新融宇集團(控股)有限公司
Infinity Financial Group (Holdings) Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 1152

2016 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Yu Xueming *(Chairman)*
Mr. Yu Chuanfu *(Chief Executive Officer)*
Mr. Sit Yau Chiu
Mr. Zheng Qiang
Mr. Ng Hoi (appointed on 3 November 2016)
Mr. Han Hanting (resigned on 3 May 2016)

Non-executive director

Mr. Chan Yee, Herman

Independent non-executive directors

Mr. Wang Wei Hung, Andrew
Mr. Sin Ka Man
Mr. Zhao Li Xin
Mr. Ho Man (appointed on 3 November 2016)
Mr. Yeh Tung Ming (appointed on 3 November 2016)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2407, 24/F,
China Resources Building,
26 Harbour Road,
Wan Chai
Hong Kong

COMPANY SECRETARY

Mr. Chan King Keung

AUTHORISED REPRESENTATIVES

Mr. Zheng Qiang
Mr. Chan King Keung

LEGAL ADVISERS

As to Hong Kong law
Jun He Law Offices
Suite 3701–10, 37/F, Jardine House
1 Connaught Place, Central
Hong Kong

BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

MEMBERS OF THE AUDIT COMMITTEE

Mr. Sin Ka Man *(Chairman)*
Mr. Wang Wei Hung, Andrew
Mr. Zhao Li Xin
Mr. Ho Man
Mr. Yeh Tung Ming

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Zhao Li Xin *(Chairman)*
Mr. Yu Chuanfu
Mr. Wang Wei Hung, Andrew
Mr. Sin Ka Man
Mr. Ho Man
Mr. Yeh Tung Ming

MEMBERS OF THE NOMINATION COMMITTEE

Mr. Wang Wei Hung, Andrew *(Chairman)*
Mr. Zhao Li Xin
Mr. Sin Ka Man
Mr. Ho Man
Mr. Yeh Tung Ming

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

China Citic Bank International Limited
80/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Dah Sing Bank Limited
33/F Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

AUDITOR

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

COMPANY'S WEBSITE

www.1152.com.hk

STOCK CODE

1152

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Infinity Financial Group (Holdings) Limited (the "Company", together with its subsidiaries, the "Group"), I am honored to update you on the Group's position, performance, prospect and present the annual results of the Group for the year ended 31 December 2016.

Following a referendum held on 23 June 2016, the UK government intends to invoke Article 50 of the Treaty on European Union (the formal procedure for withdrawing) in 2017. This, within the treaty terms, would put the UK on a course to leave the EU by March 2019. Furthermore, Mr. Donald Trump elected the 45th president of United States of America. There may invoke a lot of fundamental uncertainty in near-term outlook, especially in the area of expectation to economic growth and also Federal Reserve policy. A faster pace of interest rate normalization was expected by the Market.

All of this has to do with increased optimism that there will be some fiscal stimulus in the near term and some type of deregulation, both of which will underpin growth. Since the president election on 8 November 2016, the benchmark 10-year Treasury has gone from a yield of 1.80 to 2.30 percent in a week. It has move higher with the US Dollar, which is up about 2.5 percent against a basket of currencies. The 30-year bond yield crossed the psychological 3 percent in the same period.

Looking forward, the Market expect the investment environment in the US and other advance economies will not be as stable as before. The US monetary and fiscal policies may have a dramatic change. Accelerating interest rate normalization may affect global investment atmosphere. In connection with the US foreign policy, Mr. Donald Trump may focus on the threat posted to the US by its trade relations with China. US may impose tariffs on various China products.

The gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services, the monetary policy in China, although remain loose in 2016, will expect to have changes in 2017 accordingly in respond to the above issues. The faster-than-expected slowdown in PRC imports and exports, in part reflecting weaker investment and manufacturing activities, together with the depreciation of RMB, arouse the market concerns about the future performance of the Chinese economy.

To cope with those future challenges in 2017, the Group will continue to provide professional financial and consultancy services to our esteem customers, to assist them to innovate their system, to strengthen their production capacity and enhance their corporate development, to develop innovative financial services in different industries; whereas the Group will play a more cautious and conservative role on strengthening the Group's internal controls on asset and risk management, in order to protect the quality of assets as a whole; finally the Group will match our strengths with market demand, capture the right growth opportunities while guarding the Group against economic headwinds.

On behalf of the Board, I would like to extend my appreciation to the management and staff for their dedication, contribution and hard work. I wish to also express my gratitude to the business partners and shareholders of the Group for their unequivocal support and confidence in the Group.

Yu Xueming
Chairman

28 March 2017

Management Discussion and Analysis

FINANCIAL PERFORMANCE AND BUSINESS REVIEW

Principal Businesses

The Group is principally engaged in finance leasing business, leasing business and import and export of metals and equipment (trading business).

The Group operates its principal businesses through its wholly foreign owned enterprise ("WFOE") establishment in the PRC, namely Shanxi Sino Top Leasing Company Limited* (山西華威融資租賃有限公司).

For the year ended 31 December 2016, the principal businesses recorded a revenue of approximately HK$61,742,000, showing an decrease of 40.2% in revenue of approximately HK$103,171,000 from previous year in 2015.

Gross profit of the principal businesses for the year ended 31 December 2016 decreased by approximately 30.7% from approximately HK$16,310,000 in the previous year to HK$11,306,000 in 2016. The gross profit margin increased from 15.8% in 2015 to 18.3% in 2016.

The Group considers the finance lease industry in the PRC is prosperous and still has a great opportunity for business development. However, owing to the slower economic growth in the market, the management takes cautious and conservative risk management point of view to assess its customer profile.

FINANCIAL POSITION AND LIQUIDITY

As at 31 December 2016, the Group recorded total assets of approximately HK$277,914,000, which were financed by internal resources of approximately HK$97,782,000 and liabilities of approximately HK$180,132,000. The Group had total cash and bank balances of approximately HK$153,806,000. The current ratio (current assets divided by current liabilities) of the Group decreased from 5.1 times as at 31 December 2015 to 1.3 times as at 31 December 2016.

CONTINGENT LIABILITIES

As at 31 December 2016, our Group had no significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

In respect of the finance lease business, the Group's receipts, payments and operating expenses are all transacted in RMB, in which the Group expects the currency risks would be insignificant.

The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arises.

ENVIRONMENT PROTECTION AND LEGAL COMPLIANCE

The Company is committed to protecting the environment where it operates and ensuring that it complies with the environmental protection standards applicable to the Group and its business operation from time to time.

During the year and to the best of our Directors' knowledge, the Group had obtained the required permits and environmental approvals for its business, and had complied with such laws, rules and regulations that have a significant impact on the Group, its business and operations.

Please refer to the Environmental, Social and Governance Report contained in the Annual Report for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016, the Group has a workforce of approximately 35 employees in Hong Kong and the PRC, including five executive Directors, one non-executive Director and five independent non-executive Directors.

Remuneration policies of the Group are determined with reference to performance, qualification and experience of the staff as well as the operating results of the Group and the current market condition with salaries and wages being reviewed on an annual basis. The Group also provides discretionary bonus, medical insurance, social security and provident fund to the staff of the Group. Pursuant to the written resolution of the Shareholders on 11 October 2011, the Company has adopted a share option scheme (the "Scheme") for the purpose of motivating eligible participants. For the year ended 31 December 2016, no share options were granted by the Company since the adoption of the Scheme.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group is in the formation of a joint venture to initially focus on providing online financial credit information and trading platform, and will also develop the financial technology which utilizes a series of innovative technologies including big data, cloud computing and artificial intelligence, and will target to engage in businesses including online payment, online finance leasing, intelligent financial management services and block chain technology, subject to be engaged only after obtaining the relevant registration and approvals. Details of investment in joint venture is disclosed in note 15 to the financial statements.

Except for investment in joint venture, the Group do not have any plans for material investments and capital assets.

SIGNIFICANT INVESTMENT HELD

Except for investment in subsidiaries, the Group did not hold significant investment for the year ended 31 December 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the year ended 31 December 2016, the Group did not have any material acquisition and disposals of subsidiaries and affiliated companies.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year, there was no material and significant dispute between our Group and its business partners or bank enterprises.

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Exchange Rates Risk

As our Group's assets and liabilities were mainly denominated in Hong Kong Dollars, U.S. Dollars and RMB, in view of the potential RMB exchange rate fluctuations, our Group will continue to closely monitor the exposure and take any actions when appropriate.

Interest Rate Risk

For interest-sensitive products and investments, our Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

Liquidity Risk

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process.

Proper authorization system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of our Group would be submitted to the Board.

Manpower and Retention Risk

Our Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of our Group. Our Group will provide attractive remuneration package to suitable candidates and personnel.

OUTLOOK

Global Economy

Following a referendum held on 23 June 2016, the UK government intends to invoke Article 50 of the Treaty on European Union (the formal procedure for withdrawing) in 2017. This, within the treaty terms, would put the UK on a course to leave the EU by March 2019. Furthermore, Mr. Donald Trump elected the 45th president of United States of America. There may invoke a lot of fundamental uncertainty in near-term outlook, especially in the area of expectation to economic growth and also Federal Reserve policy. A faster pace of interest rate normalization was expected by the Market.

All of this has to do with increased optimism that there will be some fiscal stimulus in the near term and some type of deregulation, both of which will underpin growth. Since the president election on 8 November 2016, the benchmark 10- year Treasury has gone from a yield of 1.80 to 2.30 percent in a week. It has move higher with the US Dollar, which is up about 2.5 percent against a basket of currencies. The 30-year bond yield crossed the psychological 3 percent in the same period.

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China Economy

The gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services, the monetary policy in China, although remain loose in 2016, will expect to have changes in 2017 accordingly in respond to the above issues. The faster-than-expected slowdown in the PRC imports and exports, in part reflecting weaker investment and manufacturing activities, together with the depreciation of RMB, arouse the market concerns about the future performance of the Chinese economy.

Financial Services Industry

China's financial services industry had experienced relative rapid growth in past years. Looking forward to the year of 2017, the market expects that the growth of financial services industry will not slow down as the Government of China have concrete plan to maintain the growth of China's GDP.

Company Tactics

Although it is anticipated that the global and the China economies are facing challenges and uncertainties in 2017, however, in light of the various supporting strategies of the Government of China with the China economy, the management still have strong confidence that the finance industry will keep on prosperous with reasonable growth yearly.

To cope with those future challenges and uncertainties in 2017, the Group will continue to provide professional financial and consultancy services to our esteem customers, to assist them to innovate their system, to strengthen their production capacity and enhance their corporate development, to develop innovative financial services in different industries; whereas the Group will play a more cautious and conservative role on strengthening the Group's internal controls on asset and risk management, in order to protect the quality of assets as a whole; finally the Group will match our strengths with market demand, capture the right growth opportunities while guarding the Group against economic headwinds.

Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Xueming ("Mr. Yu XM"), aged 43, was appointed as executive Director and Chairman of the Board on 4 June 2014. Mr. Yu XM is primarily responsible for the overall strategic planning of the Group. He possesses the title of senior engineer in China and has about 20 years of experience in construction, real estate development, coal mining and investment industries. He served as the manager of Shanxi branch of Fujian Gaohua Construction Engineering Co., Ltd.* (福建省高華建設工程有限公司山西分公司) from 1995 to 2008, the chairman of Jiexiu City Wangyuan Coal Industry Co. Ltd.* (介休市旺源煤業有限公司) from 2008 to 2012, and has been the chairman of Shanxi Xierun Investment Co. Ltd.* (山西協潤投資有限公司) and Xiaoyi City Tiankai Real Estate Development Co. Ltd.* (孝義市天凱房地產開發有限公司) since 2008. Mr. Yu XM obtained a bachelor degree from Huaqiao University in China, majoring in Civil Engineering, in July 1997.

Mr. Yu Chuanfu ("Mr. Yu CF"), aged 45, was appointed as an executive Director and Chief Executive Officer on 4 June 2014. Mr. Yu CF is primarily responsible for the overall strategic planning and business development of the Group. He has over 20 years of experience in different industries such as coal mining, logistic and investment industries. He served as the deputy general manager of Guangzhou Longtian Logistic Co. Ltd.* (廣州龍田物流有限公司) from 2002 to 2008, and the general manager of Lan County Gaogupo Coal Mining Co. Ltd.* (嵐縣高家坡煤礦有限公司) from 2008 to 2011. He has been the general manager of Lan County Jinqiao Investment Co. Ltd.* (嵐縣金橋投資有限公司) since 2010.

Mr. Sit Yau Chiu ("Mr. Sit"), aged 52, was appointed executive Director on 4 June 2014. Mr. Sit has over 30 years of investment and business development experience in different industries such as trading and sales of internationally renowned brands (including the business of duty free shops), catering, information, real estate and chemical engineering industries. He devoted to expand the markets of international famous brands such as Japanese cosmetic and watches in the 80s. With the expansion of business into the areas of international famous brands covering handbags, leather products and jewellery, he established Top Pride International Limited in Hong Kong in 1997, Top Win International Trading Limited in 2001, Ho Hon Brothers Holdings Limited in 2005, Beijing Ho Hon Brothers Holdings Limited* (北京浩瀚兄弟集團有限公司) and Top One International Holdings Limited subsequently. Currently, he is the chairman and president of the group with business footprints in Beijing, Shanghai, Nanjing, Guangzhou, Suzhou, Qingdao, Hangzhou and Fuzhou in China. Mr. Sit is the director of Top Star Group Holdings Limited, a substantial shareholding of the Company within the meaning of Part XV of the SFO.

Mr. Zheng Qiang ("Mr. Zheng"), aged 37, was appointed executive Director on 16 May 2013. Mr. Zheng has over 10 years of experience in corporate management and business development. Mr. Zheng has been an executive director of Heilongjiang Province Heihe City Hua Fu Real Estate Development Company Limited (黑龍江省黑河市華富房地產開發有限責任公司) and Heilongjiang Province Heihe Hua Fu Mall Company Limited (黑龍江省黑河華富商城有限責任公司). Mr. Zheng is the director of Billion Mission Limited, a substantial shareholding of the Company within the meaning of Part XV of the SFO.

Mr. Ng Hoi ("Mr. Ng"), aged 43, has been appointed as a director of Wukan Kanda Real Estate Development Limited Company since November 2010. Mr. Ng has around 20 years of experience in areas including import and export trading, international investment and economics analysis and real estate investment planning. Since 1996, Mr. Ng has taken up different roles in various companies, including a director of a Beijing investment management company, a director of a Lanzhou real estate development company and the head of the investment department of a Fujian real estate company. Mr. Ng graduated from Xiamen University, specializing in international economics relationship and obtained a bachelor's degree in Economics in July 1996. Mr. Ng also obtained a Master of Business Administration from Tsinghua University School of Economics and Management in July 2010.

Non-executive Director

Mr. Chan Yee, Herman ("Mr. Chan"), aged 62, was appointed non-executive Director on 2 July 2013. Mr. Chan is currently a consultant of Y.T. Chan & Co., a firm of solicitors, and has more than 6 years of experience in the legal sector. He was admitted as Solicitor of the High Court in Hong Kong in May 2011. Prior to his legal career, he was a superintendent in the Hong Kong Police Force and had served the public for over 36 years. Mr. Chan obtained his bachelor of laws (LLB) degree from the University of London in 2003 and postgraduate certificate in laws from City University of Hong Kong in 2005.

Independent non-executive Directors

Mr. Wang Wei Hung, Andrew ("Mr. Wang"), aged 61, was appointed as independent non-executive Director on 11 October 2011. He was admitted as Solicitor of the High Court in Hong Kong in January 1982 and has over 30 years of experience in the legal practice. Mr. Wang was the General Manager and General Counsel of Bank of China (Hong Kong) Limited between 2003–2006 and the Head of Legal and Compliance Department of China Development Bank Corporation Hong Kong Branch between 2009–2010. Before joining China Development Bank Corporation Hong Kong, he was the Partner of the Finance & Projects Group (Asia) of DLA Piper Hong Kong solicitors between the period from 2006 to 2009. Mr. Wang is also a Notary Public since 1992. Actively involved in Public Sector Advisory and Statutory Bodies, amongst the appointments he is Chairman of Residential Care Homes (Elderly Persons) Appeal Board, Chairman of Appeal Tribunal Panel (Building), former member of Notaries Public Disciplinary Tribunal Panel. Mr. Wang is a Fellow of the Hong Kong Institute of Directors. He served Tung Wah Group of Hospitals for eight years and became its 5th Vice Chairman of the Board in 1992–1993. In 2005, he was invited by former President Bill Clinton to participate as a business leader at the Clinton Global Initiative held in New York 2005.

Mr. Sin Ka Man ("Mr. Sin"), aged 49, was appointed as independent non-executive Director on 11 October 2011. Mr. Sin has over 20 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He became an associate member of The Hong Kong Institute of Certified Public Accountants (the "HKICPA") (formerly known as Hong Kong Society of Accountants) in January 1996, a fellow member of the Association of Chartered Certified Accountants in July 1997 and a certified practising accountant of the CPA Australia in December 2000. Mr. Sin obtained his bachelor degree in Social Sciences from the University of Hong Kong in December 1989, master degree in Finance from the University of Strathclyde, the United Kingdom in November 1993 and a master degree in Accounting from Curtin University of Technology, Australia in June 1998.

Mr. Sin is currently the company secretary of Huayu Expressway Group Limited (Stock Code: 1823), a company listed on the main board of the Stock Exchange. Mr. Sin serves as an independent non-executive director of Chinese People Holdings Company Limited (Stock Code: 0681), Easy One Financial Group Limited (formerly known as PNG Resources Holdings Limited) (Stock Code: 0221) and Xtep International Holdings Limited (Stock Code: 1368), all of which are currently listed on the main board of the Stock Exchange.

Mr. Zhao Li Xin ("Mr. Zhao"), aged 49, was appointed independent non-executive Director on 31 December 2014. Mr. Zhao is currently the General Manager of Amston Investment Limited (常盛投資有限公司), an independent director of Zhong Hui Futures Co., Ltd.* (中輝期貨經紀有限公司), Gelin Dahua Futures Co., Ltd.* (格林大華期貨經紀有限公司), Shanxi Baiyuan Trousers Chain Management Co., Ltd. (山西百圓褲業連鎖經營股份有限公司) (stock code 002640.SZ) and Nafine Chemical Industry Group Co., Ltd (南風化工集團股份有限公司) (stock code 000737.SZ). Mr. Zhao has over 20 years of professional experience in securities, initial public offerings and related investments, convertible debts, issue and allotment of securities and corporate auditing including asset restructuring and internal auditing. Mr. Zhao is a holder of various professional qualifications including being a non-practising member of The Chinese Institute of Certified Public Accountants and qualified to deal in securities and futures related business. He is also a Certified Public Valuer of the People's Republic of China and a Registered Tax Agent of the People's Republic of China. Mr. Zhao was previously an independent director of Shanxi Lu'an Environmental Energy Development Co., Ltd. (山西潞安環能股份有限公司) (stock code 601699.SH) and Shanxi Tond Chemical Co., Ltd. (山西同德化工股份有限公司) (stock code 002360.SZ) in the last three years.

Mr. Ho Man ("Mr. Ho"), aged 48, is currently the managing director of an investment holding company. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu-based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong-based private fund management company during January 2010 to December 2013 and was a managing director and head of China growth and expansion capital of CLSA Capital Partners from August 1997 to October 2009. Mr. Ho was an independent non-executive director of SCUD Group Limited (SEHK stock code: 1399) and Shanghai Tonva Petrochemical Company Limited (SEHK stock code: 1103) from December 2006 to October 2009 and from September 2008 to October 2009, respectively. Mr. Ho has also been an independent non-executive director of Fantasia Holdings Group Company Limited (SEHK stock code: 1777), Fu Shou Yuan International Group Limited (SEHK stock code: 1448) and China Fire Safety Enterprise Group Limited (SEHK stock code: 0445) since October 2009, December 2013 and July 2015, respectively. In addition, he has served as an independent non-executive director of Shenzhen Forms Syntron Information Co. Ltd., which shares are listed on the ChiNext of Shenzhen Stock Exchange, since February 2012 and a director of Shenzhen Daxiang United Space Construction Ltd., a company listed on the National Equities Exchange and Quotations, since September 2015. Mr. Ho has over 18 years of working experience in private equity investment and finance. Mr. Ho was awarded an Executive Master of Business Administration degree from Tsinghua University and a master's degree in finance from the London Business School. He is also a Chartered Financial Analyst and a Certified Public Accountant.

Mr. Yeh Tung Ming ("Mr. Yeh"), aged 66, is currently a director of a company principally engaging in the business of elderly medical services, environmental protection investment planning and management. He was the general manager of a Shanghai company engaging in the production and sale of IT communication components business from 1999 to 2005. He was appointed as a director of Goldigit Atom-tech Holdings Limited (SEHK stock code: 2362) from 2001 to 2004. Mr. Yeh has over 40 years of experience in worldwide import and export trading and marketing management in the PRC market. Mr. Yeh graduated from the University of Chinese Culture with a bachelor of arts degree.

SENIOR MANAGEMENT

Mr. Chan King Keung ("Mr. Chan"), aged 52, was appointed Chief Financial Officer on 1 September 2014. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in Social Sciences in 1988, and is a fellow member of the Hong Kong Institute of Certified Public Accountants. After graduation, Mr. Chan worked with an international accounting firm in auditing and has held various senior positions with listed and private companies in Hong Kong and China. Mr. Chan has more than twenty years of experience in financial management, corporate finance and merger and acquisition.

Mr. Yu Jie, aged 52, was appointed General Manager of Shanxi Sino Top Leasing Company Limited in May 2014. Mr. Yu obtained his degree from Shanghai University of Finance and Economics majoring in Accounting and Finance in 1987. Having served in the Fujian Branch of Agricultural Bank of China, he was one of the early pioneers of financial professionals in the PRC and had extensive experiences and networks in the industry. Mr. Yu then started his own business in Australia with footprints in Australia and Indonesia, which demonstrated his excellent market development ability and corporate management skills. Mr. Yu was appointed as the Deputy General Manager of Shanghai Runjing Investment Co. Ltd., and General Manager of Evercredit Capital Investment Co. after he returned to China, and during his service period, Mr. Yu had successfully helped a number of enterprises to solve their financial problems by his professional knowledge and practical experiences in the finance industry.

Mr. Zhang Yifei, aged 52, joined Shanxi Sino Top Leasing Company Limited ("Shanxi Sino Top") and was appointed as the financial controller in October 2014. He graduated from the Shanghai University of Finance and Economics, majoring in accountancy. He worked for a large central enterprise, namely China Petrochemical Corporation, in the early years. He later served as the internal auditor of S.C. Johnson & Son, Inc. in the U.S. After that, he served as the customer credit manager of Owens Corning in the U.S. Prior to joining Shanxi Sino Top, he worked for the manufacturing company of Agfa-Gevaert N.V. (Belgium) in Wuxi, China as financial controller.

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 42 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2016 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 38 to 106 of the annual report.

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the sections headed "Chairman's Statement" and "Management Discussion & Analysis" on page 4 and pages 5 to 9 of this annual report.

FIVE YEAR FINANCIAL SUMMARY

The result, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are summarized on pages 107 to 108 of this report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any Shares during the year ended 31 December 2016.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 41 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company's reserves available for cash distribution and distribution in specie were HK$92,872,000. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK$190,049,000, are distributable in the form of fully paid bonus shares.

INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 December 2016.

MAJOR CUSTOMERS AND SUPPLIERS

Finance Service Business

In the year under review, the percentages of sales and purchases attributable to the finance lease major customers and suppliers were as follows:

(i) The aggregate amount of sales attributable to the Group's five largest customers represented 100% of the total sales of the segment for the year. The sales attributable to the Group's largest customer represented 82.5% of the Group's total sales for the year.

(ii) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 100% of the total purchases of the Group for the year. The purchases attributable to the Group's largest supplier represented 100% of the Group's total purchases for the year.

As far as the Directors are aware, neither the Directors, their close associates nor any shareholder (which to the knowledge of the Directors, own more than 5% of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers and suppliers.

The Group entered into three finance lease agreements during the year ended 31 December 2016 (2015: 1).

DIRECTORS

The Directors during the year ended 31 December 2016 were:

Executive directors

Mr. Yu Xueming *(Chairman)*
Mr. Yu Chuanfu *(Chief Executive Officer)*
Mr. Sit Yau Chiu
Mr. Zheng Qiang
Mr. Ng Hoi (appointed on 3 November 2016)
Mr. Han Hanting (resigned on 3 May 2016)

Non-executive director

Mr. Chan Yee, Herman

Independent non-executive directors

Mr. Wang Wei Hung, Andrew
Mr. Sin Ka Man
Mr. Zhao Li Xin
Mr. Ho Man (appointed on 3 November 2016)
Mr. Yeh Tung Ming (appointed on 3 November 2016)

In accordance with the Company’s bye-laws, all executive Directors and non-executive Director shall retire from office by rotation, and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with the Company’s bye-laws, all of them shall retire from office by rotation, and, being eligible, shall offer themselves for re-election at the Company’s annual general meeting.

DIRECTORS’ AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 13 of the annual report.

DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

Mr. Yu Xueming, Mr. Yu Chuanfu and Mr. Sit Yau Chiu have entered into a service agreement with the Company for a term of two years, commencing from 4 June 2014 with an annual remuneration of approximately HK$780,000, HK$756,000 and HK$600,000 respectively. Mr. Zheng Qiang has entered into a service agreement with the Company for an initial term of two years, commencing from 16 May 2013 with an annual remuneration of approximately HK$600,000. Either party has the right to give not less than three months' written notice to terminate the respective service agreement. In addition, each of these Directors will be entitled to a discretionary bonus to be calculated based on individual performance. Each of these Directors will also be reimbursed all reasonable out-of-pocket expenses properly recurred by him in the performance of his duties as a director.

Pursuant to the letter of appointment from the Company to the non-executive Directors dated 2 July 2013, the appointment of Mr. Chan Yee, Herman has been for an initial term of two years commencing from 2 July 2013 with a director's fee of HK$100,000 per annum. The director's fee has been increased to HK$200,000 per annum starting from 1 January 2015.

Pursuant to the renewed letters of appointment from the Company to each of the independent non-executive Directors dated 11 October 2013, the appointment of each of Mr. Wang Wei Hung Andrew and Mr. Sin Ka Man has been for a term of two years commencing from 11 October 2013 with a director's fee of HK$100,000 and HK$100,000 per annum respectively. The director's fee has been increased to HK$200,000 per annum starting from 1 January 2015.

Pursuant to the letter of appointment from the Company to the independent non-executive Directors dated 31 December 2014, the appointment of Mr. Zhao Li Xin has been for an initial term of two years commencing from 31 December 2014 with a director's fee of HK$200,000 per annum.

Pursuant to the letters of appointment from the Company to the independent non-executive Directors dated 3 November 2016, the appointment of Mr. Ho Man and Mr. Yeh Tung Ming has been for an initial term of one year commencing from 3 November 2016 with a director's fee of HK$200,000 per annum.

The Board has the general power of determining the Directors' remuneration, subject to the authorisation of the Shareholders given at the annual general meeting of the Company each year. The remuneration of the executive Directors is subject to the review of the Company's remuneration committee, and their remuneration is determined with reference to directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the independent non-executive Directors, their remuneration is determined by the Board, upon recommendation of the Company's remuneration committee, with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

Details of Directors' emoluments during the year are set out in note 12(a) to the financial statements.

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

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Except for those disclosed in section headed "Connected Transactions" below and note 38 to the financial statements, no contracts, transactions or arrangements of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted as at the end of the year or at any time during the year ended 31 December 2016.

At no time during the year ended 31 December 2016 was the Company, any of its holding companies or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to the written resolutions of all the shareholders passed on 11 October 2011. The Scheme operates for purpose of providing incentives and rewards to eligible participants who make contributions to the Group's operations and profitability. The Company and any of its associate do not grant/exercise any share option since the date of the Listing, 28 October 2011.

EQUITY-LINKED AGREEMENTS

Details of movements in the Company's convertible bonds, share capital and warrants during the year are set out in notes 25, 28 and 29 to the financial statements.

Save as disclosed above and the share option scheme of the Company as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Group, or existed during the year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors is currently in force and was in force throughout the financial year.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors of the company and its subsidiaries.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests and/or short positions of directors in the share, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

The Company:

Name of director	Capacity and nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital
Mr. Sit Yau Chiu	Interest of controlled corporation (Note 2)	208,000,000 (L)	21.18
Mr. Zheng Qiang	Interest of controlled corporation (Note 3)	208,000,000 (L)	21.18
Mr. Yu Xueming	Beneficial interest	9,830,000 (L)	1.00

Notes:

1. The letter "L" denotes a long position in the directors' interest in the share capital of the Company.

2. Mr. Sit Yau Chiu is the beneficial owner of 100% of the issued share capital of Top Star Group Holdings Limited and is deemed to be interested in the 208,000,000 Shares held by Top Star Group Holdings Limited under the SFO.

3. Mr. Zheng Qiang is the beneficial owner of 100% of the issued share capital of Billion Mission Limited and is deemed to be interested in the 208,000,000 Shares held by Billion Mission Limited under the SFO.

Save as disclosed above, as at 31 December 2016, to the best knowledge of the Directors, none of the Directors nor the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to 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 Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouses or minor children to acquire such rights in any other body corporate.

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

As at 31 December 2016, the interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position:

Name of Shareholders	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Percentage of the Company's issued share capital
Top Star Group Holdings Limited (Note 2)	Beneficial interest	208,000,000 (L)	21.18
Billion Mission Limited (Note 3)	Beneficial interest	208,000,000 (L)	21.18
Integrated Asset Management (Asia) Limited (Note 4)	Beneficial interest	85,210,000 (L)	8.68
Shanxi Coking Coal Electrical (Hong Kong) Company Limited (Note 5)	Beneficial interest	58,800,000 (L)	5.99
Mr. Ke Xin Hai	Beneficial interest	57,000,000 (L)	5.80

Notes:

1. The letter "L" denotes a long position in the Shareholder's interest in the share capital of the Company.

2. Mr. Sit Yau Chiu is the beneficial owner of 100% of the issued share capital of Top Star Group Holdings Limited and is deemed to be interested in the 208,000,000 Shares held by Top Star Group Holdings Limited under the SFO.

3. Mr. Zheng Qiang is the beneficial owner of 100% of the issued share capital of Billion Mission Limited and is deemed to be interested in the 208,000,000 Shares held by Billion Mission Limited under the SFO.

4. Mr. Yam Tak Cheung is the beneficial owner of 100% of the issued share capital of Integrated Asset Management (Asia) Limited and is deemed to be interested in the 85,210,000 Shares held by Integrated Asset Management (Asia) Limited under the SFO.

5. Shanxi Coking Coal Group Company Limited is the beneficial owner of 100% of the issued share capital of Shanxi Coking Coal Electrical (Hong Kong) Company Limited and is deemed to be interested in the 58,800,000 Shares held by Shanxi Coking Coal Electrical (Hong Kong) Company Limited under the SFO.

Save as disclosed above, as at 31 December 2016, no person, other than a Director, whose interests are set out under the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 report, the Company has maintained the prescribed amount of public float as required under the Listing Rules as all times up to the date of this report (being the latest practicable date prior to the issue of this report).

CORPORATE GOVERNANCE

Principal corporate governance practices of the Company and the Group are set out in the Corporate Governance Report of this Annual Report.

IMPORTANT EVENTS AFTER YEAR END

On 16 March 2017, Fornton Holdings Company Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of its entire equity interest in 東莞豐正針織有限公司, a wholly-owned subsidiary to an independent third party at a consideration of RMB43,000,000 (equivalent to approximately HK$48,378,000). As of the date of the financial statements, the disposal was not completed. Details are set out in note 37 to the financial statements.

AUDITOR

SHINEWING (HK) CPA Limited retire and, being eligible, offer themselves for reappointment. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD
Yu Xueming
Chairman

Hong Kong
28 March 2017

Corporate Governance Report

The Board and management are committed to achieve high standards of corporate governance to safeguard the interests of the Shareholders and to enhance its transparency and accountability. The Group has adopted the practices that has complied with all the code provisions as set out in Appendix 14 — Corporate Governance Code and Corporate Governance Report ("CG Code") of the Listing Rules. The Group will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business. It will review its corporate governance practices regularly to ensure compliance with the CG Code.

BOARD OF DIRECTORS

The Board comprises five executive Directors, one non-executive Director and five independent non-executive Directors. Each of the Directors has entered into a service contract with the Company for a term of one to two years. All Directors including the Chairman are required to retire from office by rotation and subject to re-election by the Shareholders at annual general meeting at least once every 3 years. Under the Company's bye-laws, one third of the Directors, must retire and be eligible for re-election at each annual general meeting. As such, no Director has a term of appointment longer than two years. The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the CG Code and Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent. Within the five independent non-executive Directors, at least one of them possesses the appropriate professional qualifications, accounting or related financial management expertise.

The members of the Board for the year ended 31 December 2016 were:

Executive directors

Mr. Yu Xueming *(Chairman)*
Mr. Yu Chuanfu *(Chief Executive Officer)*
Mr. Sit Yau Chiu
Mr. Zheng Qiang
Mr. Ng Hoi (appointed on 3 November 2016)

Non-executive director

Mr. Chan Yee, Herman

Independent non-executive directors

Mr. Wang Wei Hung, Andrew
Mr. Sin Ka Man
Mr. Zhao Li Xin
Mr. Ho Man (appointed on 3 November 2016)
Mr. Yeh Tung Ming (appointed on 3 November 2016)

The Chairman and Chief Executive Officer of the Company are two distinct and separate positions, which are held by Mr. Yu Xueming and Mr. Yu Chuanfu respectively, both being executive Directors.

The Board is responsible for promoting the success of the Group and its business by leading and supervising the Company's affairs. The Board is responsible for determining the Group's objectives, overall strategies and policies, approving business plan, evaluating operating, instilling corporate culture and financial performance. Its role is clearly separated from that of the senior management.

The Board has delegated the day-to-day operation responsibility of the Group to executive Directors and senior management. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. Biographical details of and the relationship between the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

NOMINATION OF DIRECTORS

The Board is responsible for the formulation of nomination policies, making recommendations to the shareholders for re-election, providing sufficient and accurate biographical details of directors to enable the Shareholders to make an informed decision on the re-election, and where necessary, nominating appropriate persons to fill in causal vacancies or as additions to the Board. The Chairman from time to time reviews the composition of the Board with particular regard to ensuring that there are an appropriate number of Directors on the Board independent of management. He also identifies and nominates qualified individuals for appointment as new Directors. When considering appointment of new Directors, the Board will take into consideration of criteria such expertise, experience, integrity and commitment.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the revised CG Code which has come into effect from 1 April 2012, all Directors and company secretary should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2016, all Directors and company secretary confirmed that they have complied with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the directors during the year ended 31 December 2016.

NOMINATION COMMITTEE

The Company established nomination committee of the Company (the “Nomination Committee”) on 11 October 2011 which is primarily responsible for making recommendations to the Board regarding the Group’s engagement of appropriate directors and managerial personnel (including the expertise, experience, integrity and commitment) to complement the Company’s corporate objectives and strategies. The terms of reference of the Nomination Committee were posted on the Company’s website.

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee comprises five independent non-executive Directors, namely, Mr. Wang Wei Hung, Andrew, Mr. Zhao Li Xin, Mr. Sin Ka Man, Mr. Ho Man and Mr. Yeh Tung Ming; and is chaired by Mr. Wang Wei Hung, Andrew.

During the year ended 31 December 2016, the Nomination Committee had held 2 meetings and the Nomination Committee has reviewed the structure, size and composition of the Board, and recruitment procedure of Executive Directors and senior management.

REMUNERATION COMMITTEE

The Company established remuneration committee of the Company (the “Remuneration Committee”) on 11 October 2011 which is primarily responsible for making recommendations to the Board regarding the Group’s policies and structure for remuneration of Directors and senior management of the Group; determining the remuneration packages of Directors and senior management of the Group; and reviewing and approving their performance-based remuneration. The terms of reference of the Remuneration Committee were posted on the Company’s website.

The Remuneration Committee comprises Mr. Zhao Li Xin, Mr. Yu Chuan Fu, Mr. Wang Wei Hung, Andrew, Mr. Sin Ka Man, Mr. Ho Man and Mr. Yeh Tung Ming; and is chaired by Mr. Zhao Li Xin.

During the year ended 31 December 2016, the Remuneration Committee had held 1 meeting and the Remuneration Committee has reviewed the remuneration policy and structure relating to Directors and senior management of the Group.

AUDIT COMMITTEE

The Company established audit committee of the Company (the “Audit Committee”) on 11 October 2011 which is primarily responsible for overseeing the relationship between the Company and its external auditor in relation to the matters coming within the scope of the Group’s audit; reviewing the Group’s financial reporting process, adequacy and effectiveness of the Group’s internal control system and risk management system. The terms of reference of the Audit Committee which describe the authorities and duties of the Audit Committee were prepared and adopted with reference to “A Guide for the Formation of an Audit Committee” published by the HKICPA and were posted on the Company’s website.

The Audit Committee comprises Mr. Sin Ka Man, Mr. Wang Wei Hung, Andrew, Mr. Zhao Li Xin, Mr. Ho Man and Mr. Yeh Tung Ming; and is chaired by Mr. Sin Ka Man.

During the year ended 31 December 2016, the Audit Committee had held 3 meetings and the Audit Committee reviewed the interim and annual results, and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices adopted by the Group; and assisted the Board in meeting its responsibilities for maintaining an effective system of internal control.

ATTENDANCE OF MEETINGS

The Company held Board meetings regularly for at least four times a year at approximately quarterly intervals with at least 14 days' notice was given to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice was given. The attendance record for each of the Directors at the Board meeting during the year ended 31 December 2016 was set out below.

	Attendance/Number of meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Yu Xueming	6/12	—	—	—	—
Mr. Yu Chuanfu	10/12	—	1/1	—	1/1
Mr. Sit Yau Chiu	4/12	—	—	—	—
Mr. Zheng Qiang	11/12	—	—	—	1/1
Mr. Ng Hoi	1/3	—	—	—	—
Mr. Han Hanting	3/3	—	—	—	—
Non-executive Director					
Mr. Chan Yee, Herman	12/12	—	—	—	1/1
Independent Non-executive Directors					
Mr. Wang Wei Hung, Andrew	11/12	3/3	1/1	2/2	—
Mr. Sin Ka Man	11/12	3/3	1/1	2/2	—
Mr. Zhao Li Xin	9/12	3/3	1/1	2/2	—
Mr. Ho Man	3/3	1/1	—	—	—
Mr. Yeh Tung Ming	3/3	1/1	—	—	—

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The Directors acknowledge responsibilities for overseeing the preparation of the financial statements of the Group for the year ended 31 December 2016 which should give a true and fair view of the state of affairs and of the results and cash flows of the Group on a going concern basis.

The Directors' responsibilities in the preparation of the financial statements of the Group and the auditor's responsibilities are set out in the independent auditor's report.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2016, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

Audit Committee

The Board is responsible for overseeing the Group's internal control system and ensuring that a sound and effective internal control system is maintained. The Company has engaged professional staff with relevant expertise to conduct review and make recommendations for the improvement and strengthening of the internal control system. The professional staff with relevant expertise has reviewed the major internal controls and measures, including financial, operational and compliance as well as risk management and has made relevant recommendations for improvement of the internal control system to the Board. Any material non-compliance or failures in internal controls maintained by the Group and relevant recommendations for improvements are reported to the Audit Committee.

The Board has to be fully responsible for the stability and effectiveness of the systems of internal control and with management of the Group. It is also responsible for ensuring that recommendations made by the internal audit function and professional staff with relevant expertise are properly implemented. The Board recognizes that the Group's internal control system plays a key role in the management of risks, and the assurance of continued compliance with laws and regulations by the Group.

The Audit Committee has kept under review the system of internal control. Based on review undertaken together with reports submitted by the management and professional staff with relevant expertise, the Audit Committee will provide the Board with advice on the adequacy of the Group's internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, in order to ensure that an effective internal control system is put in place. During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the CG Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

AUDITOR'S REMUNERATION

The fees in relation to the audit and non-audit services provided by SHINEWING (HK) CPA Limited, the external auditor, to the Company and its subsidiaries for the year ended 31 December 2016 is analyzed below:

Type of services provided by the external auditor

	Fee HK$'000
Audit service	720
Non-audit services	
Review of preliminary announcement of results	10
Acted as tax representative of the Group's entities	60
Review of the internal control system of the Group for the year ended 31 December	120
Preparation of Environmental, Social and Governance Report for the year ended 31 December	65

HOW SHAREHOLDERS CAN CONVENE A SPECIAL GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Pursuant to the bye laws of the Company, any one or more Shareholder 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 by mail to Room 2407, 24/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (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 requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary by mail to Room 2407, 24/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, or by email to info@1152.com.hk. The company secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

During the year ended 31 December 2016, there has been no significant change in the Company's constitutional documents.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

General meeting of the Company provides a communication channel between the Shareholders and the Board that the shareholders of the Company are encouraged to participate in the Company's annual general meeting and any other meetings for any enquiries about the Company's performance.

The Company also maintains a website at www.1152.com.hk to disseminate information and updates on the Company's business developments and operations, financial information, corporate governance practices and other shareholders information to Shareholders as well as investors.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The environmental, social and governance (the "ESG") report issued by Infinity Financial Group (Holdings) Limited (the "Company") represents a detailed account of the full implementation of the concept of sustainable development and performance of corporate social responsibilities by the Company and its subsidiaries (together, the "Group" or "we"). It elaborates on the various work of the Group in adherence to the principle of sustainable development and its performance of social governance in 2016.

Scope of the Report

The ESG Report focuses on the environmental and social performance of the Group's operation of Hong Kong office and the core business in Mainland China during the period from 1 January 2016 to 31 December 2016 (the "Year"). For detailed information about corporate governance, please refer to the corporate governance report set out on pages 22 to 29 of the Company's annual report.

Reporting Framework

The ESG Report has been prepared based on "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Stakeholder Engagement

The preparation of the ESG Report, which was supported by staff from different departments, has enabled us to have a better understanding of our development in environmental and social sense. The information we gathered were not only a summary of the environmental and social work carried out by the Group during the year, but also the basis for us to develop our short and long term sustainable development strategies.

Information and Feedbacks

For detailed information about the environmental and corporate governance of the Company, please refer to the official website (www.1152.com.hk) and the annual report of Infinity Financial Group (Holdings) Limited. Your opinions will be highly valued by the Company. If you have any advices or suggestions, please email at info@1152.com.hk.

ENVIRONMENTAL PROTECTION

Emissions

The Group is engaged in providing professional financial and consultancy services to customers, which mainly take place in office. As we operate in leased office, where building management solely controls the water supply and discharge, data related to wastewater is not able to be collected. As for the waste, the Group's hazardous wastes are some old electronic equipment, such as computers and batteries; while the non-hazardous wastes are paper disposed. For hazardous electronic wastes, we work with qualified recycling companies and hand the waste for their recycling and handling; for paper disposed, we collect internally those non-reusable paper and hand them to professional recycling companies for recycling.

Energy Saving and Emission Reduction

The Group attaches great importance to environmental protection. In our business operation, we uphold the principles of "reduce", "recycle" and "reuse", take action to implement the idea of green office and raise staff's environmental awareness.

For paper reduction, the Group encourages its staff to adopt double-sided printing and double-sided copying. Recycling bins are set up in the office to collect waste paper, posters and envelopes for recycling. We also promote the use of electronic communication methods, such as using emails rather than facsimile or physical mails, and adopt electronic system for recordkeeping.

As for energy saving, the Group prefers the use of office equipment carrying Energy Labels issued by the Electrical and Mechanical Services Department of Hong Kong, so as to uplift energy efficiency. We also encourage our staff to switch off electronic equipment such as computers, lighting and electronic supplies which are not in use when off duty.

VALUE OUR STAFF

Employment Standard

The Group strictly complies with the relevant laws and regulations such as Employment Ordinance of Hong Kong, Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China of Mainland China.

We plan and look for suitable candidates when appropriate according to the business development needs of the Group to ensure the availability of sufficient human resources to the Group and formulate plans of human resources allocation, thereby fulfilling our operational objectives. When recruiting talents, we select applicants in accordance to the requirements of the position, such as educational level, working experience and personal ability and will not implement discriminatory policies based on the applicant's gender, age, race, religion or disability, so as to provide equal chances of interview to suitable applicants. When signing contract with a staff member, we will also check the identification documents of the staff member to ensure that no child labor is employed by mistake. Before every staff member officially takes office, we will provide him/her with the job descriptions of the position, clearly stating the duties and responsibilities of the role to prevent any forced labor. For the resigning staff, exit interviews would be arranged in order to understand their reasons of departure and in turn for the betterment of the Group's operation. In those cases, outstanding wages would be paid on time pursuant to the requirements of the law.

Benefits and Development

We recognize our staff as our important assets and focus on protecting the staff's benefits. Therefore, we review the staff's wages regularly in accordance with the staff's performance, qualifications, experiences, and the operational performance of the Group, striving to provide competitive remuneration packages. Each year, they undergo annual performance appraisal, under which those with outstanding working performance may be promoted. The Group complies with the labour-related laws and regulations, maintaining the working hours of our staff within 8 hours per day and within 40 hours per week. They also enjoy leave entitlements such as annual leave, maternity leave, wedding and funeral leave and examination leave. The Group also provides benefits such as discretionary bonus, medical insurance, social security fund and provident fund to its staffs. Besides providing examination leaves for staff to attend examinations, we also provide appropriate subsidies for pursuing studies at our discretion and encourage our staff to pursue studies in disciplines related to their work, in supporting the enhancement of their professional knowledge and personal skills.

The Group is well aware of the importance of communicating with its staff. Therefore, department heads often engage in such communications and discussions. Where any staff members encounter any difficulties or problems on their work, they may seek help from their department heads. For better work-life balance, the Group often organizes leisure activities such as hiking and gathering for its staff, to maintain their sound bodies and minds and at the same time strengthen the bonding among our staff and build up team spirit.

Health and Safety

For the health and safety of our staff, the Group strictly complies with relevant laws and regulations, including the Occupational Safety and Health Ordinance of Hong Kong and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases of Mainland China, and take out insurance policies for our staff. Offices are required to be kept clean with sufficient lighting and good ventilation at all times, equipped with proper and sufficient fire services and first aid equipment, to ensure our staff are able to work in a safe environment.

OPERATING PRACTICES

Supply Chain Management

Suppliers of the Group primarily provide us with office supplies. A procurement list based on our internal needs will be compiled and stock-taking will be performed, thereby ensuring the effective use of resources. When selecting suppliers, we first shortlist suppliers according to their product quality. We give priority to those suppliers located nearby to minimize the delivery distance of goods, thereby reducing the carbon footprint generated during the delivery process.

Product Responsibility

The Group strives to provide quality services to our customers. In the course of our business operation, we comply with Property Law of the People's Republic of China, Guaranty Law of the People's Republic China and Contract Law of the People's Republic of China at all times. A complaint mechanism is also in place, under which a dedicated mailbox in our Company website is particularly for handling customer complaints and enquiries.

In addition, we have formulated a non-disclosure mechanism in order to ensure customer data is kept strictly confidential. After use, all files must be returned back to where they are from. Without the permission of department heads, staff members are not allowed to take documents away from office, nor should they disclose any confidential information related to the Group to third parties.

Anti-corruption

According to the Prevention of Bribery Ordinance of Hong Kong and the Criminal Law of the People's Republic of China, the staff of the Group are not allowed to demand or accept a bribe, including money, gifts, rewards, services or privileges, in connection with his/her duties. In order to prevent the occurrence of corruption, the staff are required to fill in a conflict of interest declaration for our information if they encounter conflict of interest with their duties during their terms of employment. To avoid any misunderstanding, staff members are required to report to us if they receive any gifts from our customers, suppliers or any parties conducting business with us.

COMMUNITY INVOLVEMENT

Business development aside, the Group also spares no effort in participating in charity. The Group participates in charitable events and makes donations from time to time to help the disadvantaged.

Independent Auditor's Report

信永中和
ShineWing

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

TO THE MEMBERS OF INFINITY FINANCIAL GROUP (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Infinity Financial Group (Holdings) Limited (the "Company") and its subsidiaries ("the Group") set out on pages 38 to 106, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

VALUATION OF FINANCE LEASE RECEIVABLES

Refer to note 16 to the consolidated financial statements and the accounting policies on pages 54, 55 and 59.

The key audit matter	How the matter was addressed in our audit
The Group has finance lease receivables amounted to approximately HK$62,205,000 as at 31 December 2016 which are significant to the consolidated financial statements. We have identified the valuation of finance lease receivables as a key audit matter because performing the impairment assessment of finance lease receivables if there is impairment indicator involves a significant degree of management judgment.	Our procedures were designed to review management's assessment on impairment indicators and management's valuation on finance lease receivables. We have reviewed the process of the Group for granting credit period to lessee by inspecting the credit policy of the Group. Financial information of the lessee was obtained to assess the recoverability of outstanding receivables, such as the repayment pattern of the lessee, and to confirm any default or delay of payment that had occurred previously. We have also discussed with the management and have reviewed the assumptions used in the impairment process that derive the Group to make impairment of finance lease receivables, we have checked to its subsequent settlement to assess whether impairment loss is necessary to provide. During the impairment assessment process, the management has to determine the recoverable amounts of the finance lease receivables in accordance with HKFRSs. We have assessed the appropriateness of the calculation methodologies on the impairment made.

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
28 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	**61,742**	103,171
Cost of sales		**(50,436)**	(86,861)
Gross profit		**11,306**	16,310
Other operating income	5	**4,585**	5,116
Change in fair value of held-for-trading investment		**2,924**	(11,252)
Gain on early redemption of convertible bonds	25	**—**	4,992
Selling and distribution expenses		**(2,611)**	(1,853)
Administrative and other expenses		**(43,739)**	(45,690)
Share of result of joint venture	15	**—**	—
Finance costs	7	**(14,836)**	(27,640)
Loss before taxation		**(42,371)**	(60,017)
Income tax expense	8	**(573)**	(1,116)
Loss for the year from continuing operations	9	**(42,944)**	(61,133)
Discontinued operation			
Loss for the year from discontinued operation	10	**—**	(16,277)
Loss for the year		**(42,944)**	(77,410)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(7,189)**	(7,364)
Fair value gain on available-for-sale investment		**—**	330
Release of investment revaluation reserve upon disposal of available-for-sale investment		**(330)**	—
Total other comprehensive expense		**(7,519)**	(7,034)
Total comprehensive expense for the year		**(50,463)**	(84,444)
Loss per share (HK cents)	11		
For continuing and discontinued operations:			
Basic and diluted		**(4.37)**	(8.00)
For continuing operations:			
Basic and diluted		**(4.37)**	(6.31)

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	14	**14,271**	19,560
Interest in a joint venture	15	**—**	—
Finance lease receivables	16	**34,608**	—
Deposits paid for acquisition of property, plant and equipment	17	**—**	609
		48,879	20,169
Current assets			
Trade and other receivables	18	**43,528**	20,967
Finance lease receivables	16	**27,597**	78,035
Held-for-trading investment	19	**4,104**	11,220
Available-for-sale investment	20	**—**	9,880
Bank balances and cash	21	**153,806**	219,553
		229,035	339,655
Current liabilities			
Other payables	22	**31,039**	34,263
Other borrowings	23	**80,000**	30,000
Obligations under finance leases — due within one year	24	**—**	268
Convertible bonds	25	**58,812**	—
Income tax payables		**1,925**	2,504
		171,776	67,035
Net current assets		**57,259**	272,620
Total assets less current liabilities		**106,138**	292,789
Non-current liabilities			
Obligations under finance leases — due after one year	24	**—**	186
Deferred taxation	26	**—**	—
Other borrowings	23	**—**	80,000
Convertible bonds	25	**—**	55,804
Corporate bonds	27	**8,356**	8,554
		8,356	144,544
		97,782	148,245

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	28	**4,910**	4,910
Reserves		**92,872**	143,335
		97,782	148,245

The consolidated financial statements on pages 38 to 106 were approved and authorised for issue by the board of directors on 28 March 2017 and are signed on its behalf by:

Ng Hoi
Director

Yu Chuanfu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital HK$'000	Share premium HK$'000	Convertible bonds equity reserve HK$'000 (note 25)	Revaluation reserve HK$'000	Other reserve HK$'000 (Note)	Exchange reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2015	4,760	159,947	8,454	–	9,943	1,032	27,181	211,317
Loss for the year	–	–	–	–	–	–	(77,410)	(77,410)
Other comprehensive income (expense) for the year:								
Fair value gain on available-for-sale investment	–	–	–	330	–	–	–	330
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(7,364)	–	(7,364)
Total comprehensive income (expense) for the year	–	–	–	330	–	(7,364)	(77,410)	(84,444)
Issue of shares upon exercise of convertible bonds	100	20,152	(1,478)	–	–	–	–	18,774
Issue of shares upon exercise of warrant	50	9,950	–	–	–	–	–	10,000
Early redemption of convertible bonds	–	–	(7,402)	–	–	–	–	(7,402)
Transfer to retained earnings upon early redemption of convertible bonds	–	–	4,670	–	–	–	(4,670)	–
At 31 December 2015	4,910	190,049	4,244	330	9,943	(6,332)	(54,899)	148,245
Loss for the year	–	–	–	–	–	–	(42,944)	(42,944)
Other comprehensive expense for the year:								
Release of reverse upon disposal of available-for-sale investment	–	–	–	(330)	–	–	–	(330)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(7,189)	–	(7,189)
Total comprehensive expense for the year	–	–	–	(330)	–	(7,189)	(42,944)	(50,463)
At 31 December 2016	4,910	190,049	4,244	–	9,943	(13,521)	(97,843)	97,782

Note: Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Loss before taxation from continuing operations	**(42,371)**	(60,017)
Loss before taxation from discontinued operations	**—**	(15,650)
	(42,371)	(75,667)
Adjustments for:		
Change in fair value of held-for-trading investment	**(2,924)**	11,252
Depreciation of property, plant and equipment	**4,131**	3,519
Finance costs	**14,836**	27,692
Gain on early redemption of convertible bonds	**—**	(4,992)
Gain on disposal of property, plant and equipment	**(228)**	(657)
Loss on written-off of property, plant and equipment	**156**	—
Bank interest income	**(1,563)**	(2,368)
Operating cash flows before movements in working capital	**(27,963)**	(41,221)
Decrease (increase) in held-for-trading investment	**10,040**	(22,472)
Decrease in inventories	**—**	11,119
(Increase) decrease in trade and other receivables	**(25,070)**	29,606
Decrease in finance lease receivables	**11,169**	157,411
Increase (decrease) in other payables	**1,176**	(17,595)
Cash (used in) generated from operations	**(30,648)**	116,848
Income tax paid	**(1,043)**	(1,106)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(31,691)**	115,742
INVESTING ACTIVITIES		
Deposit refund (paid) for acquisition of property, plant and equipment	**609**	(717)
Acquisition of property, plant and equipment	**(322)**	(8,238)
Proceeds from disposal of property, plant and equipment	**253**	9,276
Payment for settlement of derivative financial instruments	**—**	(110)
Interest received	**1,563**	2,368
Purchase of available-for-sale investment	**—**	(9,550)
Redemption of available-for-sale investment	**9,550**	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**11,653**	(6,971)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Redemption of convertible bonds	–	(405)
Redemption of promissory notes	–	(140,000)
Repayment of bank borrowings	**(30,000)**	(10,850)
Repayment of promissory notes	–	(1,894)
Transaction costs of issuing of corporate bonds	–	(1,600)
Interest paid	**(14,826)**	(10,207)
Repayment of obligations under finance leases	**(127)**	(256)
Proceeds from issuing corporate bonds	–	10,000
New bank and other borrowings raised	–	30,000
NET CASH USED IN FINANCING ACTIVITIES	**(44,953)**	(125,212)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(64,991)**	(16,441)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**219,553**	238,308
EFFECT ON FOREIGN EXCHANGE RATES CHANGES	**(756)**	(2,314)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**153,806**	219,553

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Infinity Financial Group (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in note 42, which are principally engaged in the following major segments: finance leasing and trading business.

On 12 January 2015, the Board has decided to cease the operation of the Group's textile segment. Since then, the Group is principally engaged in finance leasing and trading business. The accompanying consolidated financial statements and the comparative figures have been prepared to reflect the results of the discontinued business separately.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars as the directors of the Company consider that HK$ is appropriate presentation currency for the users of the Group's consolidated financial statements.

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

(i) at cost;

(ii) in accordance with HKFRS 9 (or HKAS 39); or

(iii) using the equity method as described in HKAS 28.

The amendments should be applied retrospectively. As the Company has investment in joint venture which stated at cost in the separate financial statements, the directors of the Company considered that the application of the amendments to HKAS 27 has had material impact on the separate financial statements.

New and revised HKFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective date not yet been determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

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

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

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2015 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

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

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

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

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

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

HKFRS 9 (2014) Financial Instruments (Continued)

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

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

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

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

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

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

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

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

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

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

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

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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 (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, 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 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 in the principal market at the measurement date under current market condition (i.e. an exit price), 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 Company 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 in determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

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

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

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

Investment in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is accounted for in the consolidated financial statements using the equity method. Under the equity method, investment in a joint venture is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of a joint venture are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of a joint venture equals or exceeds its interest in a joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in a joint venture (Continued)

If a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the joint venture's accounting policies conform to those of the Group when the joint venture's financial statements are used by the Group in applying the equity method.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the joint venture's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the joint venture. Goodwill that forms part of the carrying amount of an investment in a joint venture is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be a joint venture upon the Group losing joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its joint venture are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the joint venture. The Group's share in the joint venture's gains or losses resulting from these transactions is eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings 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 allocate the cost of items of property, plant and equipment 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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 that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

Financial assets

The Group's financial assets include loans and receivables, financial assets at FVTPL and available-for-sale financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 the initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the change in fair value of held-for-trading investment line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 34.

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 finance lease receivables, trade and other receivables and bank balances and cash) are carried at amortised cost, using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Impairment loss on 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 an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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 default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

For certain categories of financial asset, such as finance lease receivables and trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 0–45 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

When an available-for-sale 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 in which the impairment takes place.

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 losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in revaluation reserve. For available-for-sale 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.

The Group's financial liabilities are classified as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Other financial liabilities including other payables, other borrowings and obligations under finance leases 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 premium 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 expenses are recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Equity instruments

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

Convertible bonds

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

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

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

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to their relative fair values. Transaction costs relating to the equity components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Corporate bonds

The corporate bonds is initially measured at the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities.

The corporate bonds is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the corporate bonds is calculated using the effective interest method.

Transaction costs that are directly attributable to the issue of the corporate bonds are included in the carrying amount of the corporate bonds and amortised over the period of the corporate bonds using the effective interest method.

Unlisted warrants

The warrants are recognised in warrant reserve in equity until they are exercised. If the warrants are exercised, the warrant reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the warrant reserve is released directly to retained earnings.

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 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 recognise its retained interest in the asset 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in revaluation reserve is recognised in profit or loss.

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

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

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 risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

(i) Sale of goods

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from customers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(ii) Interest income

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

(iii) Finance lease interest income

Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(iv) Finance lease penalty income

Finance lease penalty income from a finance lease is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

Borrowing costs

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

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

Employee benefits

Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense when employees have rendered services entitling them to the contribution.

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

Current tax

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

Deferred tax

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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 for the year

Current and deferred tax is recognised in profit or loss.

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 exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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 assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Classification between finance leasing and operating leasing

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor). The directors of the Company are satisfied that the terms of the leases transferred substantially all the risks and rewards of ownership to the lessees and the lease contracts entered are classified as finance leases. Details are set out in note 16.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Classification of joint arrangements

The Group's management exercises its critical judgement when determining whether the joint arrangement of the Group is under joint venture or joint operation. The Group determines the classification of joint arrangements based on the rights and obligations to the joint arrangements and determined that the Group's joint arrangements are joint ventures as the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Key sources of estimation uncertainty

The followings 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.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Impairment loss and write-off recognised in respect of property, plant and equipment and deposits paid for acquisition of property, plant and equipment

In determining whether the property, plant and equipment and deposits paid for acquisition of property, plant and equipment are impaired, the directors of the Company assesses the recoverable amount of the property, plant and equipment which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of property, plant and equipment exceeds its recoverable amount. In determining the recoverable amount of the property, plant and equipment, the directors of the Company require an estimation of the future cash flows expected to arise from the expected economic inflow from the property, plant and equipment in order to determine the value in use of the property, plant and equipment or take into consideration the amount obtainable from the sales of property, plant and equipment in an arm's length transaction in order to assess its estimated market value (i.e. estimated selling price less estimated costs to sell).

As at 31 December 2016, the carrying amount of property, plant and equipment was approximately HK$14,271,000 (2015: HK$19,560,000), net of accumulated impairment loss of approximately HK$2,960,000 (2015: HK$2,960,000).

The write-off of property, plant and equipment is recognised in accordance with the Group's accounting policy. Carrying amount of property, plant and equipment of approximately HK$156,000 (2015: nil) was written off during the year ended 31 December 2016.

As at 31 December 2016, the carrying amount of deposits paid for acquisition of property, plant and equipment was nil (2015: approximately HK$609,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Valuation of liability component of convertible bonds

The fair values of liability component of convertible bonds that are not traded in an active market are estimated by management based on the valuation performed by an independent valuer. The fair values of liability component of convertible bonds are valued using discounted cash flow model based on assumptions supported, where possible, by observable market prices or rates. A gain on early redemption of approximately HK$4,992,000 (2016: nil) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015. The carrying amount of the liability component of convertible bonds as at 31 December 2016 was approximately HK$58,812,000 (2015: HK$58,804,000). Further details are set out in note 25.

5. REVENUE AND OTHER OPERATING INCOME

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

	2016 HK$'000	2015 HK$'000
Trading of metal and equipment	50,930	87,342
Finance leasing	10,812	15,829
	61,742	103,171
Other operating income		
Bank interest income	1,563	2,257
Gain on disposal of property, plant and equipment	228	—
Finance lease penalty income	2,618	—
Value added tax refund	43	2,859
Others	133	—
	4,585	5,116
	66,327	108,287

6. SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

In last year, no segment analysis of financial information was presented as the Group's revenue, expenses, assets and liabilities and capital expenditure are primarily attributable to the financial services business.

During the year, the Group revised its segment reporting for the purpose of more effective business analysis due to the trading business is separated from finance leasing business. The business activities of previously reported finance leasing segment is now separated into two segments, namely trading business and finance leasing. The business activity of finance leasing remains unchanged. Prior-year figures have been re-presented to conform with current year presentation.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Finance leasing engages in finance leasing business (earning interest income and handling fee), leasing business and purchasing of leased assets.

(ii) Trading business engages in trading of metals.

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended 31 December 2016
Continuing operations

	Trading business HK$'000	Finance leasing HK$'000	Total HK$'000
Revenue	**50,930**	**10,812**	**61,742**
Segment profit (loss)	**496**	**(19,626)**	**(19,130)**
Unallocated operating income			**1,791**
Change in fair value of held-for-trading investment			**2,924**
Selling and distribution expenses			**(1,039)**
General and administrative expense			**(12,081)**
Finance costs			**(14,836)**
Loss before taxation			**(42,371)**

For the year ended 31 December 2015
Continuing operations

	Trading business HK$'000	Finance leasing HK$'000	Total HK$'000
Revenue	87,342	15,829	103,171
Segment profit (loss)	481	(1,950)	(1,469)
Unallocated operating income			2,257
Change in fair value of held-for-trading investment			(11,252)
Gain on early redemption of convertible bonds			4,992
Selling and distribution expenses			—
General and administrative expense			(26,905)
Finance costs			(27,640)
Loss before taxation (continuing operation)			(60,017)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by or the loss from each segment without allocation of change in fair value of held-for-trading investment, gain on early redemption of convertible bonds, certain selling and distribution expenses, central administrative costs, directors' salaries, certain other income and gains and finance costs. This is the measure reported to the chief executive officer for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets	2016 HK$'000	2015 HK$'000
Trading business	33,492	13,206
Finance leasing	82,709	98,833
Total segment assets	116,201	112,039
Unallocated corporate assets	161,713	247,785
Consolidated assets	277,914	359,824

Segment liabilities	2016 HK$'000	2015 HK$'000
Trading business	—	—
Finance leasing	2,062	221
Total segment liabilities	2,062	221
Unallocated corporate liabilities	178,070	211,358
Consolidated liabilities	180,132	211,579

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

- all assets are allocated to operating segments other than cash and bank balances and other assets for corporate use including plant and equipment and other receivables which were managed in a centralised manner.
- all liabilities are allocated to operating segments other than other payables, income tax payables, finance lease obligation, convertible bonds and other borrowings which were managed in a centralised manner.

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2016
Continuing operations

	Trading business HK$'000	Finance leasing HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets				
Addition to non-current assets (Note)	–	48	274	322
Depreciation of property, plant and equipment	–	3,308	823	4,131
Gain on disposal of property, plant and equipment	–	–	(228)	(228)
Written off of property, plant and equipment	–	–	156	156
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets				
Change in fair value of held-for-trading investment	–	–	(2,924)	(2,924)
Income tax expense	–	366	207	573
Bank interest income	–	(291)	(1,405)	(1,696)
Finance costs	–	–	14,836	14,836

Note: Non-current assets excluded finance lease receivables.

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2015
Continuing operations

	Trading business HK$'000	Finance leasing HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets				
Addition to non-current assets (Note)	—	18,234	2,429	20,663
Depreciation of property, plant and equipment	—	1,714	549	2,263
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets				
Change in fair value of held-for-trading investment	—	—	11,252	11,252
Gain on early redemption of convertible bonds	—	—	(4,992)	(4,992)
Income tax expense	—	(1,116)	—	(1,116)
Bank interest income	—	(546)	(1,711)	(2,257)
Finance costs	—	—	27,640	27,640

Revenue from major products and services

The following is an analysis of the Group's revenue from sales of its major product and provision of services to external customers:

	2016 HK$'000	2015 HK$'000
Trading of metals and equipments	50,930	87,342
Finance lease interest income	10,374	15,829
Finance lease handling fee	438	—
	61,742	103,171

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong and the PRC.

All of the Group's revenue from external customers is derived from the PRC during the years ended 31 December 2016 and 2015.

The Group's information about its non-current assets based on geographical location of the assets is detailed below:

	Non-current assets (Note)	
	2016	2015
	HK$'000	HK$'000
The PRC	**13,086**	18,102
Hong Kong	**1,185**	2,067
	14,271	20,169

Note: Non-current assets excluded financial lease receivables.

Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the years are as follows:

	2016	2015
	HK$'000	HK$'000
Customer A[1]	**50,930**	N/A[3]
Customer B[2]	**N/A[3]**	48,995
Customer C[2]	**N/A[3]**	38,347
Customer D[2]	**N/A[3]**	12,857

1 Revenue from trading business segment

2 Revenue from finance leasing segment

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Continuing operations		
Interests on:		
— bank and other borrowings	**11,117**	9,175
— convertible bonds	**3,008**	7,709
— corporate bonds	**702**	654
— obligation under finance lease	**9**	—
— promissory notes	**—**	10,102
	14,836	27,640

8. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	**207**	1,116
Under provision in prior years:		
PRC Enterprise Income Tax	**366**	—
	573	1,116

(i) Hong Kong Profits Tax was calculated at 16.5% of the estimated profit for the year ended 31 December 2016 (2015: 16.5%). No provision for Hong Kong profits tax has been made for the years ended 31 December 2016 and 2015 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the years.

(ii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

8. INCOME TAX EXPENSE (Continued)

The income tax expense for the year ended 31 December 2016 can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Loss before taxation (from continuing operations)	(42,371)	(60,017)
Tax at domestic income tax rate of 25% (2015: 25%)	(10,593)	(15,004)
Tax effect of expense not deductible for tax purposes	7,548	11,952
Tax effect of income not taxable for tax purposes	(2,329)	(1,250)
Under-provision in respect of prior years	366	—
Utilisation of tax losses previously not recognised	(30)	—
Effect of different tax rate of subsidiaries operating in other jurisdiction	1,309	4,948
Tax effect of tax loss not recognised	4,302	470
Income tax expense for the year	573	1,116

Details of the deferred taxation are set out in note 26.

9. LOSS FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Continuing operations		
Directors' emoluments (Note 12)	3,974	4,226
Salaries and allowances (excluding directors' emoluments)	6,670	7,194
Retirement benefit scheme contributions (excluding directors)	961	1,008
Total staff costs	11,605	12,428
Auditor's remuneration	737	963
Amount of inventories recognised as expense	50,436	86,861
Depreciation of property, plant and equipment	4,131	2,263
Gain on disposal of property, plant and equipment	(228)	—
Loss on written-off of property, plant and equipment	156	—
Net exchange loss	8,568	5,800
Minimum lease payments in respect of operating lease for office premises	6,300	7,696

10. DISCONTINUED OPERATION

On 12 January 2015, the Group announced that the Board has decided to cease the operation of the Group's textile segment due to the worsening of the market situation and business environment of the textile industry. The cessation of operation was completed on 30 September 2015. Textiles segment was classified as discontinued operation.

The loss for the year from the discontinued operation is set out below.

	From 1 January 2015 to 30 September 2015 HK$'000
Revenue	27,625
Cost of sales	(26,118)
Gross profit	1,507
Other operating income	1,416
Selling and distribution expenses	(679)
Administrative and other expenses	(17,842)
Finance costs	(52)
Loss before taxation	(15,650)
Income tax expense	(627)
Loss for the year	(16,277)

Loss for the year from discontinued operation included the following.

	From 1 January 2015 to 30 September 2015 HK$'000
Salaries and allowances	4,416
Termination benefit	695
Retirement benefit scheme contributions	86
Total staff costs	5,197
Auditor's remuneration	173
Impairment loss in respect of trade receivables	—
Amount of inventories recognised as expense	26,118
Depreciation of property, plant and equipment	1,256
Minimum lease payments in respect of operating leases for office premises	2,424
Processing fees (Note)	12,646
Sub-contracting fee (included in cost of sales)	9,232
Bank interest income	(111)
Gain on disposal of property, plant and equipment	(657)

10 DISCONTINUED OPERATION (Continued)

Note: The processing fees include the following components in accordance with the processing agreement:

	From 1 January 2015 to 30 September 2015 HK$'000
Salaries and allowances	5,793
Minimum lease payments in respect of operating leases for factory	512
Labour cost — direct and indirect	6,021
Utilities	320
	6,853
	12,646

For the year ended 31 December 2015, the discontinued operation incurred approximately RMB16,993 to the Group's net operating cash inflows, received approximately RMB9,387 in respect of investing activities and paid approximately RMB10,902 in respect of financing activities.

11. LOSS PER SHARE

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

	2016 HK$'000	2015 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(42,944)**	(77,410)

	2016 '000	2015 '000
Number of shares		
Weighted average number ordinary shares for the purpose of basic and diluted loss per share	**982,000**	968,164

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2015 had been adjusted for the conversion of convertible bonds on 20 March 2015 and 28 July 2015 and exercise of warrants on 8 June 2015.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and warrants since their exercise would result a decrease in a loss per share for the year ended 31 December 2016.

11. LOSS PER SHARE (Continued)

From continuing operations

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

Loss figures are calculated as follows:

	2016 **HK$'000**	2015 HK$'000
Loss for the year attributable to owners of the Company	**(42,944)**	(77,410)
Less: Loss for the year from discontinued operation	**–**	16,277
Loss for the purposes of basic and diluted loss per share from continuing operations	**(42,944)**	(61,133)

From discontinued operation

Basic and diluted loss per share for the discontinued operation is nil (2015: 1.69 cents), based on the loss for the year from discontinued operation of nil (2015: HK$16,277,000), and the denominators detailed about for both basic and diluted loss per share.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of emoluments paid and payable to the directors of the Company for the year are as follows:

	Year ended 31 December 2016			
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
Executive directors:				
Mr. Zheng Qiang	–	600	18	618
Mr. Han Hanting (resigned on 3 May 2016)	–	200	6	206
Mr. Yu Xueming	–	780	18	798
Mr. Yu Chuanfu	–	756	18	774
Mr. Ng Hoi (appointed on 3 November 2016)	–	96	–	96
Mr. Sit Yau Chiu	–	600	18	618
Non-executive director:				
Mr. Chan Yee, Herman	200	–	–	200
Independent non-executive directors:				
Mr. Wang Wei Hung, Andrew	200	–	–	200
Mr. Ho Man (appointed on 3 November 2016)	32	–	–	32
Mr. Yeh Tung Ming (appointed on 3 November 2016)	32	–	–	32
Mr. Sin Ka Man	200	–	–	200
Mr. Zhao Li Xin	200	–	–	200
	864	3,032	78	3,974

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Year ended 31 December 2015			
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
Executive directors:				
Mr. Zheng Qiang	—	600	18	618
Mr. Han Hanting	—	600	18	618
Mr. Yu Xueming	—	780	18	798
Mr. Yu Chuanfu	—	756	18	774
Mr. Sit Yau Chiu	—	600	18	618
Non-executive director:				
Mr. Chan Yee, Herman	200	—	—	200
Independent non-executive directors :				
Mr. Wang Wei Hung, Andrew	200	—	—	200
Mr. Sin Ka Man	200	—	—	200
Mr. Zhao Li Xin	200	—	—	200
	800	3,336	90	4,226

Mr. Yu Chuanfu is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2016 and 2015.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2015: four) were directors of the Company for the year ended 31 December 2016. The emoluments of the directors are included in the disclosures in note 12(a) above. The emoluments of the remaining one (2015: one) individuals were as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other allowances	1,025	987
Performance related incentive payments (Note)	80	—
Retirement benefit scheme contributions	18	18
	1,123	1,005

Note: The performance related incentive payments are determined with reference to the operating results and individual performance during both years.

Their emoluments were within the following bands:

	Number of individuals	
	2016	2015
HK$1,000,000 to HK$1,500,000	1	1

During the years ended 31 December 2016 and 2015, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office.

13. DIVIDENDS

No dividend has been declared by the Company for the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2015	—	51,809	14,530	395	5,198	5,760	77,692
Additions	10,107	—	595	1,886	6,424	1,042	20,054
Disposal	—	(51,809)	(1,455)	(11)	(443)	(2,117)	(55,835)
Exchange realignment	(439)	—	(22)	(69)	(237)	(81)	(848)
At 31 December 2015	9,668	—	13,648	2,201	10,942	4,604	41,063
Additions	—	—	—	—	322	—	322
Disposal	—	—	—	—	—	(1,510)	(1,510)
Written-off	—	—	(274)	—	(94)	—	(368)
Exchange realignment	(626)	—	(29)	(502)	(402)	(62)	(1,621)
At 31 December 2016	9,042	—	13,345	1,699	10,768	3,032	37,886
ACCUMULATED DEPRECIATION							
At 1 January 2015	—	42,264	14,309	395	5,128	3,179	65,275
Provided for the year	263	948	294	191	1,005	818	3,519
Eliminated on disposal	—	(43,212)	(1,475)	(11)	(412)	(2,106)	(47,216)
Exchange realignment	(9)	—	(19)	(8)	(37)	(2)	(75)
At 31 December 2015	254	—	13,109	567	5,684	1,889	21,503
Provided for the year	426	—	148	326	2,484	747	4,131
Eliminated on disposal	—	—	—	—	—	(1,158)	(1,158)
Eliminated on written-off	—	—	(151)	—	(61)	—	(212)
Exchange realignment	(36)	—	(17)	(410)	(173)	(13)	(649)
At 31 December 2016	644	—	13,089	483	7,934	1,465	23,615
CARRYING VALUES							
At 31 December 2016	8,398	—	256	1,216	2,834	1,567	14,271
At 31 December 2015	9,414	—	539	1,634	5,258	2,715	19,560

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold land and buildings	Over the shorter of term of the lease or 50 years
Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	10% to 20%
Leasehold improvement	Over the shorter of term of the lease or 5 years
Motor vehicles	20%

(ii) At 31 December 2016, the Group was in the process of obtaining the ownership certificate for a property including in the buildings above, the carrying value of which at that date were approximately HK$8,398,000 (2015: HK$9,414,000). In the opinion of the directors of the Company, the absence of formal title to this property does not affect its value to the Group as the Group has paid the full purchase consideration of this building and the probability of being evicted on the ground of an absence of formal title is remote.

(iii) The net book value of motor vehicles of approximately HK$2,715,000 (2016: HK$1,567,000) as at 31 December 2015 included an amount of approximately HK$503,000 (2016: nil) in respect of assets held under finance leases.

15. INTEREST IN A JOINT VENTURE

	2016 HK$'000	2015 HK$'000
Costs of investments in joint ventures		
Unlisted	**–**	–
Share of post-acquisition losses and other comprehensive income	**–**	–
	–	–

As at 31 December 2016, the Group had interests in the following material joint venture:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interests or participating shares held by the Group 2016	2015	Proportion of voting power held 2016	2015	Principal activity
Hebao (Shenzhen) Information Technology Company Limited (荷包(深圳)信息科技有限公司)	Incorporated	The PRC	The PRC	Ordinary	**49%**	–	**49%**	–	Financial investment and asset management

15. INTEREST IN A JOINT VENTURE (Continued)

The financial information and carrying amount, in aggregate, of the Group's interests in a joint venture that are not individually material and are accounted for using the equity method are set out below:

	2016 HK$'000	2015 HK$'000
The Group's share of result	—	—
The Group's share of total comprehensive income	—	—
Carrying amount of the Group's interests in a joint venture	—	—

As at 31 December 2016 and up to the date of this report, no capital was injected to the joint venture by the Group.

16. FINANCE LEASE RECEIVABLES

Certain of the vessel and machinery are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	Minimum lease payments		Present value of minimum lease payment	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Finance lease receivables comprises:				
Within one year	29,730	84,484	27,597	78,035
After one year but within two years	39,107	—	34,608	—
	68,837	84,484	62,205	78,035
Less: Unearned finance income	(6,632)	(6,449)	—	—
Present value of minimum lease payment receivables	62,205	78,035	62,205	78,035
Analysed for reporting purposes as:				
Current assets			27,597	78,035
Non-current assets			34,608	—
			62,205	78,035

Effective interest rates of the above finance lease ranged from 13.8% to 15.56% (2015: from 14.5% to 18.81%) per annum.

The relevant lease contracts entered into of approximately HK$62,205,000 (2015: HK$78,035,000) was aged within 2 years (2015: 2 years) at the end of the reporting period.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that needed to be recorded as at 31 December 2015 and 2016.

16. FINANCE LEASE RECEIVABLES (Continued)

Finance lease receivables are secured over the vessel and machinery leased. In addition to the leased assets, all finance lease receivables are secured by equities of private entities in the PRC and finance lease receivables of approximately HK$65,555,000 are further secured by a mining right in the PRC as at 31 December 2015. No finance lease receivables are secured over the machinery leased as at 31 December 2016.

The ownership of leased assets will be transferred to the lessees at a purchase option of RMB100 upon the settlement of the receivable under the finance lease arrangement and the interest accrued under the lease arrangement.

The finance lease receivables are neither past due nor impaired.

The Group's finance lease receivables are denominated in RMB, the functional currency of the relevant group entity.

17. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	2016 **HK$'000**	2015 HK$'000
At 1 January	**609**	11,816
Addition	**—**	609
Utilised	**(609)**	(11,816)
At 31 December	**—**	609

18. TRADE AND OTHER RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Trade receivables	**—**	—
Less: Impairment loss recognised	**—**	—
	—	—
Purchase deposit	**—**	13,130
Other receivables	**9,241**	6,962
Prepayments (ii)	**34,287**	875
	43,528	20,967

18. TRADE AND OTHER RECEIVABLES (Continued)

(i) The Group generally allows an average credit period of 0-45 days to its trade customers. The Group does not hold any collateral over these balances.

The movements in impairment loss of trade receivables were as follows:

	2016 HK$'000	2015 HK$'000
As at 1 January	–	51
Recognised during the year	–	–
Written off during the year	–	(51)
As at 31 December	–	–

At 31 December 2015, included in the impairment loss of trade receivables are individually impaired trade receivables which is considered uncollectible with an aggregate balance of approximately HK$51,000 (2016: nil).

(ii) Included in the prepayments was prepayment of purchasing of metals of RMB30,000,000 (equivalent to approximately HK$33,492,000) (2015: nil) which was refunded subsequently after the end of reporting period due to the termination of the purchase contract.

(iii) Included in other receivables in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2016 HK$'000	2015 HK$'000
RMB	–	395

19. HELD-FOR-TRADING INVESTMENT

Held-for-trading investment comprises:

	2016 HK$'000	2015 HK$'000
Equity securities listed in Hong Kong	4,104	11,220

20. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	2016 HK$'000	2015 HK$'000
Unlisted instruments, at fair value	–	9,880

The available-for-sale investment represented wealth management products issued by financial institutions. Major investment targets of these products are bills issued by the People's Bank of China, debt securities issued by policy banks, debt securities issued by Chinese government in the national financial market for institutional investors, and other financial instruments.

21. BANK BALANCES AND CASH

The bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances for the year ended 31 December 2016 carried interest at the prevailing market rate ranging from 0.001% to 0.4% per annum (2015: 0.001% to 0.4% per annum).

The Group's bank balances and cash denominated in RMB amounted to approximately HK$112,333,000 at 31 December 2016 (2015: HK$184,751,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

As at 31 December 2016, approximately HK$109,000 (2015: HK$218,000), HK$16,878,000 (2015: HK$16,857,000) and HK$114,000 (2015: HK$1,316,000) of the bank balances and cash of the Group were denominated in HK$, US$ and RMB which are not the functional currency of the relevant group entities.

22. OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Receipt in advance	**1,685**	1,129
Interest payable	**7,216**	9,208
Value added tax payables	**11,585**	11,738
Other payables	**10,553**	12,188
	31,039	34,263

(i) Receipt in advance represented advance payments of related sales of goods from customers pursuant to the respective sales contracts.

(ii) Included in other payables in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2016 HK$'000	2015 HK$'000
HK$	**8,109**	12,050

23. OTHER BORROWINGS

	2016 HK$'000	2015 HK$'000
Unsecured:		
Other loan (Note i)	**80,000**	110,000
Other borrowings repayable*:		
Within one year	**80,000**	30,000
More than one year but not exceeding two years	**–**	80,000
	80,000	110,000
Less: Amounts due within one year shown under current liabilities	**(80,000)**	(30,000)
Amount shown under non-current liabilities	**–**	80,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

(i) At 31 December 2014, other loan of approximately HK$43,000,000 was raised from a convertible bondholder for the partial redemption of convertible bonds which carries an interest rate at 13% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The convertible bondholder became a shareholder of the Company upon a partial conversion of convertible bonds by the convertible bondholder during the year ended 31 December 2015. Details are set out in note 25.

At 31 December 2015, other loan of approximately HK$37,000,000 was raised from a subsidiary of a shareholder of the Company for the partial redemption of convertible bonds which carries an interest rate at 13% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The amounts due are based on the scheduled repayment dates set out in the loan agreements. Details are set out in note 25.

At 31 December 2015, other loan of approximately HK$30,000,000 was raised from an entity under the control of a shareholder of the Company which carried an interest rate of 10%, it was secured by the personal guarantee provided by a director of the Company. The loan has been fully repaid during the year ended 31 December 2016.

24. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term of these leases is five years (2015: five years).

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Amounts payable under finance leases:				
Within one year	–	283	–	268
More than one year, but not more than two years	–	189	–	186
	–	472	–	454
Less: Future finance charges	–	(18)		
Present value of lease obligations	–	454	–	–
Less: Amounts due within one year shown under current liabilities			–	(268)
Amounts due after one year			–	186

All obligations under finance leases of the Group bear interest at fixed interest rates. The underlying interest rates of these obligations under finance leases are ranged from 2.9% to 4.7% per annum during the years ended 31 December 2016 and 2015. The Group's obligation under finance leases are secured by the lessor's charge over the leased assets. These leases had no terms of renewal or purchase options and escalation clauses.

All obligations under finance leases are denominated in HK$.

25. CONVERTIBLE BONDS

On 9 May 2014, the Company issued 5% per annum coupon rate convertible bonds at principal amount of HK$200,000,000 and HK$100,000,000 to Vision Future Global Limited ("Vision Future") and Orient Finance Holdings (Hong Kong) Ltd. ("Orient Finance"), the independent third parties, respectively. The convertible bonds are denominated in HK$. The bonds mature in 36 months from the date of issuance and can be converted into shares of the Company with the agreement from bondholders at any time before the maturity date at an initial conversion price of HK$1 per share. The convertible bonds are transferable and non-redeemable before maturity.

On 25 September 2014, a deed of amendment has been entered into by the Company and the convertible bondholders that the convertible bonds were changed to be redeemable upon mutual consent between the Company and the bondholders. Other terms of the convertible bonds remain unchanged. On 15 October 2015, such modification have been duly passed by shareholders in a special general meeting. Such modification of terms did not result in the extinguishment of the financial liability of the convertible bonds.

On 14 November 2014 and 18 November 2014, the Company early redeemed partially the convertible bonds with the principal amounts of HK$140,000,000 and HK$43,000,000 from Vision Future and Orient Finance, respectively. This gave rise to an early redemption gain of approximately HK$17,928,000 for the year ended 31 December 2014 recognised in profit or loss.

On 20 May 2015, the principal amount of HK$10,000,000 convertible bonds was converted into 10,000,000 shares by Orient Finance at conversion price of HK$1 each.

On 28 July 2015, the Company further early redeemed partially the convertible bonds with the principal amounts of HK$37,000,000 from Orient Finance. This gave rise on an early redemption gain of approximately HK$4,992,000 for the year ended 31 December 2015 recognised in profit or loss. On the same date, another principal amount of HK$10,000,000 convertible bonds was converted into 10,000,000 shares by Orient Finance at conversion price of HK$1 each.

The convertible bonds contain two components, liability and equity elements. The equity element is presented in equity heading convertible bonds equity reserve. The effective interest rate of the liability component is 8% per annum.

25. CONVERTIBLE BONDS (Continued)

The movement of the convertible bonds for the year is set out below:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2015	110,839	8,454	119,293
Conversion to ordinary shares	(18,774)	(1,478)	(20,252)
Imputed interests charged	7,709	—	7,709
Interests paid	(5,975)	—	(5,975)
Gain on early redemption of convertible bonds	(4,992)	—	(4,992)
Early redemption of convertible bonds	(30,003)	(7,402)	(37,405)
Transfer to retained earnings upon early redemption of convertible bonds	—	4,670	4,670
At 1 January 2016	**58,804**	**4,244**	**63,048**
Imputed interests charged	**3,008**	**—**	**3,008**
Interests paid	**(3,000)**	**—**	**(3,000)**
At 31 December 2016	**58,812**	**4,244**	**63,056**

	2016 HK$'000	2015 HK$'000
Convertible bonds — liability component:		
Analysed for reporting purpose as:		
Non-current liabilities	**—**	55,804
Current liabilities (2015: included in other payables)	**58,812**	3,000
	58,812	58,804

26. DEFERRED TAXATION

The movement in deferred tax liabilities during the year are as follows:

	Difference between depreciation allowance and related depreciation HK$'000
At 1 January 2015	(68)
Credit to profit or loss during the year	68
At 31 December 2015 and 2016	—

At 31 December 2016, the Group has unused tax losses of approximately HK$23,647,000 (2015: HK$6,439,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At 31 December 2016, approximately HK$19,096,000 (2015: HK$1,888,000) included in the above unused tax losses will expire after five years from the year of assessment to which they relate to. Other losses may be carried forward indefinitely.

At 31 December 2016, the Group has no deductible temporary difference (2015: HK$2,960,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the Post-2008 Earnings amounting to approximately HK$1,290,000 (2015: HK$3,582,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

27. CORPORATE BONDS

During the year ended 31 December 2015, the Group issued an aggregate principal amount of HK$10,000,000 unlisted corporate bonds bearing an interest rate of 7% per annum. The corporate bonds will be repayable on the expiry day of the ninetieth month of the date of issuing the relevant corporate bonds. The effective interest rate of the corporate bonds is 10.2%.

	2016 **HK$'000**	2015 HK$'000
At 1 January	**9,054**	—
Issue of corporate bonds	**—**	10,000
Transaction costs	**—**	(1,600)
Interest accrued	**(700)**	—
Interest charged	**702**	654
At 31 December	**9,056**	9,054

	2016 **HK$'000**	2015 HK$'000
Analysed for reporting purpose as:		
Non-current portion	**8,356**	8,554
Current portion (included in other payables)	**700**	500
	9,056	9,054

28. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised		
Ordinary shares of HK$0.005 each as at 31 December 2015 and 2016	20,000,000	100,000
Issued and fully paid		
Ordinary shares of HK$0.005 each as at 31 December 2014	952,000	4,760
Issue of shares from conversion of convertible bonds (Note (i))	20,000	100
Issue of shares from exercise of warrants (Note (ii))	10,000	50
Ordinary shares of HK$0.005 each as at 31 December 2015 and 2016	982,000	4,910

Notes:

(i) On 20 May 2015 and 28 July 2015, HK$10,000,000 convertible bonds were converted into 10,000,000 shares at conversion price of HK$1 each for each of the date (see note 25).

(ii) On 8 June 2015, 10,000,000 warrants were exercised at HK$1 each (see note 29).

All the ordinary shares issued during the year ended 31 December 2015 rank pari passu with the then existing shares in all respects.

29. UNLISTED WARRANTS

On 18 November 2014, the Company issued 60,000,000 warrants (the "Warrants") to an independent third party at a cash consideration of HK$1. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.005 each at an exercise price of HK$1, subject to normal adjustment, at any time falling 24 months from the date of issue.

During the year ended 31 December 2015, 10,000,000 warrants were exercised at HK$1 each.

During the year ended 31 December 2016, no warrant was exercised and the warrants were lapsed on 17 November 2016.

30. RETIREMENT BENEFIT SCHEMES

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan and the assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years.

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

The Group made contributions to the retirement benefits schemes of approximately HK$1,039,000 for the year ended 31 December 2016 (2015: HK$1,184,000).

31. 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts which include other borrowings, obligations under finance leases, convertible bonds, corporate bonds and net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the issue of new debt or the redemption of existing debt and new share issues.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Financial assets at FVTPL held for trading	**4,104**	11,220
Available-for-sale investments	**—**	9,880
Loans and receivables (including bank balances and cash)	**225,252**	317,680
Financial liabilities		
Financial liabilities at amortised cost	**164,937**	196,208

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include finance lease receivables, trade and other receivables, held-for-trading investment, available-for-sale investment, bank balances and cash, other payables, bank and other borrowings, obligations under financial leases, corporate bonds and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no material change to the Group's exposure to financial risk or the manner in which it manages and measures the risk.

Market risk

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuation arise. The Group's assets are mainly RMB-denominated assets, however, HK$-denominated other borrowings, convertible bonds and corporate bonds in aggregate account for 82% of the Group's total liabilities. In addition, the Group has certain assets denominated in US$. In this respect, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of RMB against HK$/US$.

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

	Assets		Liabilities	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
HK$	**1,438**	218	**155,477**	186,408
US$	**16,878**	16,857	**—**	—
RMB	**114**	1,711	**—**	—

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Currency risk (Continued)

The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the currency risk of HK$/US$/RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where the respective functional currencies of the reporting entity strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2016 and 2015.

	HK$		US$		RMB	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Impact on post-tax loss for the year	**6,431**	7,773	**(705)**	(632)	**(5)**	(71)

The result of sensitivity analysis on HK$ is mainly attributable to the exposure on outstanding bank balance and cash, other payables, other borrowings, convertible bonds and corporate bonds denominated in HK$ at the end of the reporting period.

The result of sensitivity analysis on US$ is mainly attributable to the exposure on outstanding bank balance and cash denominated in US$ at the end of the reporting period.

The result of sensitivity analysis on RMB is mainly attributable to the exposure on outstanding trade and other receivables, bank balance and cash and other payables denominated in RMB at the end of the reporting period.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, convertible bonds, corporate bonds, other borrowings and obligations under finance leases. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's bank balances and deposits are short-term in nature and the exposure of the interest rate risk is minimal.

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

Sensitivity analysis

The Group's bank balances are short-term in nature and the exposure of interest rate in minimal as at 31 December 2016 and 2015 and no sensitivity analysis to interest rate risk on this is presented.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in The Stock Exchange of Hong Kong Limited. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% (2015: 5%) higher/lower, the post-tax loss for the year ended 31 December 2016 would decrease/increase by approximately HK$171,000 (2015: HK$468,000) as a result of the changes in fair value of the equity instruments.

Credit risk

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

In order to minimise the credit risk on finance lease receivables, the Group would assess the credit quality of each potential lessee and define limits for each lessee before accepting any new finance lease. The Group also demands certain finance lease borrowers to pledge further collaterals with the Group apart from the subject leased assets at the time the finance lease arrangement is entered into where considered necessary. In addition, the Group would also monitor the repayment history of finance lease payments from each finance lease lessee with reference to the repayment schedule from the date of finance lease was initially granted up to the reporting date to determine the recoverability of a finance lease receivable. Furthermore, the Group would assess and review the fair value of the pledged assets continuously to ensure the value of the relevant collateral could well cover the finance lease amount granted to the customers and any outstanding finance lease receivables.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The credit risk on liquid funds is limited because majority of the funds are deposited in banks with high credit ratings assigned by international credit rating agencies.

The Group has concentration of credit risk of finance lease receivables, as 32% (2015:84%) and 100% (2015:100%) of the total finance lease receivables at 31 December 2016 was due from the Group's largest lessee and the five largest lessees respectively within the finance leasing segment.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for all of the finance lease receivables at 31 December 2015 and 2016.

Collateral held as security and other credit enhancement

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for finance lease receivables at 31 December 2015. Credit risks associated with the finance lease receivables are mitigated because the finance lease receivables are secured over the leased assets and other securities provided by lessees. Details of these securities are set out in note 16. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of each individual finance lease receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The carrying amounts of the finance lease receivables amounted to approximately HK$62,205,000 (2015: HK$78,035,000).

Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cashflows on interest are estimated based on interest rates at the end of the reporting period, and therefore subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	At 31 December 2016					
	Within one year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	More than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Other payables	17,069	—	—	—	17,069	17,069
Other borrowings	87,216	—	—	—	87,216	80,000
Convertible bonds	63,056	—	—	—	63,056	58,812
Corporate bonds	700	700	2,100	11,050	14,550	9,056
	168,041	700	2,100	11,050	181,891	164,937

	At 31 December 2015					
	Within one year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	More than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Other payables	17,896	—	—	—	17,896	17,896
Other borrowings	34,151	90,400	—	—	124,551	110,000
Convertible bonds	3,000	63,000	—	—	66,000	58,804
Corporate bonds	700	700	2,100	11,750	15,250	9,054
Obligations under finance leases	283	189	—	—	472	454
	56,030	154,289	2,100	11,750	224,169	196,208

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

34. FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

(a) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial instruments	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	2016	2015			
	HK$'000	HK$'000			
Held-for-trading investment — listed equity securities	**4,104**	11,220	Level 1	Quoted price in active market	N/A
Available-for-sale investment — unlisted instruments	**—**	9,880	Level 2	Quoted from bank	N/A

The fair values of available-for-sale investment was determined by using discounted cash flow method with the key inputs of quoted market prices and prevailing observable interest rates discounted at a rate that reflected the credit risk of various counterparties.

There was no transfer of fair value hierarchy between level 1 and 2 in the reporting period.

(b) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values:

	Fair value hierarchy	Valuation technique and key inputs	Fair value	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial liability					
Liabilities component of convertible bonds	Level 2	Market value basis Key inputs: exercise price, expected volatility, risk free rate, effective interest rate, expected life	HK$63,398,000 (2015: HK$56,925,000)	N/A	N/A

The directors of the Company also consider that the fair value of the long-term portion of financial assets and liabilities approximates to their carrying amount as they are carried at amortised cost by using the effective interest method.

35. OPERATING LEASE COMMITMENT

The Group leases certain of its factory premises and offices under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years and rentals are fixed. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

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

	2016 HK$'000	2015 HK$'000
Within one year	**2,279**	5,653
In the second to fifth year inclusive	**2,578**	4,140
	4,857	9,793

36. CAPITAL COMMITMENT

	2016 HK$'000	2015 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment in a joint venture	**10,941**	—
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**—**	2,734

37. EVENT AFTER THE REPORTING PERIOD

On 16 March 2017, Fornton Holdings Company Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of its entire equity interest in 東莞豐正針織有限公司, a wholly-owned subsidiary to an independent third party at a consideration of RMB43,000,000 (equivalent to approximately HK$48,378,000). As of the date of the financial statements, the disposal was not completed. Details are set out in the Company's announcement on 16 March 2017.

38. RELATED PARTY TRANSACTIONS

The Group has entered into the following significant transactions with related parties during the year.

(a) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2016 and 2015 are as follows:

	2016 HK$'000	2015 HK$'000
Short-term employee benefits	5,001	6,710
Post-employment benefits	96	167
	5,097	6,877

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

(b) Guarantee provided by shareholders and a director of the Company

As at 31 December 2016, other borrowing of nil (2015: HK$30,000,000) is secured by the personal guarantee provided by a director of the Company. The loan has been fully settled and the personal guarantee has been released during the year ended 31 December 2016. Details are set out in note 23.

39. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 11 October 2011, the Company has adopted a Share Option Scheme (the "Scheme") for the purpose of motivating eligible participants to optimise their performance and efficiency for the benefit of the Group. The Board of directors shall be entitled at any time on a business day within 10 years commencing on the effective date of the Scheme to offer the grant of option to any eligible participants.

Eligible participants of the Scheme include (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficiary owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate.

39. SHARE OPTION SCHEME (Continued)

Any grant of options to a director, chief executive or substantial shareholder of the Company, or any of their respective associates representing in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK$5,000,000 in such person in any 12-months period up to and including the date of each grant must be approved by the independent non-executive directors, but excluding any independent non-executive director who is a proposed grantee and any further grant of options must be approved by the shareholders of the Company.

No share options are granted since the adoption of the Scheme and during the years ended 31 December 2016 and 2015.

40. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2015, other borrowing of HK$37,000,000 (2016: nil) was arising from the early redemption of convertible bonds. Details are set out in notes 23 and 25.

During the year ended 31 December 2016, the Group disposed of a motor vehicle at a consideration of approximately HK$580,000 (2015: nil) which was settled by cash of approximately HK$253,000 (2015: nil) and repayment of obligation under finance leases of approximately HK$327,000 (2015: nil).

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2016 HK$'000	2015 HK$'000
Non-current asset			
Investment in a subsidiary		17,138	17,138
Current assets			
Other receivables		440	254
Amounts due from subsidiaries	(a)	91,088	417,024
Bank balances and cash		889	100
		92,417	417,378
Current liabilities			
Other payables		8,309	11,950
Convertible bonds		58,812	—
Other borrowings		80,000	30,000
Amounts due to subsidiaries	(a)	113,572	113,322
		260,693	155,272
Net current (liabilities) assets		(168,276)	262,106
Total assets less current liabilities		(151,138)	279,244
Non-current liabilities			
Convertible bonds		—	55,804
Corporate bonds		8,356	8,554
Other borrowings		—	80,000
		8,356	144,358
Net (liabilities) assets		(159,494)	134,886
Capital and reserves			
Share capital		4,910	4,910
Reserves	(b)	(164,404)	129,976
Total equity		(159,494)	134,886

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) Reserves

	Share premium	Other reserve (Note)	Convertible bonds reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	159,947	81,270	8,454	—	(106,441)	143,230
Loss for the year and total comprehensive expense for the year	—	—	—	—	(28,304)	(28,304)
Exchange difference arising on translation of foreign operations	—	—	—	(6,172)	—	(6,172)
Issue of converted shares from bonds	20,152	—	(1,478)	—	—	18,674
Issue of shares from warrant exercise	9,950	—	—	—	—	9,950
Early redemption of convertible bonds	—	—	(7,402)	—	—	(7,402)
Transfer to accumulated earnings upon early redemption of convertible bonds	—	—	4,670	—	(4,670)	—
At 31 December 2015	190,049	81,270	4,244	(6,172)	(139,415)	129,976
Loss for the year and total comprehensive expense for the year	—	—	—	—	(294,380)	(294,380)
At 31 December 2016	190,049	81,270	4,244	(6,172)	(433,795)	(164,404)

Note: The other reserve represents the difference between the nominal value of the shares issued for the acquisition of Wide Reach Limited ("Wide Reach") and the consolidated net asset value of Wide Reach and its subsidiaries at the date of acquisition.

42. SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following subsidiaries, all of which adopted a financial years end date of 31 December 2016 and 2015:

Name of Company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			2016	2015	**2016**	2015	
Wide Reach	British Virgin Islands	Ordinary shares US$3,000	**100%**	100%	**–**	–	Investment holding
West Harbour Group Limited 宏海集團有限公司	British Virgin Islands	Ordinary shares US$1	**100%**	100%	**–**	–	Investment holding
Fornton Knitting Company Limited 豐臨針織有限公司	Hong Kong	Ordinary shares HK$10,000,000	**–**	–	**100%**	100%	Inactive
Nice Regent Industries Limited 毅俊實業有限公司	Hong Kong	Ordinary shares HK$10,000	**–**	–	**100%**	100%	Inactive
Fornton Holdings Company Limited 豐臨控股有限公司	Hong Kong	Ordinary shares HK$10,000	**–**	–	**100%**	100%	Inactive
東莞豐正針織有限公司	The PRC	Registered capital US$8,000,000	**–**	–	**100%**	100%	Inactive
Bravo Magic Holdings Limited	British Virgin Islands	Ordinary shares US$50,000	**–**	–	**100%**	100%	Inactive
Prokit Limited 博奇有限公司	Hong Kong	Ordinary shares HK$1	**–**	–	**100%**	100%	Inactive
Peak Matrix Holdings Limited	British Virgin Islands	Ordinary shares US$50,000	**–**	–	**100%**	100%	Inactive
Sino Top Capital Resources Limited 華威資本有限公司	Hong Kong	Ordinary shares HK$1	**–**	–	**100%**	100%	Finance leasing

42. SUBSIDIARIES OF THE COMPANY (Continued)

Name of Company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			2016	2015	2016	2015	
Shanxi Sino Top Leasing Company Limited 山西華威融資租賃有限公司 (Note a)	The PRC	Ordinary shares US$10,000,000 (2015: US$35,000,000) (Note b)	–	–	100%	100%	Finance leasing and trading of metal and equipment
World Channel Development Limited	British Virgin Islands	Ordinary shares US$1	–	–	100%	100%	Investment holding
Professional Leasing Limited 專業租賃有限公司	Hong Kong	Ordinary shares HK$1	–	–	100%	100%	Investment holding (2015: Finance leasing)
Fornton Group Limited	Hong Kong	Ordinary shares HK$1	–	–	100%	100%	Inactive
Rong Shan Capital Resources Limited 融山資本有限公司	Hong Kong	Ordinary shares HK$10,000	–	–	100%	100%	Inactive
融元融資租賃(上海)有限公司 (Note a)	The PRC	Note c	–	–	100%	100%	Inactive

Note a: Wholly foreign-owned enterprise established in the PRC.

Note b: The registered capital of 山西華威融資租賃有限公司 was reduced from US$35,000,000 (equivalent to approximately HK$240,860,000) to US$10,000,000 (equivalent to approximately HK$ 68,817,000) on 10 March 2016.

Note c: The registered capital of 融元融資租賃(上海)有限公司 amounted to US$50,000,000 (equivalent to approximately HK$389,000,000) which remained outstanding and not yet paid up to the report date.

None of the subsidiaries had any debt securities issued subsisting at the end of both years or any time during both years.

Five Year Financial Summary

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

RESULTS

	Year ended 31 December				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Revenue	**61,742**	130,796	287,950	310,867	400,035
Cost of sales	**(50,436)**	(112,979)	(230,712)	(256,573)	(323,989)
Gross profit	**11,306**	17,817	57,238	54,294	76,046
Other operating income	**4,585**	732	5,364	4,240	5,457
Gain on early redemption of convertible bonds	**—**	4,992	17,928	—	—
Change in fair value of held-for-trading investment	**2,924**	(11,252)	—	—	—
Selling and distribution expenses	**(2,611)**	(2,532)	(7,615)	(9,441)	(9,567)
Administrative and other expenses	**(43,739)**	(57,732)	(77,902)	(56,118)	(53,361)
Share of result of joint venture	**—**	—	—	—	—
Finance costs	**(14,836)**	(27,692)	(15,947)	(350)	(641)
(Loss) profit before taxation	**(42,371)**	(75,667)	(20,934)	(7,375)	17,934
Income tax (expense) credit	**(573)**	(1,743)	(2,506)	186	(4,196)
(Loss) profit for the year	**(42,944)**	(77,410)	(23,440)	(7,189)	13,738
Item that may be reclassified subsequently to profit or loss: Exchange differences arising on translation of foreign operations and total other comprehensive (expense) income	**(7,519)**	(7,034)	(2,754)	561	565
Total comprehensive (expense) income for the year	**(50,463)**	(84,444)	(26,194)	(6,628)	14,303
(Loss) earnings per share (HK cents) Basic and diluted	**(4.37)**	(8.00)	(2.58)	(0.86)	1.65

Five Year Financial Summary

ASSETS AND LIABILITIES

	Year ended 31 December				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
TOTAL ASSETS	**277,914**	359,824	565,631	188,982	206,359
TOTAL LIABILITIES	**(180,132)**	(211,579)	(354,314)	(56,369)	(67,118)
NET ASSETS	**97,782**	148,245	211,317	132,613	139,241