

	2016 HK\$	2015 HK\$
<b>Revenue</b>		
Interest income from:		
Deposits in banks and financial institutions	11,568	20,379
AFS financial assets	560,594	805,022
Dividend income from:		
Financial assets at FVTPL	—	15,500
	572,162	840,901
<b>Other income</b>		
Sundry income	—	52,456

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 8. SEGMENT INFORMATION

For the years ended 31 December 2016 and 2015, the Group's revenue were mainly interest income and dividend income from financial assets. The Directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical markets, are as follows:

	Hong Kong		PRC		Consolidated	
	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$
Segment revenue:						
Interest income from deposits in banks and financial institutions	11,568	20,379	—	—	11,568	20,379
Interest income from AFS financial assets	—	—	560,594	805,022	560,594	805,022
Dividend income from financial assets at FVTPL	—	15,500	—	—	—	15,500
	11,568	35,879	560,594	805,022	572,162	840,901
Non-current assets*	6,624,316	2,761,880	—	—	6,624,316	2,761,880
Total assets	109,569,382	208,956,140	39,463,348	81,295,703	149,032,730	290,251,843
Total liabilities	73,734,003	45,934,840	432	—	73,734,435	45,934,840
Other segment information:						
Additions to property, plant and equipment	1,879,823	3,026,313	—	—	1,879,823	3,026,313
Additions to intangible assets	3,612,279	—	—	—	3,612,279	—

\* The non-current assets information above is based on the locations of the assets and excluded AFS financial assets and rental deposits.

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 9. FINANCE COSTS

	2016 HK\$	2015 HK\$
Interest expenses on bank and broker accounts overdrafts	1	302
Effective interest expenses on interest-bearing loan notes (Note 22)	2,164,184	1,221,491
	<b>2,164,185</b>	<b>1,221,793</b>

## 10. LOSS BEFORE TAX

	2016 HK\$	2015 HK\$
The Group's loss before tax has been arrived at after charging the following items:		
Directors' emoluments (Note 12):		
Fees	4,094,246	1,678,401
Other emoluments	3,271,253	2,748,154
Discretionary bonuses	—	7,542,551
Retirement benefits scheme contributions	65,161	36,000
Equity-settled share-based payments	12,949,000	1,290,858
Staff costs:		
Basic salaries and allowances	4,776,936	8,641,377
Discretionary bonuses	—	2,366,919
Retirement benefits scheme contributions	163,184	185,283
Equity-settled share-based payments	5,642,000	9,454,917
<b>Total staff costs (including Directors' emoluments)</b>	<b>30,961,780</b>	<b>33,944,460</b>
Auditor's remuneration	690,000	670,000
Depreciation of property, plant and equipment	1,018,887	921,873
Impairment loss on prepayments and deposits	10,000,000	1,215,000
Loss on disposals of property, plant and equipment	36,384	641,514
Net foreign exchange losses	688,294	349,323
Operating lease charges in respect of office premises	6,779,659	4,945,642
Investment management fee	—	1,064,695
Impairment loss on AFS financial assets	—	29,232,240
Equity-settled share-based payments (other than directors and employees)	—	1,113,225

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 11. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2015: Nil).

The tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2016 HK\$	2015 HK\$
Loss before tax	(123,448,276)	(92,697,731)
Tax at the Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	(20,368,945)	(15,295,125)
Tax effect of income not taxable for tax purpose	(152,209)	(983,243)
Tax effect of expenses not deductible for tax purpose	10,734,624	12,006,438
Tax effect of temporary differences not recognised	86,519	(10,649)
Tax effect of tax losses not recognised	9,700,011	4,282,579
Tax expense for the year	—	—

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses do not expire under the current tax legislation and may be carried forward indefinitely. The Group had no material unprovided deferred tax liabilities at the end of the reporting period (2015: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 12. DIRECTORS' EMOLUMENTS

### (a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to applicable Listing Rules, the Hong Kong Companies Ordinance and Companies (Disclosure of information about benefits of directors) Regulation (Cap. 622G), is as follow:

	2016					
	Directors' fees HK\$	Salaries, allowances and benefits in kind HK\$	Discretionary bonuses HK\$	Retirement benefits scheme contributions HK\$	Equity-settled share-based payments HK\$	Total HK\$
<i>Executive Directors</i>						
Luk Hong Man, Hammond (Note 1)	—	1,595,093	—	32,465	2,991,258	4,618,816
Zhang Xi	—	1,595,093	—	32,696	2,991,258	4,619,047
Ye Yinggang (Note 2)	—	81,067	—	—	—	81,067
<i>Non-executive Directors</i>						
Sui Guangyi (Chairman)	960,000	—	—	—	319,297	1,279,297
Wang Mengtao (Note 3)	478,194	—	—	—	2,844,648	3,322,842
Leung Ka Fai (Note 4)	162,581	—	—	—	2,844,648	3,007,229
Yao Yuan (Note 5)	611,613	—	—	—	—	611,613
Shi Minqiang (Note 5)	611,613	—	—	—	—	611,613
Yao Zhixiang (Note 5)	611,613	—	—	—	—	611,613
<i>Independent non-executive Directors</i>						
Jing Si Yuan (Note 6)	112,258	—	—	—	319,297	431,555
Zhang Aimin (Note 7)	79,839	—	—	—	319,297	399,136
Zhang Qiang (Note 8)	30,000	—	—	—	319,297	349,297
Zhang Qi (Note 9)	15,000	—	—	—	—	15,000
Luo Ji (Note 10)	34,810	—	—	—	—	34,810
Wong Chung Kin, Quentin (Note 11)	67,742	—	—	—	—	67,742
Leung Po Hon (Note 12)	63,871	—	—	—	—	63,871
Guo Miao (Note 13)	46,935	—	—	—	—	46,935
Leung Ka Fai (Note 4)	59,177	—	—	—	—	59,177
Li Jiangtao (Note 14)	149,000	—	—	—	—	149,000
	4,094,246	3,271,253	—	65,161	12,949,000	20,379,660

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 12. DIRECTORS' EMOLUMENTS (continued)

#### (a) Directors' emoluments (continued)

	2015					Total HK\$
	Directors' fees HK\$	Salaries, allowances and benefits in kind HK\$	Discretionary bonuses HK\$	Retirement benefits scheme contributions HK\$	Equity-settled share-based payments HK\$	
<i>Executive Directors</i>						
Luk Hong Man, Hammond (Note 1)	—	1,248,043	3,680,548	18,000	215,143	5,161,734
Ye Yinggang (Note 2)	—	226,028	80,000	—	215,143	521,171
Zhang Xi	—	1,274,083	3,701,669	18,000	215,143	5,208,895
<i>Non-executive Directors</i>						
Yao Yuan (Note 5)	480,000	—	72,000	—	—	552,000
Sui Guangyi (Chairman)	320,000	—	—	—	—	320,000
Shi Minqiang (Note 5)	211,613	—	—	—	—	211,613
Yao Zhixiang (Note 5)	211,613	—	—	—	—	211,613
<i>Independent non-executive Directors</i>						
Tsang Kwok Wa, Edward	87,479	—	—	—	215,143	302,622
Ng Man Fai, Matthew	41,670	—	8,334	—	—	50,004
Wong Chung Kin, Quentin (Note 11)	126,672	—	—	—	215,143	341,815
Leung Po Hon (Note 12)	120,000	—	—	—	215,143	335,143
Li Jiangtao (Note 14)	39,677	—	—	—	—	39,677
Zhang Qi (Note 9)	39,677	—	—	—	—	39,677
	1,678,401	2,748,154	7,542,551	36,000	1,290,858	13,295,964

#### Notes:

- (1) Removed on 20 July 2016 and re-appointed on 21 July 2016
- (2) Resigned on 2 June 2016
- (3) Appointed on 22 April 2016, removed on 20 July 2016 and re-appointed on 31 October 2016
- (4) Appointed as an independent non-executive director on 22 April 2016 and removed on 20 July 2016 and re-appointed as a non-executive director on 31 October 2016
- (5) Removed on 20 July 2016
- (6) Appointed on 17 May 2016
- (7) Appointed on 22 July 2016



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 12. DIRECTORS' EMOLUMENTS *(continued)*

#### (a) Directors' emoluments *(continued)*

Notes: *(continued)*

- (8) Appointed on 1 November 2016
- (9) Resigned on 30 January 2016
- (10) Appointed on 12 February 2016 and resigned on 22 April 2016
- (11) Resigned on 17 May 2016
- (12) Resigned on 9 May 2016
- (13) Appointed on 17 May 2016 and removed on 20 July 2016
- (14) Removed on 28 September 2016

The executive Director's emoluments shown above include their services in connection with the management of the affairs of the Company and the Group.

The fee paid to non-executive and independent non-executive Directors shown above were mainly for their services as directors of the Company.

Mr. Luk Hong Man, Hammond is also chief executive officer and Mr. Zhang Xi is also chief investment officer of the Company and their emoluments disclosed above include those services rendered by them.

There was no arrangement under which a director or a chief executive, waived or agreed to waive any remuneration during the years.

During the year, no retirement benefits, payment or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2015: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: Nil). There are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities (2015: Nil).

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2015: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 12. DIRECTORS' EMOLUMENTS (continued)

#### (b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, four (2015: three) were Directors of the Company whose emoluments are included in the disclosures in Note 12(a) above. The emoluments of the remaining one employee (2015: two) were as follows:

	2016 HK\$	2015 HK\$
Basic salaries and other benefits	1,053,500	1,935,908
Discretionary bonuses	—	1,532,585
Retirement benefits scheme contributions	18,000	33,000
Equity-settled share-based payments	1,998,208	215,143
	<b>3,069,708</b>	<b>3,716,636</b>

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of employees	
	2016	2015
HK\$Nil – HK\$1,000,000	—	1
HK\$1,000,001 – HK\$3,000,000	—	2
HK\$3,000,001 – HK\$6,000,000	5	2

During the years ended 31 December 2016 and 2015, no remunerations were paid by the Group to any of the Directors of the Company or the five highest paid individuals of the Group (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 13. DIVIDEND

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

### 14. NET ASSET VALUE PER SHARE AND LOSS PER SHARE

#### Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of HK\$75,298,295 (2015: HK\$244,317,003) by the number of shares in issue as at 31 December 2016, being 1,107,020,000 (2015: 1,107,020,000).

#### Loss per share

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of HK\$123,448,276 (2015: HK\$92,697,731) and 1,107,020,000 ordinary shares (2015: the weighted average number shares of 916,098,904) in issue during the year.

For the years ended 31 December 2016 and 2015, the computation of diluted loss per share has not assumed the conversion of the Company's outstanding share options since they are anti-dilutive for the years ended 31 December 2016 and 2015. Accordingly, diluted loss per share are the same as basic loss per share.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Office equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>COST</b>				
At 1 January 2015	796,360	540,919	7,240,271	8,577,550
Additions	1,339,813	968,500	718,000	3,026,313
Disposals	(796,360)	(540,919)	—	(1,337,279)
Disposals of subsidiaries	—	—	(7,240,270)	(7,240,270)
At 31 December 2015 and at 1 January 2016	1,339,813	968,500	718,001	3,026,314
Additions	220,994	102,189	1,556,640	1,879,823
Disposals	—	(37,000)	—	(37,000)
Disposals of subsidiaries (Note 32)	—	—	(718,000)	(718,000)
<b>At 31 December 2016</b>	<b>1,560,807</b>	<b>1,033,689</b>	<b>1,556,641</b>	<b>4,151,137</b>
<b>DEPRECIATION AND IMPAIRMENT</b>				
At 1 January 2015	333,909	223,517	3,671,411	4,228,837
Charge for the year	216,176	126,762	578,935	921,873
Eliminated upon disposals	(410,090)	(285,675)	—	(695,765)
Disposals of subsidiaries	—	—	(4,190,511)	(4,190,511)
At 31 December 2015 and at 1 January 2016	139,995	64,604	59,835	264,434
Charge for the year	446,593	203,130	369,164	1,018,887
Eliminated upon disposals	—	(616)	—	(616)
Disposals of subsidiaries (Note 32)	—	—	(143,605)	(143,605)
<b>At 31 December 2016</b>	<b>586,588</b>	<b>267,118</b>	<b>285,394</b>	<b>1,139,100</b>
<b>CARRYING AMOUNTS</b>				
<b>At 31 December 2016</b>	<b>974,219</b>	<b>766,571</b>	<b>1,271,247</b>	<b>3,012,037</b>
At 31 December 2015	1,199,818	903,896	658,166	2,761,880

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

Leasehold improvements	20% or over the lease term
Office equipment	20%
Motor vehicles	20%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 16. INTANGIBLE ASSETS

	Cross-boundary vehicle licenses HK\$
<b>COST</b>	
At 1 January 2015, 31 December 2015 and at 1 January 2016	—
Additions	3,612,279
<b>At 31 December 2016</b>	<b>3,612,279</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>	
At 1 January 2015, 31 December 2015 and at 1 January 2016	—
Amortisation	—
<b>At 31 December 2016</b>	<b>—</b>
<b>CARRYING AMOUNTS</b>	
<b>At 31 December 2016</b>	<b>3,612,279</b>
At 31 December 2015	—

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK\$	2015 HK\$
Listed equity securities, at cost (Note 1)	12,976,745	47,953,300
Fair value adjustments	(9,060,245)	41,491,700
	3,916,500	89,445,000
Unlisted equity securities, at cost (Note 2)	77,975,000	77,975,000
Fair value adjustments	(23,479,286)	(9,837,366)
	54,495,714	68,137,634
Unlisted debt instruments, at cost (Note 3)	—	53,506,840
Less: Provision for impairment loss	—	(29,232,240)
	—	24,274,600
<b>Total</b>	<b>58,412,214</b>	<b>181,857,234</b>
Analysed for reporting purpose as:		
Non-current assets	58,412,214	157,582,634
Current assets	—	24,274,600
<b>Total</b>	<b>58,412,214</b>	<b>181,857,234</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Particulars of investments in listed equity securities, unlisted equity securities and unlisted debt instruments held by the Group as at 31 December 2016 and 2015 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Note 1: Listed equity securities, at fair value

Name of investee companies	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Unrealised gain/(loss) recognised HK\$	Net assets attributable to the Company HK\$000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
At 31 December 2016									
Kingbo Strike Limited	Cayman Islands	11,190,000	1.47%	12,976,745	3,916,500	(9,060,245)	7,657	—	2.63%
At 31 December 2015									
Kingbo Strike Limited	Cayman Islands	15,000,000	2.34%	17,395,100	28,500,000	11,104,900	3,109	—	9.82%
China Baoli Technologies Holdings Limited	Cayman Islands	239,000,000	3.16%	30,558,200	60,945,000	30,386,800	7,174	—	21.00%
				47,953,300	89,445,000	41,491,700			

Notes:

- (a) As at 31 December 2016, the Group held listed equity securities, being 11,190,000 shares or approximately 1.47% equity interest in the Kingbo Strike Limited ("Kingbo Strike"), for a consideration of HK\$12,976,745 and which is principally engaged in the provision of electrical engineering services.

For the year ended 30 June 2016 the audited consolidated profit from ordinary activities attributable to owners of Kingbo Strike was approximately S\$2,486,000 (equivalent to approximately HK\$14,325,000) and the basic earnings per share was S0.61 cents (equivalent to approximately HK3.51 cents). At 30 June 2016, its audited consolidated net assets value attributable to owners of Kingbo Strike was approximately S\$90,401,000 (equivalent to approximately HK\$520,891,000). No dividend was received during the year.

The Directors conducted a review of the Group's available-for-sale financial assets during the year and determined that the fair value adjustment is based on quoted closing price of available-for-sale financial assets in an active market.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Note 2: Unlisted equity securities, at fair value

Name of investee companies	Place of incorporation	Proportion of investee's capital owned	Cost HK\$	Fair value HK\$	Unrealised gain/(loss) recognised HK\$	Net assets attributable to the Company HK\$000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
At 31 December 2016								
Galaxy Automotive MS Inc.	Republic of Vanuatu	29%	27,975,000	15,210,000	(12,765,000)	1,793	—	10.21%
Mountain Gold Holdings Inc.	Republic of Vanuatu	6.4%	50,000,000	39,285,714	(10,714,286)	39,286	—	26.36%
			77,975,000	54,495,714	(23,479,286)			
At 31 December 2015								
Galaxy Automotive MS Inc.	Republic of Vanuatu	29%	27,975,000	15,923,000	(12,052,000)	446	—	5.49%
Mountain Gold Holdings Inc.	Republic of Vanuatu	6.4%	50,000,000	52,214,634	2,214,634	52,215	—	17.99%
			77,975,000	68,137,634	(9,837,366)			

Notes:

- (a) On 14 August 2015, the Group acquired 29% equity interest of Galaxy Automotive MS Inc. ("Galaxy AMS") for a consideration of HK\$27,975,000. The vendor had irrevocably and unconditionally guaranteed to the Group that audited consolidated gross profit of the Galaxy AMS for the year ended 31 December 2016 shall be no less than HK\$6,500,000 ("Guaranteed Profit").

Galaxy AMS is principally engaged in the research and development and manufacturing of high-quality auto parts as well as research and development and sales of automobile system solutions. Galaxy AMS's current sales market includes China, Taiwan, Hong Kong and Macau.

As at 31 December 2016, the Directors of the Company had performed valuation assessment on Galaxy AMS. This was done with reference to the valuation report prepared by an independent valuer company using income-based approach, profit forecast and financial data provided by the management of Galaxy AMS, and taking into account the Guaranteed Profit provided by the vendor of Galaxy AMS. On this basis, the Directors considered the fair value of the Group's investment in Galaxy AMS as at 31 December 2016 was HK\$15,210,000 and a fair value loss on revaluation of AFS financial assets of HK\$713,000 was recognised in the other comprehensive income.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Notes: (continued)

- (b) On 19 October 2015, the Group acquired 6.4% equity interest in Mountain Gold Holdings Inc. ("Mountain Gold") at a consideration of HK\$50,000,000. Mountain Gold indirectly holds a mining license called Jinping Country Jinchangxi-Bize Gold Mine ("Mining License") and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property ("Exploration License"), both located in Guizhou Province, the PRC, which are the sole and only assets of the Mountain Gold and which are the only subjects being valued in the valuation of Mountain Gold.

As at 31 December 2016, the Directors of the Company had performed valuation assessment on its investment in Mountain Gold with reference to the valuation report by an independent valuer company using market approach. The fair value of the Group's investment in Mountain Gold was valued HK\$39,285,714 and therefore a fair value loss on revaluation of AFS financial assets of HK\$12,928,920 was recognised in other comprehensive income.

Note 3: Unlisted debt instrument, at cost

Description of debt instruments	At cost		Impairment loss		Carrying amounts	
	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$
Investment in commercial acceptance bills with face value of RMB25 million	—	24,274,600	—	—	—	24,274,600
Investment in commercial acceptance bills with face value of RMB30 million	—	29,232,240	—	(29,232,240)	—	—
	—	53,506,840	—	(29,232,240)	—	24,274,600

During the year, the commercial acceptance bills with face value of RMB25 million were fully redeemed and settled in cash.

The Group's AFS debt investments do not have a quoted market price in an active market and those fair value cannot be reliably measured and therefore these AFS debt investments are measured at cost less identified impairment losses at the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK\$	2015 HK\$
Prepayments for office rental	—	579,612
Other prepayments	299,122	—
Rental and utility deposits	6,922,571	2,099,371
Investment deposits	6,900,000	—
Deposits for acquisition property, plant and equipment	5,485,802	—
Due from brokers	134,992	7,183,191
Interest receivables	—	805,022
Deposit paid for acquisition of an investment (Note b)	—	10,000,000
Other deposits and receivables	271,034	13,996
	<b>20,013,521</b>	<b>20,681,192</b>
Portion classified as non-current assets (Note a)	<b>(4,655,471)</b>	<b>(1,610,071)</b>
	<b>15,358,050</b>	<b>19,071,121</b>

Notes:

- (a) The balance represents rental deposits placed by the Group in connection with its rented premises. The relevant leases will expire after one year from the end of the respective reporting period. Therefore, the balance is classified as non-current.
- (b) On 10 September 2015, Grand Dragon Investment Development Limited (“Grand Dragon”), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (“MOU”) with Shenzhen Qianhai Yun Hui Equity Investment Fund Management Co. Limited (the “Target Company”) pursuant to which Grand Dragon would acquire the entire equity interest of the Target Company which held certain unlisted equity investments in the PRC. A deposit of HK\$8,000,000 was paid on signing of the MOU. Subsequent to the MOU, Grand Dragon signed an undated acquisition contract (“Acquisition Contract”) with Ms. Yang Yan (“Ms. Yang”), the sole shareholder of the Target Company, for the acquisition of the Target Company, and another HK\$2,000,000 was paid as deposit (in aggregate, the “Deposits”). However, the Group did not complete the due diligence work in the Target Company in accordance with the MOU and the Acquisition Contract and the Company’s management eventually decided to terminate the Acquisition Contract. In February 2016, the Company engaged a PRC lawyer to negotiate with Ms. Yang for the refund of the Deposits.

As at 31 December 2016, the deposits paid of HK\$10,000,000 has not yet refunded and the chance to collect the deposits was considered low. The Directors considered that the provision for impairment in respect of above prepayment of HK\$10,000,000 should be made.

Except for provision for impairment on deposits paid as mentioned in note (a) above, none of other above assets is either past due or impaired. The financial assets included in above balances relate to receivable for which there was no recent history of default.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$	2015 HK\$
Financial assets at held for trading		
— Equity securities listed in Hong Kong, at market value	46,812,600	50,968,080

The fair value of listed securities are based on their quoted closing prices in an active market.

Particulars of investments of listed equity securities held by the Group as at 31 December 2016 and 2015 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of investee companies	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Unrealised gain/(loss) recognised HK\$	Net assets attributable to the Company HK\$000	Dividend received/receivable during the year HK\$	% of gross assets of the Company
At 31 December 2016									
Newtree Group Holdings Limited	Cayman Islands	5,168,000	0.22%	1,494,463	2,454,800	960,337	694	—	1.65%
Tech Pro Technology Development Limited	Cayman Islands	16,700,000	0.24%	28,337,612	3,072,800	(25,264,812)	1,907	—	2.06%
Zhidao International (Holdings) Limited	Cayman Islands	30,360,000	1.53%	38,248,211	18,519,600	(19,728,611)	7,031	—	12.43%
WLS Holdings Limited	Cayman Islands	98,980,000	0.78%	29,722,944	22,765,400	(6,957,544)	6,251	—	15.28%
				97,803,230	46,812,600	(50,990,630)			
At 31 December 2015									
Newtree Group Holdings Limited	Cayman Islands	8,200,000	0.91%	29,340,340	21,402,000	(7,938,340)	5,496	—	7.37%
Tech Pro Technology Development Limited	Cayman Islands	16,704,000	0.26%	23,754,444	29,566,080	5,811,636	2,820	—	10.19%
				53,094,784	50,968,080	(2,126,704)			

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (*continued*)

A brief description of the business and financial information of the listed investee companies are extracted from their latest published annual reports is as follows:

Notes:

- (a) As at 31 December 2016, the Group held listed equity securities, being 5,168,000 shares or 0.22% equity interest in the Newtree Group Holdings Limited (“Newtree”), for a consideration of HK\$1,494,463 and which is principally engaged in manufacturing and trading of clinical and household hygienic disposables and trading of related raw materials, trading of coal products, wholesale and retail of household consumables, sales and distribution of jewelries and watches, design and development of three-dimensional animations, augmented reality technology application and e-learning web application and provision of educational technology solutions through online education programs and provision of English language proficiency tests.

For the year ended 31 March 2016, the audited consolidated loss from ordinary activities attributable to owners of Newtree was approximately HK\$300,941,000 and the basic loss per share was HK31.5 cents. At 31 March 2016, its audited consolidated net assets value attributable to owners of Newtree was approximately HK\$315,574,000. No dividend was received during the year.

- (b) As at 31 December 2016, the Group held listed equity securities, being 16,700,000 shares or 0.24% equity interest in the Tech Pro Technology Development Limited (“Tech Pro”), for a consideration of HK\$28,337,612 and which is principally engaged in the manufacturing and sales of LED lighting products and LED lighting parts.

For the year ended 31 December 2016, the audited consolidated loss from ordinary activities attributable to owners of Tech Pro was approximately RMB271,747,000 (equivalent to approximately HK\$303,425,000) and the basic loss per share was RMB2.99 cents (equivalent to approximately HK3.58 cents). At 31 December 2016, its audited consolidated net assets value attributable to owners of Tech Pro was approximately RMB711,541,000 (equivalent to approximately HK\$794,485,000). No dividend was received during the year.

- (c) As at 31 December 2016, the Group held listed equity securities, being 30,360,000 shares or 1.53% equity interest in the Zhidao International (Holdings) Limited (“Zhidao”), for a consideration of HK\$38,248,211 and which is principally engaged in trading of aluminium products, supply of aluminium products in the construction projects and the operation of money lending business.

For the year ended 31 March 2016, the audited consolidated loss from ordinary activities attributable to owners of Zhidao was approximately HK\$73,673,000 and the basic loss per share was HK3.98 cents. At 31 March 2016, its audited consolidated net assets value attributable to owners of Zhidao was approximately HK\$459,515,000. No dividend was received during the year.

- (d) As at 31 December 2016, the Group held listed equity securities, being 98,980,000 shares or 0.78% equity interest in the WLS Holdings Limited (“WLS”), for a consideration of HK\$29,722,944 and which is principally engaged in provision of scaffolding and fitting out services, management contracting services, and other services for construction and buildings work, money lending business and securities investment business.

For the year ended 30 April 2016, the audited consolidated loss from ordinary activities attributable to owners of WLS was approximately HK\$18,197,000 and the basic loss per share was HK0.23 cents. At 30 April 2016, its audited consolidated net assets value attributable to owners of WLS was approximately HK\$801,365,000. No dividend was received during the year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 20. CASH AND CASH EQUIVALENTS

	2016 HK\$	2015 HK\$
Cash at bank and in hand	17,170,079	33,983,457

At the end of the reporting period, cash and cash equivalents comprised mainly cash on hand and in banks. Bank balances carry interest at market rates which range from 0.01% to 1% (2015: 0.01% to 1%) per annum.

Included in cash and cash equivalents in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the Group entities:

	2016	2015
USD	USD600	USD9,078
RMB	RMB25,174	RMB34,213

### 21. ACCRUALS AND OTHER PAYABLES

	2016 HK\$	2015 HK\$
Accruals	2,222,240	1,615,109
Other payables	432	964,370
	2,222,672	2,579,479

### 22. BORROWINGS

	Notes	2016 HK\$	2015 HK\$
Interest-bearing loan notes, unsecured	(a)	42,193,144	43,355,361
Interest-bearing bonds, unsecured	(b)	3,000,000	—
		45,193,144	43,355,361
Less: Amount classified as current liabilities		(3,000,000)	—
Amount classified as non-current liabilities		42,193,144	43,355,361

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 22. BORROWINGS (continued)

Notes:

(a) **Interest-bearing loan notes**

The Company issued unsecured interest bearing loan notes (the "Notes") to independent private investors through the placing agent in an aggregate principal amount of HK\$30,000,000 with effective date from 29 April 2015 and 30 April 2015 which are repayable on the dates falling 8 years from the dates of issue of the Notes, which are 28 April 2023 and 29 April 2023 and a principal amount of HK\$12,500,000 with effective date from 9 September 2015 which is repayable on the date falling 8 years from the date of issue of the Notes (the "Maturity Date"). The Company has the right at any time after the second year of the issue date of the Notes to the Maturity Date to redeem the whole or part of the outstanding Notes at the redemption amount with not less than 15 business days written notice, specifying the amount to be redeemed and the date of such redemption (the "Redemption Right"). But the noteholder has no right to require the Company to redeem the Notes before the Maturity Date.

The Notes carry interest at the fixed rate of 5% per annum payable semi-annually in arrears on 31 March and 30 September in each year ("Interest Payment Date"), provided that the first Interest Payment Date shall fall on 31 March 2016 and the final repayment of the interest shall be on the Maturity Date.

On initial recognition, the Directors consider that the principal amount of the Notes approximates its fair value.

The Redemption Right is regarded as embedded derivatives in the host contract. The Redemption Right is not recognised in the consolidated financial statements since the redemption is at the discretion of the Company and the Directors consider that the probability of exercise of the Redemption Right is remote. The Directors have assessed the fair values of the Redemption Right at initial recognition and at the end of the reporting period and consider that the fair values were insignificant. Accordingly, both fair values were not accounted for in the consolidated financial statements as at 31 December 2016 and 2015.

The Notes are measured at amortised cost, using the effective interest method. The effective interest rates of the Notes are ranged from 5.08% to 5.15%.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 22. BORROWINGS (continued)

Notes: (continued)

(a) **Interest-bearing loan notes** (continued)

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

	HK\$
Fair value of the Notes on initial recognition	42,500,000
Direct transaction cost	(366,130)
	42,133,870
Effective interest expenses	1,221,491
At 31 December 2015 and 1 January 2016	43,355,361
Effective interest expenses (Note 9)	2,164,184
Interest paid	(3,326,401)
At 31 December 2016	42,193,144

(b) **Interest-bearing bonds**

As at 31 December 2016, the Company had unsecured bonds with principal amount of HK\$3,000,000, bearing interest at 15% per annum and matured on 28 December 2017.

### 23. ADVANCE FROM A SHAREHOLDER

The advance from a shareholder of the Company is unsecured, interest-free and have no fixed term of repayment. In the opinion of the Directors, the Company will not settle the outstanding balance within one year after the end of reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 24. SHARE CAPITAL

	Number of ordinary share of HK\$0.05 each	Nominal value HK\$
Authorised:		
<b>At 1 January 2015, 31 December 2015 and 31 December 2016</b>	<b>4,000,000,000</b>	<b>200,000,000</b>
Issued and fully paid:		
<b>At 1 January 2015</b>	<b>765,120,000</b>	<b>38,256,000</b>
<b>Issue of shares under placement of shares (Note a)</b>	<b>336,000,000</b>	<b>16,800,000</b>
<b>Exercise of share options (Note b)</b>	<b>5,900,000</b>	<b>295,000</b>
<b>At 31 December 2015 and 31 December 2016</b>	<b>1,107,020,000</b>	<b>55,351,000</b>

Note a:

On 28 May 2015, 153,000,000 shares were issued by the Company as a result of a placing agreement dated 7 May 2015. Shares were issued at a price of HK\$0.465 giving the gross proceeds of approximate HK\$71,145,000.

On 8 September 2015, 183,000,000 shares were issued by the Company as a result of a placing agreement dated 14 August 2015. Shares were issued at a price of HK\$0.4 giving the gross proceeds of approximate HK\$73,200,000.

Note b:

On 7 July 2015, 5,900,000 share options were exercised at the subscription price of HK\$0.74, and total of 5,900,000 shares were issued with an aggregate nominal value of HK\$295,000.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 25. RESERVES

#### The Company

	Share premium HK\$	Share options reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2015	197,332,138		(101,650,221)	95,681,917
Loss and total comprehensive expenses for the year	—	—	(70,595,572)	(70,595,572)
Recognition of equity-settled share-based payments	—	11,859,000	—	11,859,000
Issuance of shares upon share placing	127,545,000	—	—	127,545,000
Exercise of share options	4,071,000	(858,432)	—	3,212,568
Share options lapsed	—	(8,700,305)	8,700,305	—
Share issue expenses	(2,404,743)	—	—	(2,404,743)
At 31 December 2015 and at 1 January 2016	326,543,395	2,300,263	(163,545,488)	165,298,170
Loss and total comprehensive expenses for the year	—	—	(166,844,397)	(166,844,397)
Recognition of equity-settled share-based payments	—	18,591,000	—	18,591,000
Share options lapsed	—	(1,758,654)	1,758,654	—
<b>At 31 December 2016</b>	<b>326,543,395</b>	<b>19,132,609</b>	<b>(328,631,231)</b>	<b>17,044,773</b>

### 26. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 June 2011. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 332,106,000, representing 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 on the acceptance. Options may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board of Directors to each grantee but must not be exercised after the expiry of ten years from the date of grant of the option. There is no minimum period for which an option must be held or a performance target that must be achieved before an option can be exercised specified in the terms of the Scheme. However, the Board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer of the option which must be a business day, (ii) the average of the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the option and (iii) the nominal value of the Share on the date of offer of the option.

The Scheme will remain in force for a period of 10 years commencing on 27 June 2011.

For the year ended 31 December 2016, the Company granted of 68,610,160 share options with an exercise price of HK\$0.82 per share under the Share Option Scheme. For the year ended 31 December 2015, the Company granted 76,512,000 share options with an exercise price of HK\$0.74 per share under the Share Option Scheme.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 26. SHARE OPTION SCHEME (continued)

The following table disclosed details of the Company's options under the Scheme held by directors, employees and other participants and the movements during the year ended 31 December 2016.

Grantee	Date of grant	Exercise price HK\$	Exercisable period up to	At 1 January 2016	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2016
<i>Executive Directors</i>									
Luk Hong Man, Hammond	17/6/2015	0.74	16/6/2025	765,120	—	—	—	—	765,120
	15/11/2016	0.82	15/11/2026	—	10,305,080	—	—	—	10,305,080
Zhang Xi	17/6/2015	0.74	16/6/2025	765,120	—	—	—	—	765,120
	15/11/2016	0.82	15/11/2026	—	10,305,080	—	—	—	10,305,080
Ye Yinggang	17/6/2015	0.74	16/6/2025	765,120	—	—	—	(765,120)	—
<i>Non-executive Directors</i>									
Sui Guangyi	15/11/2016	0.82	15/11/2026	—	1,100,000	—	—	—	1,100,000
Leung Ka Fai	15/11/2016	0.82	15/11/2026	—	9,800,000	—	—	—	9,800,000
Wang Mengtao	15/11/2016	0.82	15/11/2026	—	9,800,000	—	—	—	9,800,000
<i>Independent non-executive Directors</i>									
Wong Chung Kin, Quentin	17/6/2015	0.74	16/6/2025	765,120	—	—	—	(765,120)	—
Leung Po Hon	17/6/2015	0.74	16/6/2025	765,120	—	—	—	(765,120)	—
Jing Siyuan	15/11/2016	0.82	15/11/2026	—	1,100,000	—	—	—	1,100,000
Zhang Aimin	15/11/2016	0.82	15/11/2026	—	1,100,000	—	—	—	1,100,000
Zhang Qiang	15/11/2016	0.82	15/11/2026	—	1,100,000	—	—	—	1,100,000
Subtotal				3,825,600	44,610,160	—	—	(2,295,360)	46,140,400
Employees and other participants	17/6/2015	0.74	16/6/2025	8,416,320	—	—	—	(7,651,200)	765,120
	15/11/2016	0.82	15/11/2026	—	24,000,000	—	—	—	24,000,000
Total				12,241,920	68,610,160	—	—	(9,946,560)	70,905,520

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 26. SHARE OPTION SCHEME (continued)

The following table disclosed details of the Company's options under the Scheme held by directors, employees and other participants and the movements during the year ended 31 December 2015.

Grantee	Date of grant	Exercise price HK\$	Exercisable period up to	At 1 January 2015	Granted during the year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2015
<i>Executive Directors</i>									
Luk Hong Man, Hammond	17/6/2015	0.74	16/6/2025	—	765,120	—	—	—	765,120
Zhang Xi	17/6/2015	0.74	16/6/2025	—	765,120	—	—	—	765,120
Ye Yinggang	17/6/2015	0.74	16/6/2025	—	765,120	—	—	—	765,120
<i>Independent non-executive Directors</i>									
Wong Chung Kin, Quentin	17/6/2015	0.74	16/6/2025	—	765,120	—	—	—	765,120
Tsang Kwok Wa, Edward	17/6/2015	0.74	16/6/2025	—	765,120	—	—	(765,120)	—
Leung Po Hon	17/6/2015	0.74	16/6/2025	—	765,120	—	—	—	765,120
<i>Associate</i>									
Yao Aiyun	17/6/2015	0.74	16/6/2025	—	765,120	—	—	(765,120)	—
Subtotal				—	5,355,840	—	—	(1,530,240)	3,825,600
Employees and other participants	17/6/2015	0.74	16/6/2025	—	71,156,160	(5,900,000)	—	(56,839,840)	8,416,320
Total				—	76,512,000	(5,900,000)	—	(58,370,080)	12,241,920

The share option is vested immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

For the year ended 31 December 2016, no share options had been exercised, 9,946,560 share options had lapsed and no options had expired under the Scheme.

For the year ended 31 December 2015, 5,900,000 share options had been exercised, 58,370,080 share options had lapsed and no options had expired under the Scheme.

The fair value of the total options granted in the year measured on 15 November 2016 and determined using Binomial Option Pricing Model was HK\$18,591,000. The significant inputs into the model were share price of HK\$0.77 at the grant date, an exercise price shown above, an expected volatility of 85%, no dividend yield, an expected option life of ten years and an annual risk free interest rate of 1.52%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last ten years.

The fair value of the total options granted in the year measured on 17 June 2015 determined using Binomial Option Pricing Model was HK\$11,859,000. The significant inputs into the model were share price of HK\$0.71 at the grant date, an exercise price shown above, an expected volatility of 77.12%, no dividend yield, an expected option life of ten years and an annual risk free interest rate of 1.77%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last ten years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 27. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme ("MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a maximum contribution of HK\$1,500 per month with effect from 1 June 2014.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### 28. RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group had the following significant related party and connected transactions:

	Note	2016 HK\$	2015 HK\$
Investment management fee paid to Asia Investment Management Limited		—	1,064,695

#### Compensation of key management personnel

The remuneration of Directors during the year was as follows:

	2016 HK\$	2015 HK\$
Directors' fee	4,094,246	1,678,401
Other emoluments and other benefits	3,271,253	2,748,154
Discretionary bonuses	—	7,542,551
Retirement benefits scheme contributions	65,161	36,000
Equity-settled share-based payments	12,949,000	1,290,858
	<b>20,379,660</b>	<b>13,295,964</b>

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

During the year 2015, the Group disposed of its 100% equity interest in Serene Goodwill Limited together with its subsidiaries to a director of Serene Goodwill Limited for a consideration of HK\$330,000, resulting in a loss on disposal of HK\$198.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 29. OPERATING LEASES COMMITMENTS

#### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	2016 HK\$	2015 HK\$
Within one year	11,604,047	5,883,984
In the second to fifth year inclusive	14,520,692	8,555,976
	<b>26,124,739</b>	<b>14,439,960</b>

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

### 30. CAPITAL COMMITMENTS

	2016 HK\$	2015 HK\$
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	7,207,795	—

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

The Group acquired the entire interests in Foundation Tide Limited (“Foundation Tide”) and Karlingford Dyeing & Finishing Limited (“Karlingford”). The acquisitions were completed on 19 February 2016 and 9 May 2016 respectively.

Foundation Tide and Karlingford are principally engaged in holding of cross-boundary vehicle licenses classified as intangible assets at entity level for own use.

In the opinion of the director, the acquisitions are in substance an acquisition of intangible assets, instead of acquisitions of business and therefore are excluded from the scope of HKFRS 3 “Business Combination”. Therefore, the acquisitions were not disclosed as a business combination in accordance with the requirements of HKFRS 3.

The assets acquired through these transactions are as follow:

	HK\$
Intangible assets	3,612,279
Total consideration satisfied by cash	3,612,279
Net cash outflows arising from acquisitions: Cash consideration paid	3,612,279

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 32. NET GAIN (LOSS) ON DISPOSALS OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES

During the year 2016, the Group disposed of its 100% equity interest in Assets Bloom Limited together with its subsidiaries, Best Keen International Limited together with its subsidiary, Big Star Ventures Limited together with its subsidiaries, and Victory Pride Limited with its subsidiary to the independent third parties for an aggregate consideration of HK\$1,080, resulting in a gain on disposal of HK\$225,905.

The aggregate net liabilities of the subsidiaries at the date of disposal were as follow:

	HK\$
Motor vehicles	574,395
Other receivables	780
Deposit received	(800,000)
Net liabilities disposed of:	(224,825)
Total consideration	(1,080)
Net gain on disposals	(225,905)

An analysis of net inflows of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

Net cash inflows arising on disposal:	
Cash consideration received	1,080
Cash and cash equivalents disposed of	—
	1,080

During the year ended 31 December 2016, the Group deregistered three dormant subsidiaries, Art Cheer Limited, Mighty Leader Limited and Sun Speed Limited, all were incorporated in Vanuatu. There was no gain or loss arising from the deregistration.

During the year 2015, the Group disposed of its 100% equity interest in Attractive Bright Limited together with its subsidiaries, Auspicious Grace Limited together with its subsidiaries, Blazing Source Limited together with its subsidiary, Hero Linker Investment Limited with its subsidiary and Happy Amigo Limited with its subsidiaries to independent third parties for an aggregate consideration of HK\$8,031,972, resulting in a loss on disposal of subsidiaries of HK\$317,077. The Group also disposed of its 100% equity interest in Serene Goodwill Limited together with its subsidiaries to a director of Serene Goodwill Limited for a consideration of HK\$330,000, resulting in a loss on disposal of HK\$198.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 32. NET GAIN (LOSS) ON DISPOSALS OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES (continued)

The aggregate net assets of the subsidiaries at the date of disposal were as follow:

	HK\$
Motor vehicles	3,049,759
Other receivables	15
Cash and cash equivalents	5,629,473
Net assets disposed of:	8,679,247
Total consideration	(8,361,972)
Net loss on disposals	317,275

An analysis of net inflows of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

Net cash inflows arising on disposal:	
Cash consideration received	8,361,972
Cash and cash equivalents disposed of	(5,629,473)
	2,732,499

### 33. LITIGATIONS

On 29 March 2016, a generally-endorsed writ of summons (the "Writ") was issued by Ms. Yang Yan as the plaintiff ("Plaintiff") against the Company and Grand Dragon Investment Development Limited ("Grand Dragon"), a subsidiary of the Company, (collectively "Defendants") in the High Court of the Hong Kong under High Court Action 796 of 2016. The claim against each of the Defendants is for the forfeiture of deposit for HK\$10,000,000 paid by the Defendants in relation to the Defendants' failure to commence the process of due diligence work of the target company, despite repeated requests, and wrongfully repudiating the agreement.

Service of the Writ of Summons and the Statement of Claim took place respectively in May 2016 and August 2016. The outcome of the hearing in March 2017 of an application by the Company and Grand Dragon that the Writ of Summons and the Statement of Claim be struck out purely on the ground that the claims disclosed no reasonable cause of action based on the plaintiff's pleaded claim was unsuccessful. Notwithstanding this, the Company and Grand Dragon will continue to strenuously contest the above legal proceedings and proceed with other procedural steps which may ultimately lead to a trial of the action.

On the other hand, Grand Dragon as the plaintiff had initiated a claim under the Writ of Summons together with a Statement of Claim dated 12 October 2016 against Ms. Yang as defendant under High Court Action 2654 of 2016 for the return of the HK\$10 million paid to Ms. Yang. Grand Dragon as the plaintiff will continue to pursue this claim.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

#### Interests in subsidiaries

	2016 HK\$	2015 HK\$
Unlisted shares, at cost	4,980	7,020
Impairment loss recognised	—	—
	4,980	7,020
Amounts due from subsidiaries	155,833,027	187,801,488
Impairment loss recognised	(83,881,531)	(58,195,580)
	71,951,496	129,605,908
Amounts due to subsidiaries	(1,557,656)	(12,282,816)
Advances to subsidiaries	104,305,775	110,563,462
Impairment loss recognised	(53,575,162)	—
	50,730,613	110,563,462

Notes:

- (a) Advances to subsidiaries are unsecured and repayable on demand. Interest is charged on the outstanding balance at 5% per annum as quoted by the current Hong Kong Dollars Best Lending Rate from Hong Kong and Shanghai Banking Corporation Limited.
- (b) Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed term of repayment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

## 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2016	2015	2016	2015	
Flying Goddess Limited	British Virgin Islands	100 shares of US\$1 each	100%	100%	–	–	Investment holdings
Eternity Sky Limited	British Virgin Islands	100 shares of US\$1 each	–	–	100%	100%	Investment holdings
Final Destination Limited	British Virgin Islands	100 shares of US\$1 each	–	–	100%	100%	Investment holdings
Hong Kong Golden Day Investment Limited	Hong Kong	100 shares of HK\$100	–	–	100%	100%	Investment holdings
Hong Kong Toprich Investment Limited	Hong Kong	100 shares of HK\$100	–	–	100%	100%	Investment holdings
First Peak Investment Limited	Hong Kong	100 shares of HK\$100	–	–	100%	–	Investment holdings
Ace Provision Limited	Republic of Vanuatu	100 shares of US\$1 each	100%	100%	–	–	Investment holdings
Valid Host Limited	Hong Kong	100 shares of HK\$100	–	–	100%	100%	Securities investments
Ace Innovator Limited	Republic of Vanuatu	100 shares of US\$1 each	100%	100%	–	–	Investment holdings
Grand Dragon Investment Development Limited	Republic of Seychelles	100 shares of US\$1 each	–	–	100%	100%	Investment holdings
Radiant Top Limited	Republic of Seychelles	100 shares of US\$1 each	–	–	100%	100%	Investment holdings
深圳華創金盛投資諮詢有限公司	PRC	(Note a)	–	–	100%	100%	Inactive
Kingdom Stage Limited	Republic of Seychelles	100 shares of US\$1 each	–	–	100%	100%	Investment holdings
Globe Golden Rich Limited	Hong Kong	100 shares of HK\$100	–	–	100%	100%	Investment holdings
深富盛創(深圳)貿易有限公司	PRC	(Note a)	–	–	100%	100%	Inactive
Enrich Bloom Limited	Republic of Seychelles	100 shares of US\$1 each	–	–	100%	100%	Investment holdings
Golden Trend China Limited	Hong Kong	100 shares of HK\$100	–	–	100%	100%	Investment holdings
金創中海(深圳)供應鏈管理 有限公司	PRC	(Note a)	–	–	100%	100%	Inactive
Super Star Investment Holdings Limited	Republic of Seychelles	100 shares of US\$1 each	100%	–	–	–	Investment holdings

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/registered capital	Proportion ownership interest and voting power held by the Company				Principal activity
			Directly		Indirectly		
			2016	2015	2016	2015	
Superb Champion Limited	Republic of Seychelles	100 shares of US\$1 each	–	–	100%	100%	Investment holdings
Field On Limited	Hong Kong	100 shares of HK\$100	–	–	100%	100%	Inactive
Profit Winner Investment Holdings Limited	Republic of Seychelles	100 shares of US\$1 each	–	–	100%	100%	Investment holdings
Ultra Brave Company Limited	Republic of Vanuatu	100 shares of US\$1 each	–	–	100%	100%	Investment in debt instrument
Beautiful Smile Holdings Limited	Republic of Vanuatu	100 shares of US\$1 each	–	–	100%	100%	Investment in debt instrument
Growth Achieved Limited	Republic of Seychelles	100 shares of US\$1 each	–	–	100%	100%	Investment holdings
China Investment International Financial Holdings Limited	Hong Kong	1 share of HK\$1	–	–	100%	–	Investment holdings
China Investment Fund International Financial Group Limited	Hong Kong	100 shares of HK\$100	100%	–	–	–	Investment holdings
Deluxe Century Limited	Republic of Seychelles	100 shares of US\$1 each	100%	–	–	–	Investment holdings
Good Charm Inc Limited	Hong Kong	100 shares of HK\$100	–	–	100%	–	Holding of a motor vehicle
Foundation Tide Limited	Hong Kong	10,000 shares of HK\$10,000	–	–	100%	–	Holding of a cross- boundary vehicle license
Mass Bridge Limited	Republic of Seychelles	100 shares of US\$1 each	100%	–	–	–	Investment holdings
Well Shine Inc Limited	Hong Kong	100 shares of HK\$100	–	–	100%	–	Holding of a motor vehicle
Karlingford Dyeing & Finishing Limited	Hong Kong	500,000 shares of HK\$500,000	–	–	100%	–	Holding of a cross- boundary vehicle license

Note a: The Companies have not fully paid its capital as at 31 December 2016 and 2015.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2016 HK\$	2015 HK\$
<b>Non-current assets</b>		
Investments in subsidiaries (Note 34)	4,980	7,020
Property, plant and equipment	832,762	914,808
Rental deposits	4,655,471	1,610,071
	5,493,213	2,531,899
<b>Current assets</b>		
Prepayments, deposits and other receivables	15,853,431	10,946,824
Advances to subsidiaries (Note 34)	50,730,613	110,563,462
Amounts due from subsidiaries (Note 34)	71,951,496	129,605,908
Cash and cash equivalents	16,093,316	24,698,254
	154,628,856	275,814,448
<b>Current liabilities</b>		
Accrual and other payables	14,656,877	2,059,000
Amounts due to subsidiaries (Note 34)	1,557,656	12,282,816
Borrowings (Note 22)	3,000,000	—
	19,214,533	14,341,816
<b>Net current assets</b>	135,414,323	261,472,632
<b>Total assets less current liabilities</b>	140,907,536	264,004,531
<b>Non-current liabilities</b>		
Borrowings (Note 22)	42,193,144	43,355,361
Advance from a shareholder (Note 23)	26,318,619	—
	68,511,763	43,355,361
<b>Net assets</b>	72,395,773	220,649,170
<b>Capital and reserves</b>		
Share capital (Note 24)	55,351,000	55,351,000
Reserves (Note 25)	17,044,773	165,298,170
<b>Total equity</b>	72,395,773	220,649,170

Luk Hong Man, Hammond  
Director

Zhang Xi  
Director

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 36. COMPARATIVE FIGURES

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

# Five Years Financial Summary

	For the year ended 31 December				
	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$
<b>Results</b>					
Revenue	572,162	840,901	899,371	1,718,126	1,191,439
Loss before tax	(123,448,276)	(92,697,731)	(35,599,436)	(19,998,068)	(20,937,188)
Income tax expense	—	—	—	—	—
Loss for the year attributable to owners of the Company	(123,448,276)	(92,697,731)	(35,599,436)	(19,998,068)	(20,937,188)
<b>Assets and Liabilities</b>					
Total assets	149,032,730	290,251,843	138,204,149	189,283,533	188,663,145
Total liabilities	(73,734,435)	(45,934,840)	(796,074)	(1,840,000)	(843,545)
Total assets less total liabilities	75,298,295	244,317,003	137,408,075	187,443,533	187,819,600
Share capital	55,351,000	55,351,000	38,256,000	38,256,000	38,256,000
Reserves	19,947,295	188,966,003	99,152,075	149,187,533	149,563,600
Equity attributable to owners of the Company	75,298,295	244,317,003	137,408,075	187,443,533	187,819,600
<b>Loss per share</b>					
— Basic and diluted (HK cents)	(11.15)	(10.12)	(4.65)	(2.61)	(2.74)