Jiu Rong Holdings Limited
久融控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2358)

ANNUAL REPORT
2016

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Siu Chi Ming
Ms. Wang Liping
Mr. Yin Jianwen

Independent Non-executive Directors
Mr. Chen Guowei
Mr. Wu Yinong
Mr. Yuan Qian Fei

AUDIT COMMITTEE

Mr. Chen Guowei *(Chairman)*
Mr. Yuan Qian Fei
Mr. Wu Yinong

NOMINATION COMMITTEE

Mr. Wu Yinong *(Chairman)*
Mr. Chen Guowei
Mr. Yuan Qian Fei

REMUNERATION COMMITTEE

Mr. Yuan Qian Fei *(Chairman)*
Mr. Chen Guowei
Mr. Wu Yinong
Mr. Siu Chi Ming

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 8, 49/F.
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

COMPANY SECRETARY

Mr. Siu Chi Ming

AUTHORISED REPRESENTATIVES

(for the purposes of the listing rules)
Mr. Siu Chi Ming
Mr. Yin Jianwen

AUTHORISED REPRESENTATIVES

(to accept service of process and notices under Part XI of the Hong Kong Companies Ordinance)
Mr. Siu Chi Ming
Mr. Yin Jianwen

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701, 7/F
Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Everbright Bank Company Limited
30/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

Mizuho Bank Limited
17/F, Two Pacific Place
88 Queensway, Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 2358

WEBSITE

http://www.irasia.com/listco/hk/2358

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall Financial Results

The board (the "**Board**") of directors (the "**Directors**") of Jiu Rong Holdings Limited (the "**Company**") is pleased to present this annual report and audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016 (the "**Year**") to the shareholders of the Company.

For the year ended 31 December 2016, the Group achieved a turnover of approximately HK$139,312,000 with a gross profit of approximately HK$16,633,000. The loss for the Year attributable to owners of the Company was approximately HK$35,317,000. Basic loss per share of the Company was approximately HK0.86 cents while basic loss per share for the year ended 31 December 2015 was approximately HK1.02 cents. As at 31 December 2016, balance of cash and cash equivalents of the Group were approximately HK$117,364,000.

Turnover

For the Year under review, the Group recorded a turnover of approximately HK$139,312,000 which was contributed by the Digital Video Business and the New Energy Vehicles Business.

In 2016, the Group's business has two reporting segments under continuing operations (2015: two). Details of the segment information are set out in Note 7 to the consolidated financial statements in this annual report.

Business operations

Continuing operations

(i) Digital Video Business

The Group through its wholly owned subsidiary, Soyea Jiu Rong Technology Co., Ltd. ("**Soyea Jiu Rong**") to carry out the research and development, manufacturing and sales of digital television ("**TV**"), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry.

(ii) New Energy Vehicles Business

The Group through its wholly owned subsidiary, Jiu Rong New Energy Science and Technology Limited ("**Jiu Rong New Energy**") to carry out the construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems.

Discontinued operation

(i) Water Meter Business

The Group through its non-wholly owned subsidiary, Wuhan Sunbow Science & Technology Co. Limited ("**Sunbow**") to carry out the design, assembly and installation of water meter in the Peoples' Republic of China (the "**PRC**"). The water meter business was discontinued in October 2015 following the completion of the disposal of Mitsumaru East Kit (Group) Limited and its subsidiaries (the "**Disposal**") on 31 October 2015. For details of the Disposal, please refer to the announcement and circular of the Company dated 20 July 2015 and 22 August 2015 respectively.

Gross Profit Margin

During the Year under review, the gross profit margin remained steady of approximately 12%.

Expenses

During the Year under review, the Group adopted stringent cost controls on its operation. Management of the Group always believes that maintaining a high standard of cost control on expenses were for the benefits of the Group. Therefore, management regularly reviewed and updated controls and procedures to ensure that cost control objectives can be achieved.

Financial Position and Liquidity

	31 December 2016	31 December 2015
Current ratio	**4.06**	2.25
Quick ratio	**3.82**	2.01
Gearing ratio	**N/A**	0.14

* Gearing ratio = Net debt divided by the capital plus net debt

For the Year under review, the Group used approximately HK$4,569,000 (2015: approximately HK$3,214,000) of cash from its operations. As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$117,364,000 (2015: approximately HK$47,746,000).

As at 31 December 2016, surplus in shareholders' equity was approximately HK$194,486,000 (2015: surplus in shareholders' equity of approximately HK$140,943,000). Current assets of the Group amounted to approximately HK$234,652,000 (2015: approximately HK$210,186,000). The current ratio and quick ratio were approximately 4.06 and 3.82 (2015: approximately 2.25 and 2.01), respectively.

As at 31 December 2016, the Group's net cashes amounted to approximately HK$59,560,000 (2015: net debts of approximately HK$45,690,000).

Trade and notes receivables decreased from approximately HK$130,667,000 as at 31 December 2015 to approximately HK$81,356,000 as at 31 December 2016. During the Year under review, the Group provided reversed impairment loss on trade receivables of approximately HK$1,172,000 (2015: provided impairment loss of approximately HK$4,390,000).

Capital Expenditure

The Group's total capital expenditures on property, plant and equipment during the Year under review amounted to approximately HK$17,921,000 (2015: approximately HK$120,000).

Pledge of Assets

As at 31 December 2016, the Group has pledged certain of its bank deposit of HK$5,756,000 (2015: HK$7,252,000) to secure its notes payables.

Material Acquisition

During the Year under review, the Group did not have any material acquisition.

Capital Structure

During the Year under review, the Company completed the placing of shares, on best effort basis, for a maximum of 760,000,000 shares at a price of HK$0.125 per Share under the new general mandate granted to the Directors at the annual general meeting held on 29 May 2015. The placing was completed on 29 July 2016 whereby a total of 760,000,000 placing shares have been successfully placed (the "**Placing**"). Details movements of the Company's share capital during the year is set out in Note 29 of the consolidated financial statement in this annual report.

Significant Investment

The Group did not have any significant investments during the Year under review.

Risk of Intense Competition

The Group's Digital Video Business faces intense competition and such competition puts downward pressure on the price of the products of the Digital Video Business. The Group's market position depends on the ability to estimate and manage competition, including the introduction of new or improved products and services, pricing strategies of competitors and preferences of customers. If the Group fails to maintain competitive price of similar products or services or provide distinctive products or services, it may lose its customers to competitors. Moreover, competition may cause reduction in price, gross profit margin and market share of the Group.

Foreign Exchange and Currency Risks

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities and Capital Commitments

The Group does not have any contingent liability in the Year under review (2015: Nil).

The Group had capital commitment of approximately HK$17,197,000 in the Year under review (2015: Nil).

Employees Benefit and Expenses

As at 31 December 2016, there were 161 employees (2015: 180 employees) in the Group. The total amount of employee remuneration incurred for the Year was approximately HK$14,595,000 (2015: approximately HK$18,972,000). The Group determines employees' remuneration by the work responsibilities, job performance and professional experience. The Group also provides employees on-job training from time to time to upgrade the knowledge, skills and overall caliber of its employees.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in (1) manufacturing and sales of digital television ("**TV**"), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of telecommunication TV and internet in the digital video industry ("**Digital Video Business**"); and (2) the construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems ("**New Energy Vehicles Business**").

The Digital Video Business of the Group has gone through fierce competitions in 2016 with a significant dropped in turnover, the Group recorded approximately HK$136,981,000 (2015: approximately HK$225,991,000) in turnover for the year ended 31 December 2016, representing a decrease of 39.39% as compared with last year's corresponding period. Taken into account the unsatisfactory results of the Digital Video Business, a one-off impairment of the goodwill, intangible assets and property, plant and equipment of the Digital Video Business of HK$11,800,000, HK$4,868,000 and HK$1,774,000 respectively was recorded, as a result of such impairments, the Group recorded operating loss of approximately HK$35,317,000 (2015: loss of approximately HK$32,000,000) and loss attributable to owners of the Company of approximately HK$35,317,000 (2015: loss of approximately HK$38,920,000).

In order to maximize shareholder's wealth, despite closely monitoring the Digital Video Business, the Group through its indirect wholly owned subsidiary, Jiu Rong New Energy Science and Technology Limited to engage in the New Energy Vehicles Business, the Board is of the view that the New Energy Vehicles Business is with substantial growth potential as the PRC Government has emphasized on the use of new energy vehicles and reduction in carbon emissions in its 13th Five-Year-Plan and considers that the commencement of the New Energy Vehicles Business is able to cope with the 13th Five-Year-Plan policies and to diversify the Group's businesses, the New Energy Vehicles Business as one of the principal businesses of the Group can broaden revenue base of the Group and that will be in the interest of the Company and the Shareholders as a whole.

The electric vehicles charging facilities (including operation of electric vehicles charging piles) and its related intelligent management systems in Hangzhou has commenced operation by the end of 2016. During the year ended 31 December 2016, the Group recorded turnover of approximately HK$2,331,000 (2015: HK$Nil) from the New Energy Vehicles Business. As at the date of this announcement, the Group has already established three different electric vehicles charging facilities stations in Jianggan District and Gongshu District, Hangzhou with a total of approximately 120 electric vehicles charging piles in operation, and an intelligent parking of approximately 10,000m^2 with new energy vehicles charging facilities and intelligent management system in Shangcheng District, Hangzhou. The Group will continue to invest in the New Energy Vehicles Business with the aim to be one of the largest new energy vehicles charging facilities operator in the PRC.

The Directors will continue to (1) closely evaluate the performance of the above mentioned businesses; (2) invest in the New Energy Vehicles Business; (3) actively explore new businesses or investments; and (4) consider fund raising opportunities which can strengthen the financial position of the Group in order to enhance the value of the Group which will be in the interests of the Company and shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Siu Chi Ming, aged 36, holds a Bachelor of Business Administration (Accounting) from Hong Kong Baptist University. Mr. Siu is a fellow member of the Association of Chartered Certified Accountants and an associate of Hong Kong Institute of Chartered Secretaries as well as the Institute of Chartered Secretaries and Administrators. Prior to joining the Group, Mr. Siu was a senior manager of a corporate finance division of a licensed corporation registered under Securities and Futures Ordinance (the "**SFO**") and was a licensed person registered under the SFO to carry on type 6 (advising on corporate finance) regulated activities, Mr. Siu has been involved in several corporate finance transactions including mergers and acquisitions, corporate reorganization and a variety of fund raising exercises. He is currently responsible for the overall management of the Group. Mr. Siu joined the Group and was appointed as an executive Director on 9 February 2012. Mr. Siu is an independent non-executive director of China Water Affairs Group Limited (stock code: 0855), a company listed on the Main Board of the Stock Exchange.

Ms. Wang Liping, aged 57, was appointed as an executive Director on 1 July 2014. Ms. Wang graduated from The Open University of China specializing in electronic equipment and surveying technologies. Ms. Wang has extensive experiences in the electronics operation and management. Ms. Wang is director of Soyea Jiu Rong Technology Co., Ltd., an indirect wholly owned subsidiary of the Company. Ms. Wang was an executive director of SOYEA Technology Co., Ltd, a company established under the laws of the PRC, whose issued shares are listed on the Shenzhen Stock Exchange (stock code: 000909).

Mr. Yin Jianwen, aged 48, was appointed as an executive Director and an authorised representative of the Company on 1 June 2015. Mr. Yin graduated from Hangzhou University (now named Zhejiang University) Department of Foreign Languages. Mr. Yin has extensive experiences in the import and export business, real estate, electronics operation and management. Mr. Yin was an executive director of SOYEA Technology Co., Ltd from June 2008 to August 2013, a company established under the laws of the PRC, whose issued shares are listed on the Shenzhen Stock Exchange (stock code: 000909).

DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Yinong, aged 54, was appointed as an independent non-executive Director on 30 December 2013. Mr. Wu graduated from Portland State University in the United States of America with a Master's degree in Business Administration in 1994. Mr. Wu is currently the Managing Director of China Investment Securities International Capital Limited. He has been in the investment banking industry for more than 17 years. Mr. Wu was an independent non-executive Director of Haier Electronics Group Co., Ltd. (stock code: 1169), a company listed on the main board of the Stock Exchange from 28 January 2005 to 28 May 2013.

Mr. Chen Guowei, aged 61, was appointed as an independent non-executive Director on 1 October 2015. Mr. Chen, graduated from Maanshan Iron & Steel Institute in Professional Accountancy of Economic Management. Mr. Chen is a certified public accountant in the PRC with extensive experiences in the accounting and business operation and management.

Mr. Yuan Qian Fei, aged 52, was appointed as an independent non-executive Director on 1 October 2015. Mr. Yuan, graduated from Jiangxi Industry University (now named Nanchang University) with bachelor of engineering and Xiamen University with master of economics. Mr. Yuan is a member of the Chinese Institute of Certified Public Accountants and has extensive experiences in internal audit, accounting and business management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained to safeguard the interests of our shareholders, investors, customers and staff.

The Company has complied with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under the Code Provision A.2.1 of the CG Code, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

   During the Year and up to the date of this report hereof, the posts of chairman and chief executive were vacant. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill, and experience be identified, the Company will make appointments to fill the posts as and when appropriate.

2. Under the Code Provision A.6.7 of the CG Code, the independent non-executive Directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, one executive director and three independent non-executive Directors did not attend the annual general meeting ("**AGM**") held on 26 August 2016.

   However, at the AGM, there were at least two executive Directors presented to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

3. Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the AGM and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the AGM.

   Due to other business engagements, the chairman of the audit and remuneration committees did not attend the AGM.

4. Under Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. During the year, the Group conducted a review on the need for setting up an internal audit department. Given the Group's simple operating structure and the potential cost burden, it was decided that the Group would not set up an internal audit department for the time being and the Board would be directly responsible for risk management and internal control systems of the Group.

The Board has taken remedial steps, actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the "**Code of Conduct**") by Directors on terms no less exacting than the required standard set out in Appendix 10 to Listing Rule (the "**Model Code**"). The Company has made specific enquiry of all Directors as to whether they have complied with the required standard set out in the Model Code and the Code of Conduct during the year ended 31 December 2016.

All the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2016.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2016 and up to the date of this report, the composition of the Board was:

Executive Directors:

Mr. Siu Chi Ming
Ms. Wang Liping
Mr. Yin Jianwen

Independent non-executive Directors:

Mr. Chen Guowei
Mr. Wu Yinong
Mr. Yuan Qian Fei

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationships among members of the Board.

The list of Directors of the Company and their roles and functions is posted on the websites of the Company, http://www.irasia.com/listco/hk/2358, and the Stock Exchange. Detailed biographies outlining each director's range of specialist experience and suitability for the successful long-term management of the Group can be found in the Section of "**Directors and Senior Management Profile**" on pages 7 and 8 of this annual report.

The Role of the Board

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment, controls over business operations and ensures good corporate governance and compliance with legal and regulatory requirements. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board delegates day-to-day operations of the Group to executive Directors and senior management of the Company for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its senior management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Directors' Appointment, Re-election and Removal

Details of the service contracts of each Executive Directors and Independent Non-executive Directors are set out in the header of "**Directors' Service Contracts**" on page 22 of the Directors' Report.

In accordance with the Company's articles of association (the "**Article(s)**"), (i) Directors appointed by the Board to fill a casual vacancy shall hold office until the next following AGM of the Company after appointment and be subject to re-election at such meeting; and (ii) one-third of the Directors for including Executive Directors and Independent Non-executive Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) are subject to retirement by rotation at every AGM.

Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has three independent non-executive Directors representing half of the Board. Among the three independent non-executive Directors, Mr. Chen Guowei has appropriate professional qualification in accounting and related financial management expertise as required by Rules 3.10(2) of the Listing Rules. None of the independent non-executive Directors is related to one another.

The independent non-executive Directors are persons of high calibre; with academic and professional qualifications in the fields of accounting, corporate finance and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The independent non-executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the independent non-executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board of the Company.

Each of Mr. Chen Guowei, Mr. Yuan Qian Fei, Mr. Wu Yinong and Ms. Wang Liping has entered into a service contract with the Company for a term of one year, subject to re-election by shareholders at the AGM of the Company at least once every three years by rotation. No Director has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence

The Company has received the annual confirmation of independence from all existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules.

Directors' Training

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

Directors' training is an ongoing process. During the Year, Directors received regular updates on changes and development to the Group's business and to legislative and regulatory environments in which the Group operate. All Directors are encouraged to attend external forum or training courses on relevant topics when count towards continuous professional development training. The Directors also disclose to the Company their interests as Directors or other offices in other public companies in a timely manner and provide updates to the Company on any subsequent changes.

The record of the trainings of the Directors, on a named basis, is set out as below:

	Reading articles, newspapers, journal and/or updates	Attending trainings and/or seminars
Executive Directors		
Mr. Siu Chi Ming		√
Ms. Wang Liping	√	
Mr. Yin Jianwen	√	
Independent Non-executive Directors		
Mr. Chen Guowei	√	
Mr. Wu Yinong		√
Mr. Yuan Qian Fei	√	

Board Meetings and Board Practices

The Board holds at least four meetings a year. The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. All Directors are invited to attend the Board meetings in person or by telephone conference.

Sufficient notices for regular Board meetings and notice of reasonable notice for non-regular Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings. Board papers will be given to the Board before the date of the Board meeting by the Company Secretary.

If a substantial shareholder or a Director has a conflict of interest in a matter, the matter will be dealt by a physical Board meeting rather than a written resolution.

During the Year, the Board held totally five meetings and reviewed, inter alia, the performance and formulated business strategy of the Group; reviewed and approved the annual and interim results of the Group for the year ended 31 December 2015 and six months ended 30 June 2016 respectively; approved the profit warning announcement; approved the placing of new shares under general mandate and proposed increase in authorised share capital; and announcement issuance of placing shares.

The attendance records for the Directors' meetings are set out below:

	Number of Board Meetings Attended	Attendance Rate
Executive Directors		
Mr. Siu Chi Ming	5/5	100%
Ms. Wang Liping	4/5	80%
Mr. Yin Jianwen	5/5	100%
Independent non-executive Directors		
Mr. Chen Guowei	5/5	100%
Mr. Wu Yinong	5/5	100%
Mr. Yuan Qian Fei	5/5	100%

Any Director wishing to do so in the furtherance of his or her duties, may take independent professional advice at the Company's expense. The Directors are encouraged to update their skills, knowledge and familiarity with the Group through their initial induction, ongoing participation at Board and committee meetings, and through meeting key members of management.

COMMITTEES OF THE BOARD

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 22 June 2004. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Audit Committee, now published on the websites of the Company, http://www.irasia.com/listco/hk/2358 and the Stock Exchange.

The Audit Committee comprised three members; all of them are independent non-executive Directors. The Audit Committee is chaired by Mr. Chen Guowei who possesses the accounting and related financial management expertise. The members of the Audit Committee were Mr. Wu Yinong and Mr. Yuan Qian Fei.

The Audit Committee acts as an important link between the Board and the Company's auditor in matters within the scope of the Group's audit. The duties of the Audit Committee are to review and discuss on the effectiveness of external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim report and to provide advice and comments to the Board. The Audit Committee has reviewed the audited financial statements of the Group for the Year.

The Audit Committee meets regularly with the management and the external auditor to discuss the accounting principles and practices adopted by the Group and financial reporting matters. During the Year, the Audit Committee held 2 meetings to review, among others, the audited financial statements for the year ended 31 December 2015 and the unaudited financial statements for the six months ended 30 June 2016 with the recommendations to the Board for approval; and had reviewed the accounting principles and policies adopted by the Group and its system of internal control.

The attendance records for the Audit Committee meetings are set out below:

	Number of Audit Committee Meetings Attended	Attendance Rate
Independent non-executive Directors		
Mr. Chen Guowei	2/2	100%
Mr. Wu Yinong	2/2	100%
Mr. Yuan Qian Fei	2/2	100%

Remuneration Committee

The Company established a remuneration committee (the "**Remuneration Committee**") on 12 December 2005. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Remuneration Committee, now published on the websites of the Company, http://www.irasia.com/listco/hk/2358 and the Stock Exchange.

The Remuneration Committee comprises four members and is chaired by Mr. Yuan Qian Fei (independent non-executive Director). The other members of the Remuneration Committee are Mr. Chen Guowei (independent non-executive Director), Mr. Wu Yinong (independent non-executive Director) and Mr. Siu Chi Ming (executive Director). Accordingly, the Remuneration Committee comprises a majority of independent non-executive Directors.

The role of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee also reviews and approves the compensation arrangements relating to dismissal or removal of Directors to ensure that such arrangements are in accordance with the relevant contractual terms or are otherwise reasonable and appropriate.

During the Year, the Remuneration Committee held one meeting to review the remuneration packages of all the Directors and the senior management of the Group. No Director was involved in deciding his own remuneration at the meeting of the Remuneration Committee.

The attendance records for the Remuneration Committee meeting are set out below:

	Number of Remuneration Committee Meetings Attended	Attendance Rate
Independent non-executive Directors		
Mr. Chen Guowei	1/1	100%
Mr. Wu Yinong	1/1	100%
Mr. Yuan Qian Fei	1/1	100%
Executive Directors		
Mr. Siu Chi Ming	1/1	100%

Nomination Committee

The Company established a nomination committee (the "**Nomination Committee**") on 12 December 2005. On 25 April 2007, the Board adopted specific written terms of reference setting out the authority and duties of the Nomination Committee, now published on the websites of the Company, http://www.irasia.com/listco/hk/2358 and the Stock Exchange.

The Nomination Committee comprises three members, all of them are independent non-executive Directors. The Nomination Committee is chaired by Mr. Wu Yinong. The other members of the Nomination Committee are Mr. Chen Guowei and Mr. Yuan Qian Fei.

The role of the Nomination Committee is to review the compositions of the Board, select, identify and recommend to the Board suitable candidates to be Directors, and assess the independence of the independent non-executive Directors.

During the Year under review, the Nomination Committee held one meeting to review the qualifications and the performance of the current Directors and the composition of the Board, assessed the independence of the independent non-executive Directors and recommended to the Board on relevant matters relating to the appointment of senior management.

The attendance records for the Nomination Committee meetings are set out below:

	Number of Nomination Committee Meetings Attended	Attendance Rate
Independent non-executive Directors		
Mr. Chen Guowei	1/1	100%
Mr. Wu Yinong	1/1	100%
Mr. Yuan Qian Fei	1/1	100%

CORPORATE GOVERNANCE FUNCTIONS

The terms of reference on corporate governance functions was adopted by the Board on 27 December 2013. The Board is responsible for performing the following corporate governance duties with its written terms of reference:

a. to develop and review the Company's policies and practices on corporate governance and make recommendations;

b. to review and monitor the training and continuous professional development of Directors and senior management;

c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e. to review the Company's compliance with the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 14 of the Listing Rules and disclosure in this Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements and Financial Reporting

The Company's financial statements for the Year have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

For the year ended 31 December 2016, the remuneration paid/payable to ZHONGHUI ANDA CPA Limited, the auditor of the Company, is set as follows:

Services	**HK$'000**
Audit Services	**530**
Non-audit services – Report on preliminary result announcement	**20**
Total	**550**

Company Secretary

The Company Secretary, Mr. Siu Chi Ming ("**Mr. Siu**"), is responsible for facilitating the Board process, as well as the communications among the Board members, shareholders and management. Mr. Siu also prepares detailed minutes of each meeting. Board minutes would be sent to the Board for comments as soon as practicable. Mr. Siu reports directly to the Board. All Directors also have access to the advice and services of the Company Secretary to ensure that all applicable laws, rules and regulations are followed.

During the Year, Mr. Siu undertook over 15 hours of professional training to update his skills and knowledge.

Access to information

All Directors are kept informed major changes of the Group's business from time to time. They have unrestricted access to the advices from the Company Secretary who is responsible to provide the Board papers and related materials.

Minutes of Board Meeting and Board Committee meetings are kept by the Company Secretary and are open for inspection by any Director. The Directors including independent non-executive Directors may seek legal advices at the Company's expenses to discharge their duties.

RISK MANAGEMENT AND INTERNAL CONTROL

Under the Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. The Group conducted an annual review on the need of establishing an internal audit department. Given the Group's simple operating structures, it was decided that the Board would be directly responsible for risk management and internal control systems of the Group. Procedures have been designed for safeguarding assets against unauthorized use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

The key procedures that the Board has established to provide effective internal control are as follows:

- The Company has established Internal Control Policies and Procedures Manual (the "**IC Manual**") and has a checklist to ensure the compliance with the principles and the code provisions set out in the CG Code in Appendix 14 to the Listing Rules.

- Monthly management reporting system providing financial and operational performance indicators to the management and Directors with financial reporting procedures and time frame for result announcements have been established.

- Formal investment policy states the details of guidelines and procedures to be done for the proposed investment, for every proposed investment, a detail list of documents is needed to provide to the managements and Directors.

- Management structure with defined roles, responsibilities and reporting lines are established. Delegated authorities are documented and communicated.

- Several responsible persons are assigned to handle different accounting procedures for every proposed investment.

- System and procedures to identify, measure, manage and control risks including liquidity, credit, regulatory and operational risks that may have an impact on the Group.

The Board through the Audit Committee had conducted an annual review on the risk management and internal control systems of the Group. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to manage the risks. No major issue was raised for improvement. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

The Company formulated the inside information policy to provide employees with guidelines on reporting and disseminating inside information, confidentiality and compliance with restrictions on trading. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information.

SHAREHOLDERS' RIGHT

Pursuant to Article 58, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The requisition in writing should be sent to the Company's office at Flat 8, 49/F., Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The same procedure also applies to any proposal to be tabled at shareholders' meetings for adoption. The Board will review shareholders' enquires on a regular basis. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the above address.

In case of shareholding enquires, shareholders should direct their enquiries to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, via its online holding enquiry at www.computershare.com/hk, or by email to hkinfo@computershare.com.hk or dial its hotline at (852) 2862-8555 or go in person at its public counter at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

INVESTOR AND SHAREHOLDER RELATION

The Board recognises the importance of good communications with its shareholders and investors. A Shareholders' Communication Policy setting out the principles of the Company in relation to shareholders' communications, with the objectives of ensuring a transparent and timely communication with shareholders via various means, has been established.

The Company's AGM is a valuable forum for the Board to communicate directly with the shareholders and to answer questions shareholders may raise. Separate resolutions are proposed at general meetings for each substantial issue, including the re-election and election of individual Directors. The detailed procedures of conducting a poll are explained to shareholders at the commencement of the AGM, to ensure that shareholders are familiar with such procedures.

The Company's last AGM was held on Friday, 26 August 2016 at 11:00 a.m. at Flat 8, 49/F., Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. All the resolutions proposed at that meeting were approved by shareholders of the Company by poll. Details of the poll results are available on the websites of the Company, http://www.irasia.com/listco/hk/2358, and the Stock Exchange. All Directors, except independent non-executive Directors, attended the AGM held on Friday, 26 August 2016. Ms. Wang Liping, Mr. Chen Guowei, Mr Wu Yinong and Mr. Yuan Quian Fei did not attend the AGM was due to other business engagement; The Company Secretary Mr. Siu Chi Ming also attended the AGM together with the external auditors, ZHONGHUI ANDA CPA Limited.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner of the relevant periods in 2016, which fulfill the time limits as laid down in the Listing Rules.

The Directors are responsible for investor relations of the Company including holding meetings with equity research analysts, fund managers and institutional shareholders and investors. The market capitalisation of the Company As at 31 December 2016 was HK$1,185,600,000 (issued share capital: 4,560,000,000 shares at closing market price: HK$0.26 per share) and the public float of the Company was around 86%.

CONSTITUTIONAL DOCUMENTS

There was no change to the Memorandum and Articles of Association of the Company during the financial year 2016. A copy of the latest consolidated version of the Memorandum and Articles of Association of the Company is posted on the websites of the Company, http://www.irasia.com/listco/hk/2358, and the Stock Exchange.

On Behalf of the Board

Siu Chi Ming
Executive Director

Hong Kong
28 March 2017

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company 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 Notes 1 and 18 to the consolidated financial statements, respectively.

RESULTS AND DIVIDENDS

The Group's profit for the year and the state of affairs of the Company and of the Group at 31 December 2016 are set out in the consolidated financial statements on pages 29 to 79. The Directors do not recommend the payment of any dividend For the year ended 31 December 2016.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated financial results and consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 79 of this annual report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Details of movements in the property, plant and equipment and intangible assets of the Group during the year are set out in Notes 16 and 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and movements in the Company's share options during the year are set out in Notes 29 and 31 to the consolidated financial statements, respectively.

PUBLIC FLOAT

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

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

As at 31 December 2016, so far as the Directors are aware, the following persons have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5% or more in the issued share capital of the Company, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholder	Type of interests	Number of Shares	Percentage of interests
Alpha Century Assets Limited	Beneficial owner	600,000,000 (L)	13.16
Ms. Wong Sin Fung *(Note 1)*	Interest of controlled corporation	600,000,000 (L)	13.16
SOYEA Technology Co., Limited	Beneficial owner	266,616,000 (L)	5.85

Notes:

1. The interest in 600,000,000 shares is deemed corporate interest through Alpha Century Assets Limited.

2. The letter "L" denotes a long position and "S" denotes a short position.

Save as disclosed above, so far as was known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

THE SCHEME

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, at 31 December 2016 and up to the date of approval of these financial statements, no share options have been granted under the Scheme.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the Companies Laws (2004 Revision) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 30 to the consolidated financial statements and in the consolidated statement of changes in equity on page 33, respectively.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company include share premium and contribution surplus which amounted to an aggregate of approximately HK$170,824,000 as at 31 December 2016. These reserves may be distributed, provided that immediately following the date on which the dividend is proposed to be paid, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 41% of the total sales for the year and sales to the Group's largest customer included therein accounted for approximately 16% of total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 44% of the total purchases for the year and purchases from the Group's largest supplier included therein accounted for approximately 21% of total purchases for the year.

At no time during the year have the Directors, their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers and customers.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr. Siu Chi Ming
Ms. Wang Liping
Mr. Yin Jianwen

Independent Non-executive Directors:

Mr. Wu Yinong
Mr. Chen Guowei
Mr. Yuan Qian Fei

Pursuant to Article 87(1) and 87(2), Mr. Siu Chi Ming and Mr. Wu Yinong shall retire from office at the forthcoming AGM of the Company. All of the above retiring Directors are eligible and will offer themselves for re-election at the forthcoming AGM of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 7 and 8 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Siu Chi Ming, an Executive Director, has entered into a service contract with the Company which shall continue to be effective unless terminated by three months' notice in writing served by either party on the other or payment in lieu. He is entitled to receive a director's fee of HK$10,000 per month and director salary of HK$90,000 per month, and thirteen month basis, which was determined with reference to market terms, qualifications and work experience of him, plus a discretionary year-end bonus to be determined by the Board from time to time.

Mr. Yin Jianwen, an Executive Director, has entered into a service contract with the Company on 1 June 2015 for a term of two years unless terminated by three months' notice in writing served by either party on the other or payment in lieu. He is entitled to receive a director's salary of HK$20,000 per month which was determined with reference to market terms, qualification and work experience of him.

Ms. Wang Liping, an Executive Director, has entered into a service contract with the Company on 25 June 2014 from 1 July 2014 for a fixed term of two years unless terminated by three months' notice in writing served by either party on the other. She is entitled to receive the discretionary bonus for the performance of her duties which was determined with reference to the market.

Mr. Wu Yinong, an Independent Non-executive Director, has entered into a service contract with the Company on 30 December 2016 for a term of one year for an annual fee of HK$120,000.

Mr. Chen Guowei, an Independent Non-executive Director, has entered into a service contract with the Company on 1 October 2016 for a term of one year for an annual fee of HK$120,000.

Mr. Yuan Qian Fei, an Independent Non-executive Director, has entered into a service contract with the Company on 1 October 2016 for a term of one year for an annual fee of HK$120,000.

Apart from the foregoing, no Director proposed for re-election at the AGM 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

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during or at the end of the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence during the year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors had any interest in a business which competes or may compete with the businesses of the Group during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 December 2016, none of the Directors and chief executive had or was deemed to have any 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 Division 7 and 8 of Part XV of 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 pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in the paragraph headed "**Share Option Schemes**" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

Save as disclosed in Note 35 "Related Party Transactions" to the consolidated financial statements, there was no other connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to adopt corporate governance practices. The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 9 to 18 of this annual report.

AUDIT COMMITTEE

The Company has an Audit Committee in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control system and providing advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors of the Company.

The Audit Committee of the Company has reviewed the annual results of the Group for the Year including the accounting principles and practices adopted by the Company.

AUDITOR

The consolidated financial statements For the year ended 31 December 2016 have been audited by ZHONGHUI ANDA CPA Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company. A resolution will be submitted to the forthcoming AGM of the Company for the re-appointment of Messrs. ZHONGHUI ANDA CPA Limited as the auditor of the Company.

On Behalf of the Board

Siu Chi Ming
Executive Director

Hong Kong
28 March 2017

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF JIU RONG HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiu Rong Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 29 to 79, 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

(i) Property, plant and equipment

Refer to Note 16 to the consolidated financial statements.

The Group tested the amount of property, plant and equipment for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment approximately HK$17,638,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);
- Checking input data to supporting evidence.

We consider that the Group's impairment test for property, plant and equipment is supported by the available evidence.

(ii) Trade and notes receivables

Refer to Note 22 to the consolidated financial statements.

The Group tested the amount of trade and notes receivables for impairment. This impairment test is significant to our audit because the balance of trade and notes receivables of HK$81,356,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers;
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and notes receivables is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of the auditor's report.

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 identified above when it becomes available 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/.

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Ngan Hing Hon
Audit Engagement Director
Practising Certificate Number P05294

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
CONTINUING OPERATIONS			
REVENUE	7	**139,312**	225,991
Cost of sales		**(122,679)**	(203,132)
Gross profit		**16,633**	22,859
Other income and gains	8	**2,977**	3,351
Selling and distribution costs		**(8,252)**	(8,503)
Administrative expenses		**(22,224)**	(40,000)
Other operating expenses		**(21,594)**	(12,171)
Finance costs	9	**–**	(1,202)
LOSS BEFORE TAX		**(32,460)**	(35,666)
Income tax (expense)/credit	12	**(2,857)**	3,666
		(35,317)	(32,000)
DISCONTINUED OPERATION			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION	13	**–**	(7,711)
LOSS FOR THE YEAR	10	**(35,317)**	(39,711)
Other comprehensive loss for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(5,200)**	(7,142)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**–**	652
		(5,200)	(6,490)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(5,200)**	(6,490)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(40,517)**	(46,201)

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

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company			
Loss from continuing operations		**(35,317)**	(32,000)
Loss from discontinued operation		**–**	(6,920)
Loss attributable to owners of the Company		**(35,317)**	(38,920)
Non-controlling interests			
Loss from discontinued operation		**–**	(791)
Loss attributable to non-controlling interests		**–**	(791)
		(35,317)	(39,711)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(40,517)**	(45,349)
Non-controlling interests		**–**	(852)
		(40,517)	(46,201)
LOSS PER SHARE (HK$ cents)	14		
From continuing and discontinued operations			
– Basic		**(0.86)**	(1.02)
– Diluted		**(0.86)**	(1.02)
From continuing operations			
– Basic		**(0.86)**	(0.84)
– Diluted		**(0.86)**	(0.84)
From discontinued operation			
– Basic		**N/A**	(0.18)
– Diluted		**N/A**	(0.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**17,638**	3,029
Intangible assets	17	**–**	7,395
Goodwill	19	**–**	11,800
Deferred tax assets	20	**–**	3,147
		17,638	25,371
CURRENT ASSETS			
Inventories	21	**14,016**	22,204
Trade and notes receivables	22	**81,356**	130,667
Prepayments, deposits and other receivables	23	**16,152**	1,369
Financial assets at fair value through profit or loss	24	**–**	4
Current tax asset		**8**	944
Pledged bank deposits	25	**5,756**	7,252
Cash and cash equivalents	26	**117,364**	47,746
		234,652	210,186
CURRENT LIABILITIES			
Trade and notes payables	27	**41,807**	84,174
Other payables and accruals	28	**15,985**	9,262
Current tax liability		**12**	–
		57,804	93,436
NET CURRENT ASSETS		**176,848**	116,750
TOTAL ASSETS LESS CURRENT LIABILITIES		**194,486**	142,121

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	20	**–**	1,178
		–	1,178
NET ASSETS		**194,486**	140,943
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**456,000**	380,000
Reserves	30	**(261,514)**	(239,057)
TOTAL EQUITY		**194,486**	140,943

The consolidated financial statements on pages 29 to 79 were approved and authorised for issue by the board of directors on 28 March 2017 and are signed on its behalf by:

Approved by:

Siu Chi Ming	**Yin Jianwen**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

		Attributable to owners of the Company								
	Note	Issued capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000	Statutory surplus reserve* HK$'000	Foreign currency translation reserve* HK$'000	Accumulated losses* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		380,000	53,826	4,990	1,109	(713)	(252,920)	186,292	2,266	188,558
Total comprehensive loss for the year		–	–	–	–	(6,429)	(38,920)	(45,349)	(852)	(46,201)
Transfer to statutory surplus reserve		–	–	–	1,005	–	(1,005)	–	–	–
Release of statutory surplus reserve on disposal of subsidiaries		–	–	–	(1,066)	–	1,066	–	–	
Release of non-controlling interest on disposal of subsidiaries		–	–	–	–	–	–	–	(1,414)	(1,414)
At 31 December 2015		380,000	53,826	4,990	1,048	(7,142)	(291,779)	140,943	–	140,943
At 1 January 2016		380,000	53,826	4,990	1,048	(7,142)	(291,779)	140,943	–	140,943
Issue of shares on placement	29	76,000	18,060	–	–	–	–	94,060	–	94,060
Total comprehensive loss for the year		–	–	–	–	(5,200)	(35,317)	(40,517)	–	(40,517)
At 31 December 2016		456,000	71,886	4,990	1,048	(12,342)	(327,096)	194,486	–	194,486

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax from continuing operations	**(32,460)**	(35,666)
Loss before tax from discontinued operation	**–**	(7,711)
Adjustments for:		
Finance costs	**–**	1,646
Interest income	**(650)**	(594)
Gain on disposal of subsidiaries	**–**	(1,996)
Gain on disposal of property, plant and equipment	**(8)**	(4)
Depreciation of property, plant and equipment	**822**	865
Amortisation of intangible assets	**2,209**	3,390
Change in financial assets at fair value through profit or loss	**4**	(4)
Impairment of goodwill	**11,800**	–
(Reversal of)/impairment of trade receivables	**(1,172)**	4,390
Impairment of intangible assets	**4,868**	4,080
Impairment of property, plant and equipment	**1,774**	–
(Reversal of)/impairment of inventories	**(3,719)**	8,835
	(16,532)	(22,769)
Change in inventories	**11,907**	(5,117)
Change in trade and notes receivables	**50,483**	9,189
Change in prepayments, deposits and other receivables	**(14,783)**	4,747
Change in trade and notes payables	**(42,367)**	9,924
Change in other payables and accruals	**6,723**	812
Cash used in operations	**(4,569)**	(3,214)
Income tax paid	**–**	(5,853)
Net cash flows used in operating activities	**(4,569)**	(9,067)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(17,921)**	(120)
Proceeds from disposal of property, plant and equipment	**9**	178
Decrease/(increase) in pledged bank deposits	**1,496**	(4,920)
Disposal of subsidiaries	**–**	22,679
Interest received	**650**	594
Net cash flows (used in)/generated from investing activities	**(15,766)**	18,411

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of other loans from third parties	–	(756)
Repayment of bank loans	–	(8,888)
Proceeds from issue of shares	**95,000**	–
Share issue expenses paid	**(940)**	–
Interest on bank loans/other loan	–	(1,646)
Net cash flows generated from/(used in) financing activities	**94,060**	(11,290)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**73,725**	(1,946)
Cash and cash equivalents at beginning of year	**47,746**	55,741
Net foreign exchange difference	**(4,107)**	(6,049)
Cash and cash equivalents at end of year	**117,364**	47,746
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**117,364**	47,746

1. GENERAL INFORMATION

Jiu Rong Holdings Limited (the "**Company**") is a public limited liabilities company incorporated in the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O.Box 2681 GT., George Town, Grand Cayman, British West Indies. The address of its principal place of business is Flat 8, 49/F., Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong Dollars ("**HK$**"), unless otherwise stated.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Foreign currency translation *(continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Plant and machinery	4-15 years
Motor vehicles	6 years
Office equipment	4-9 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Leases

The Group as leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment loses.

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development is recognised only if all of the following conditions are met:

– An asset is created that can be identified (such as software and new processes);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

(iii) A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Employee benefits *(continued)*

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) 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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Related parties *(continued)*

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

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

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

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

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

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

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

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

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

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

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

(t) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, inventories and receivables 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 any impairment loss. Where 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Impairment of assets *(continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

(w) Discontinued operation

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Discontinued operation *(continued)*

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions 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.

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.

(a) Impairment of property, plant and equipment

Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets and the fair value of each asset or group of assets less cost to sell. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss and comprehensive income.

(b) Impairment of trade and notes receivables, deposits and prepayments

Impairment of trade and notes receivables, deposits and prepayments is made based on an assessment of the recoverability of trade and notes receivables, deposits and prepayments. The assessment of impairment of receivables, deposits and prepayments involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of trade and notes receivables, deposits and prepayments and thus the impairment loss in the period in which such estimate is changed.

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

Key sources of estimation uncertainty *(continued)*

(c) Estimated write-down of inventories

The Group writes down inventories to net realisable value based on the current market conditions and the historical experience of selling inventory items with similar nature. Any change in the assumptions would increase or decrease the amount of inventory write-down or the related reversal of write-down made in prior years and affect the Group's net assets value. The Group has written back allowance for inventories of approximately HK$3,719,000 (2015: recognised an inventory write-down of approximately HK$8,835,000).

(d) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

During the reporting period, the capital structure of the Group consist of debt which includes interest-bearing loans and equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged from prior periods.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial instruments of the Group mainly include cash and cash equivalents, trade and notes receivables, other receivables, trade and notes payables, other payables and other loans.

The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarised below.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's consolidated profit or loss for the years ended 31 December 2016 and 2015.

(c) Credit risk

The carrying amount of the cash and bank balances and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to director's approval. Receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant.

At the end of the reporting period, the Group had a certain concentration of credit risk as 15.2% (2015: 32.2%) of the total trade receivables was due from the Group's five largest customers. Details of the credit quality of the trade receivables that are neither past due nor impaired were set out in Note 22 to the consolidated financial statements.

Cash and cash equivalents are deposits at banks with sound credit ratings. Given their high credit ratings, the Group does not expect to have any associated credit risk.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

2016	**On demand HK$'000**	**Less than 3 months HK$'000**	**3 to 12 months HK$'000**	**Total HK$'000**
Trade and notes payables	**41,807**	**–**	**–**	**41,807**
Financial liabilities included in other payables and accruals	**5,084**	**–**	**–**	**5,084**
	46,891	**–**	**–**	**46,891**

2015	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Total HK$'000
Trade and notes payables	84,174	–	–	84,174
Financial liabilities included in other payables and accruals	5,550	–	–	5,550
	89,724	–	–	89,724

(e) Categories of financial instruments

	At 31 December	
	2016 HK$'000	2015 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)		
– Trade and notes receivables	**81,356**	130,667
– Financial assets included in prepayments, deposits and other receivables	**4,281**	1,083
– Pledged bank deposits	**5,756**	7,252
– Cash and cash equivalents	**117,364**	47,746
	208,757	186,748
Financial liabilities:		
Financial liabilities at amortised cost		
– Trade and notes payables	**41,807**	84,174
– Financial liabilities included in other payables and accruals	**5,084**	5,550
	46,891	89,724

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(f) Fair value

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold upon delivery of goods, after allowances for returns and trade discounts and business/sales tax where applicable.

(A) Reportable segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two (2015: two) reportable segments. The segments are managed separately as each business segment offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Continuing operations

(i) Digital Video Business: manufacturing and sales of digital television ("**TV**"), high definition liquid crystal display TV and set-top box as well as provision of application of solutions regarding integration of tele-communication, TV and internet in the digital audio visual industry.

(ii) New Energy Vehicles Business: The Group through its wholly owned subsidiary, Jiu Rong New Energy Science and Technology Limited ("**Jiu Rong New Energy**") to carry out the construction, application and management of new energy vehicles and related products, charging facilities and intelligent management systems.

Discontinued operation

(i) Water Meter Business

The Group through its non-wholly owned subsidiary, Wuhan Sunbow Science & Technology Co. Limited ("**Sunbow**") to carry out the design, assembly and installation of water meter in the Peoples' Republic of China (the "**PRC**"). The water meter business was discontinued in October 2015 following the completion of the disposal of Mitsumaru East Kit (Group) Limited and its subsidiaries (the "**Disposal**") on 31 October 2015. For details of the Disposal, please refer to the announcement and circular of the Company dated 20 July 2015 and 22 August 2015 respectively.

7. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(A) Reportable segments *(continued)*

(a) Business segments

	For the year ended 31 December 2016		
	Digital Video Business HK$'000	**New Energy Vehicles Business HK$'000**	**Total HK$'000**
Reportable segment revenue:			
Sales to external customers	**136,981**	**2,331**	**139,312**
Reportable segment (loss)/profit	**(31,978)**	**2,496**	**(29,482)**
Depreciation of property, plant and equipment	**(625)**	**(192)**	**(817)**
Amortisation of intangible assets	**(2,209)**	**–**	**(2,209)**
Income tax expense	**(2,845)**	**(12)**	**(2,857)**
Reversal of impairment of inventories	**3,719**	**–**	**3,719**
Impairment of goodwill	**(11,800)**	**–**	**(11,800)**
Reversal of impairment of trade receivables	**1,172**	**–**	**1,172**
Impairment of intangible assets	**(4,868)**	**–**	**(4,868)**
Impairment of property, plant and equipment	**(1,774)**	**–**	**(1,774)**
Additions to property, plant and equipment	**97**	**17,824**	**17,921**

	For the year ended 31 December 2016		
	Digital Video Business HK$'000	**New Energy Vehicles Business HK$'000**	**Total HK$'000**
Reportable segment assets	**136,428**	**83,955**	**220,383**
Reportable segment liabilities	**(51,343)**	**(3,914)**	**(55,257)**

7. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(A) Reportable segments *(continued)*

(a) Business segments (continued)

	For the year ended 31 December 2015		
	Continuing operation	Discontinued operation	
	Digital Video Business HK$'000	Water meter HK$'000	Total HK$'000
Reportable segment revenue:			
Sales to external customers	225,991	5,845	231,836
Reportable segment loss	(25,161)	(7,711)	(32,872)
Interest expenses	(1,168)	(444)	(1,612)
Depreciation of property, plant and equipment	(670)	(195)	(865)
Amortisation of intangible assets	(3,390)	–	(3,390)
Income tax credit	3,666	–	3,666
Impairment of inventories	(7,759)	(1,076)	(8,835)
Impairment of trade receivables	(4,390)	–	(4,390)
Impairment of intangible assets	(4,080)	–	(4,080)
Additions to property, plant and equipment	120	–	120

	For the year ended 31 December 2015		
	Continuing operation	Discontinued operation	
	Digital Video Business HK$'000	Water meter HK$'000	Total HK$'000
Reportable segment assets	199,761	–	199,761
Reportable segment liabilities	(87,872)	–	(87,872)

7. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(A) Reportable segments *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

Year ended 31 December	2016 HK$'000	2015 HK$'000
Revenue		
Reportable segment revenue	**139,312**	231,836
Elimination of discontinued operation	**–**	(5,845)
Consolidated revenue	**139,312**	225,991
Profit or loss		
Reportable segment loss	**(29,482)**	(32,872)
Unallocated corporate expenses	**(2,978)**	(10,505)
Elimination of discontinued operation	**–**	7,711
Consolidated loss before tax from continuing operations	**(32,460)**	(35,666)

At 31 December	2016 HK$'000	2015 HK$'000
Assets		
Reportable segment assets	**220,383**	199,761
Unallocated cash and cash equivalents	**31,869**	20,836
Other unallocated corporate assets	**38**	14,960
Consolidated total assets	**252,290**	235,557
Liabilities		
Reportable segment liabilities	**(55,257)**	(87,872)
Unallocated corporate liabilities	**(2,547)**	(6,742)
Consolidated total liabilities	**(57,804)**	(94,614)

7. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

(B) Geographical information

The Group is domiciled in the PRC. The following tables provide an analysis of the Group's revenue from external customers and non-current assets other than deferred tax assets ("**Non-current assets**").

	Revenue from external customers	
	2016	2015
	HK$'000	HK$'000
Continuing operations		
PRC	**132,496**	225,991
Others	**6,816**	–
	139,312	225,991
Discontinued operation		
PRC	**–**	5,845
Consolidated total	**139,312**	231,836

	Non-current assets	
	2016	2015
	HK$'000	HK$'000
PRC	**17,634**	22,215
Hong Kong	**4**	9
	17,638	22,224

Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

	Segment	Notes	**2016 HK$'000**	2015 HK$'000
Customer A	Digital Video business	(i)	**N/A**	32,363
Customer B	Digital Video business	(ii)	**20,131**	N/A
Customer C	Digital Video business		**22,822**	33,219
Customer D	Digital Video business	(i)	**N/A**	25,780
Customer E	Digital Video business	(ii)	**14,397**	N/A

Note:

(i) Revenue from this customer did not exceed 10% of total revenue in current year.

(ii) Revenue from these customers did not exceed 10% of total revenue in 2015.

8. OTHER INCOME AND GAINS

	2016 HK$'000	2015 HK$'000
Bank interest income	**650**	552
Gain on disposal of financial assets at fair value through profit or loss	**331**	4
Compensation income	**28**	65
Loan interest income from related companies	**–**	59
Gain on disposal of property, plant and equipment	**8**	4
Government grants	**264**	2,540
Gain on disposal of subsidiaries	**–**	1,996
Gain on foreign exchange	**–**	200
Reversal of impairment of trade receivables	**1,172**	–
Others	**524**	66
	2,977	5,486
Representing:		
– Continuing operations	**2,977**	3,351
– Discontinued operation (note 13)	**–**	2,135
	2,977	5,486

9. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expenses on borrowings:		
– Interest on loans from third parties	**–**	1,646
	–	1,646
Representing:		
– Continuing operations	**–**	1,202
– Discontinued operation (note 13)	**–**	444
	–	1,646

10. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	2016 HK$'000	2015 HK$'000
Cost of inventories sold	**122,679**	207,331
Staff costs (including directors' remuneration):		
Wages and salaries	**12,158**	15,540
Pension scheme contributions		
– Defined contribution scheme	**1,994**	2,912
Other staff benefits	**443**	520
	14,595	18,972
Auditors' remuneration	**530**	720
Depreciation of items of property, plant and equipment	**822**	865
Amortisation of intangible assets	**2,209**	3,390
Minimum lease payments under operating lease in respect of		
– Land and buildings	**798**	1,099
Exchange losses, net	**35**	–
Gain on disposal of subsidiaries	**–**	(1,996)
Gain on disposal of financial assets at fair value through profit or loss	**(331)**	(4)
(Reversal of)/impairment of trade receivables	**(1,172)**	4,390
Impairment of goodwill	**11,800**	–
Impairment of intangible assets	**4,868**	4,080
Impairment of property, plant and equipment	**1,774**	–
(Reversal of)/impairment of inventories	**(3,719)**	8,835

11. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

(a) Directors' and senior management's emoluments

	Notes	**For the year ended 31 December 2016** **Fees** **HK$'000**	**Salaries, allowances and other benefits** **HK$'000**	**Contributions to retirement scheme** **HK$'000**	**Total emoluments** **HK$'000**
Executive directors:					
Mr. Siu Chi Ming		**130**	**1,170**	**17**	**1,317**
Ms. Wang Liping		**–**	**407**	**–**	**407**
Mr. Yin Jianwen	(i)	**–**	**260**	**–**	**260**
Independent non-executive directors:					
Mr. Wu Yinong		**120**	**–**	**–**	**120**
Mr. Chen Guowei	(ii)	**120**	**–**	**–**	**120**
Mr. Yuan Qian Fei	(ii)	**120**	**–**	**–**	**120**
		490	**1,837**	**17**	**2,344**

	Notes	For the year ended 31 December 2015 Fees HK$'000	Salaries, allowances and other benefits HK$'000	Contributions to retirement scheme HK$'000	Total emoluments HK$'000
Executive directors:					
Mr. Siu Chi Ming		130	1,170	17	1,317
Mr. Tang Chin Wan	(iii)	–	160	–	160
Ms. Wang Liping		–	407	–	407
Mr. Yin Jianwen	(i)	–	152	–	152
Independent non-executive directors:					
Ms. Au Shui Ming, Anna	(iv)	90	–	–	90
Mr. Wu Yinong		120	–	–	120
Mr. Tsang Ho Ka, Eugene	(iv)	90	–	–	90
Mr. Chen Guowei	(ii)	30	–	–	30
Mr. Yuan Qian Fei	(ii)	30	–	–	30
		490	1,889	17	2,396

11. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

Notes:

(i) Appointed on 1 June 2015

(ii) Appointed on 1 October 2015

(iii) Resigned on 1 June 2015

(iv) Resigned on 1 October 2015

(b) Five highest paid individual emoluments

Two (2015: two) of the five highest paid individuals of the Group were the directors whose emolument is set out in the above. For the year ended 31 December 2016, the remaining three (2015: three) employees' emoluments of the Company were as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and other benefits in kind	**1,077**	1,071
Contributions to pension scheme	**146**	75
	1,223	1,146

Their emoluments fell within the following bands:

	Number of employees	
	2016	2015
	HK$'000	HK$'000
Emolument band:		
Nil – HK$1,000,000	**3**	3
	3	3

(c) No emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 December 2016 and 2015.

12. INCOME TAX (EXPENSE)/CREDIT

No provision of Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group incurred losses for the current and prior years in Hong Kong.

PRC corporate income tax is calculated at a standard rate of 25% (2015: 25%) on the estimated assessable profits arising from its operation in the PRC.

The amount of income tax expenses/(credit) includes in profit or loss represents:

	2016	2015
	HK$'000	HK$'000
Current — the PRC		
– Charge for the year	**12**	–
– Under-provision in prior year	**936**	–
Deferred tax	**1,909**	(3,666)
	2,857	(3,666)
Representing:		
– Continuing operations	**2,857**	(3,666)
– Discontinued operation (note 13)	**–**	–
	2,857	(3,666)

The income tax expenses/(credit) of continuing operations for the year can be reconciled to the loss for the year multiplied by applicable tax rate as follows:

	2016	2015
	HK$'000	HK$'000
Loss before tax	**(32,460)**	(35,666)
Tax calculated at the domestic tax rate of 16.5% (2015: 16.5%)	**(5,356)**	(5,885)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(731)**	(2,172)
Tax effect of revenue not taxable for tax purposes	**(166)**	(1,800)
Tax effect of expenses not deductible for tax purposes	**3,177**	1,235
Tax effect of tax losses not recognised	**4,997**	4,956
Under-provision in prior years	**936**	–
Income tax expenses/(credit)	**2,857**	(3,666)

At 31 December 2016, the Group has unused tax losses of approximately HK$82,173,000 (2015: HK$66,058,000) available for offset against future profits. In year 2015, tax assets of approximately HK$3,276,000 has been recognised in respect of HK$13,102,000 unused tax loss. In the current year, no deferred tax asset has been recognised in respect of the unused tax losses of approximately HK$82,713,000 due to the unpredictability of the respective future profit streams. The said unrecognised tax losses may be carried forward for five years or indefinitely depends on the respective tax jurisdictions.

13. DISCONTINUED OPERATION

The Group's discontinued operation for the year ended 31 December 2015 represented the design, assembling and installation of water meter segment operated by Mitsumaru East Kit (Group) Limited, China Mutual Investment Limited and Wuhan Sunbow Science & Technology Co., Limited (together referred to as "**MEK Group**").

On 20 July 2015, the Group entered into a sale and purchase agreement to dispose the entire equity interest in MEK Group. The disposal was completed on 31 October 2015, the date on which the control of MEK Group was passed to the acquirer. The sales, results, and cash flows of MEK Group attributable to the Group prior to the date of disposal was as follows:

The loss for the year from the discontinued operation is analysed as follows:

	2015 HK$'000
Loss of discontinued operation	(7,711)

The results of the discontinued operation for the period from 1 January 2015 to 31 October 2015, which have been included in consolidated profit or loss, are as follows:

	Period from 1 January 2015 to 31 October 2015 HK$'000
Revenue	5,845
Cost of goods sold	(4,199)
Gross profit	1,646
Other income	139
Gain on disposal of subsidiaries	1,996
Selling and distribution costs	(5,351)
Administrative expenses	(4,363)
Other operating expenses	(1,334)
Loss from discontinued operation	(7,267)
Finance costs	(444)
Loss before tax	(7,711)
Income tax expense	–
Loss for the period	(7,711)

In 2015, the disposed MEK Group paid approximately HK$10,520,000 in respect of operating activities, paid approximately HK$Nil in respect of investing activities and received approximately HK$362,000 in respect of financing activities.

No tax charge or credit arose on gain on disposal of the discontinued operation.

14. LOSS PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss (2015: loss) per share attributable to owners of the Company is based on the loss (2015: loss) for the year attributable to owners of the Company of approximately HK$35,317,000 (2015: HK$38,920,000) and the weighted average number of approximately 4,123,934,000 (2015: 3,800,000,000) ordinary shares in issue during the year.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2016 (2015: No diluted effect).

(b) From continuing operations

Basic loss per share

The calculation of basic loss (2015: loss) per share attributable to owners of the Company is based on the loss (2015: loss) for the year attributable to owners of the Company of approximately HK$35,317,000 (2015: HK$32,000,000) and the weighted average number of approximately 4,123,934,000 (2015: 3,800,000,000) ordinary shares in issue during the year.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2016 (2015: No diluted effect).

(c) From discontinued operation

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year ended 31 December 2015 attributable to owners of the Company of approximately HK$6,920,000 and the weighted average number of approximately 3,800,000,000 ordinary shares in issue in 2015.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2015.

15. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2016 and 2015.

16. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
As at 31 December 2016				
COST:				
At 1 January 2016	2,851	448	804	4,103
Additions	17,835	–	86	17,921
Disposal	–	–	(2)	(2)
Exchange realignment	(745)	(23)	(43)	(811)
At 31 December 2016	19,941	425	845	21,211
ACCUMULATED DEPRECIATION AND IMPAIRMENT:				
At 1 January 2016	636	104	334	1,074
Provided during the year	569	70	183	822
Disposal	–	–	(1)	(1)
Impairment loss (Note)	1,774	–	–	1,774
Exchange realignment	(66)	(7)	(23)	(96)
At 31 December 2016	2,913	167	493	3,573
CARRYING AMOUNT:				
At 31 December 2016	17,028	258	352	17,638

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Plant and machinery HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvement HK$'000	Total HK$'000
As at 31 December 2015					
COST:					
At 1 January 2015	4,219	614	1,054	343	6,230
Additions	100	–	20	–	120
Disposal	(183)	(25)	(28)	–	(236)
Disposal of subsidiaries	(1,077)	(111)	(193)	(334)	(1,715)
Exchange realignment	(208)	(30)	(49)	(9)	(296)
At 31 December 2015	2,851	448	804	–	4,103
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
At 1 January 2015	1,204	88	295	67	1,654
Provided during the year	435	100	236	94	865
Disposal	(38)	(9)	(15)	–	(62)
Disposal of subsidiaries	(894)	(68)	(163)	(158)	(1,283)
Exchange realignment	(71)	(7)	(19)	(3)	(100)
At 31 December 2015	636	104	334	–	1,074
CARRYING AMOUNT:					
At 31 December 2015	2,215	344	470	–	3,029

Note:

The Group carried out reviews of the recoverable amount of its property, plant and equipment in 2016. The Group's property, plant and equipment are used in the Group's Digital Video Business cash generating unit and New Energy Vehicles Business cash generating unit. The recoverable amount of the relevant assets has been determined based on a value in use calculation using cash flow projections based on the financial budgets approved by the management covering a 5 year period. Key assumptions used by the management in the value in use calculations of the cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 15.00%.

The impairment test results in the recognition of an impairment loss on property, plant and equipment of HK$1,774,000 which are used in the Group's Digital Video Business, which is expensed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

17. INTANGIBLE ASSETS

	Customer relationship HK$'000	Intelligent emergency broadcast system HK$'000	Intelligent water meter data collection system HK$'000	Total HK$'000
COST:				
At 1 January 2015	8,294	3,616	5,284	17,194
Exchange realignment	(441)	(192)	(281)	(914)
At 31 December 2015 and 1 January 2016	7,853	3,424	5,003	16,280
Exchange realignment	(413)	(180)	–	(593)
At 31 December 2016	7,440	3,244	5,003	15,687
ACCUMULATED DEPRECIATION AND IMPAIRMENT:				
At 1 January 2015	1,659	60	88	1,807
Amortisation for the year	1,635	713	1,042	3,390
Impairment loss	–	–	4,080	4,080
Exchange realignment	(154)	(31)	(207)	(392)
At 31 December 2015 and 1 January 2016	3,140	742	5,003	8,885
Amortisation for the year	1,538	671	–	2,209
Impairment loss	2,976	1,892	–	4,868
Exchange realignment	(214)	(61)	–	(275)
At 31 December 2016	7,440	3,244	5,003	15,687
CARRYING AMOUNT:				
At 31 December 2016	–	–	–	–
At 31 December 2015	4,713	2,682	–	7,395

17. INTANGIBLE ASSETS *(continued)*

Impairment test of intangible assets

Customer relationship

The Group carried out reviews of the recoverable amount of its intangible assets of customer relationship in 2016. The Group's intangible assets are used in the Group's Digital Video Business cash generating unit. The recoverable amount of the relevant assets has been determined based on a value in use calculation using cash flow projections based on the financial budgets approved by the management covering a 5 (2015: 5) year period. Key assumptions used by the management in the value in use calculations of the cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 15.00% (2015: 15.00%).

The impairment test results in the recognition of an impairment loss on intangible assets of HK$2,976,000, which is expensed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

Intelligent emergency broadcast system

The Group carried out reviews of the recoverable amount of its intangible assets of intelligent emergency broadcast system in 2016. The Group's intangible assets are used in the Group's Digital Video Business cash generating unit. The recoverable amount of the relevant assets has been determined based on a value in use calculation using cash flow projections based on the financial budgets approved by the management covering a 5 (2015: 1) year period. Key assumptions used by the management in the value in use calculations of the cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 15.00% (2015: 15.00%).

The impairment test results in the recognition of an impairment loss on intangible assets of HK$1,892,000, which is expensed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

Intelligent water meter data collection system

The Group carried out reviews of the recoverable amount of its intangible assets of intelligent water meter data collection system in 2015. In view of the current market condition and the change in technology, the Group recognised an impairment loss on intangible assets of intelligent water meter data collection system of HK$4,080,000, which is expensed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

18. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Company name	Place of incorporation/ registration	Nominal value of issued and paid-up share/ registered paid-up capital	Percentage of equity interests attributable to the Company	Principal activities
Directly held:				
Ace Earn Limited	Hong Kong	HK$1	100%	Trading of electronic application and related parts
Business Treasure Limited	BVI	US$1	100%	Investment holding
China New Energy Investments Limited	Hong Kong	HK$1	100%	Manufacturing and sales of green energy products
Indirectly held:				
Soyea Jiu Rong Technology Co., Limited* ("**Soyea Jiu Rong**")	the PRC	RMB90,000,000	100%	Digital Video Business
Jiu Rong New Energy Science and Technology Limited* ("**Jiu Rong New Energy**")	the PRC	US$10,000,000	100%	New Energy Vehicles Business

* The English names are for identification only

19. GOODWILL

	2016 **HK$'000**	2015 HK$'000
COST:		
At beginning of the reporting period	**11,800**	16,417
Disposal of a subsidiary	**–**	(4,617)
Impairment loss recognised in the current year	**(11,800)**	–
At end of the reporting period	**–**	11,800
CARRYING AMOUNTS:		
At end of the reporting period	**–**	11,800

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("**CGUs**") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	Continuing operation		**Discontinued operation**			
	Digital Video Business		**Water meter**		**Total**	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
Goodwill	**–**	11,800	**–**	–	**–**	11,800

Impairment testing of goodwill

Digital Video Business cash-generating unit

The amount of goodwill is allocated to the cash-generating units within the Digital Video Business segment. Goodwill is tested for impairment by the management by estimating the recoverable amount of these cash-generating units based on value in use calculations.

As at 31 December 2016, the value in use calculation uses cash flow projections based on the financial budgets approved by the management covering a 5 (2015: 5) year period. Key assumptions used by the management in the value in use calculation of the cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 15.00% (2015: 15.00%).

The assumptions have been determined based on past performance and management's expectations in respect of the Digital Video Business market in the PRC.

The management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

The impairment test results in the recognition of an impairment loss of goodwill of HK$11,800,000 in the Digital Video Business, which is expensed in the consolidated statement of profit or loss and other comprehensive income.

19. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Water meter cash-generating unit

In 2015, the Group disposed of its subsidiaries which engage in the water meter business. Goodwill of HK$4,617,000 attributable to the water meter cash-generating unit which was included in the water meter business had been disposed.

20. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax assets are as follows:

	Tax losses	
	2016	2015
	HK$'000	HK$'000
At beginning of the reporting period	**3,147**	19
(Charge)/credit to profit or loss	**(3,062)**	3,257
Exchange realignment	**(85)**	(129)
At end of the reporting period	**–**	3,147

The movements in deferred tax liabilities are as follows:

	Fair value adjustments arising from acquisition of a subsidiary	
	2016	2015
	HK$'000	HK$'000
At beginning of the reporting period	**1,178**	1,659
Credit to profit or loss	**(1,153)**	(409)
Exchange realignment	**(25)**	(72)
At end of the reporting period	**–**	1,178

21. INVENTORIES

	2016	2015
	HK$'000	HK$'000
Raw materials	**9,378**	6,200
Work in progress	**1,931**	3,481
Finished goods	**2,707**	12,523
	14,016	22,204

22. TRADE AND NOTES RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Trade receivables	**80,677**	124,851
Notes receivables	**679**	5,816
	81,356	130,667

The Group's trading terms with its customers are mainly on credit, except for the new customers, where payment in advance is normally required. The credit period generally ranges from 30 to 120 days (2015: 30 to 90 days). Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables, as at the end of the reporting periods based on the goods delivery date, and net of impairments, is as follows:

	2016	2015
	HK$'000	HK$'000
Within 90 days	**45,604**	58,129
91 days to 180 days	**8,656**	33,657
181 days to 1 year	**15,025**	22,033
Over 1 year	**11,392**	11,032
	80,677	124,851

The ageing of trade receivables which are past due but not impaired are as follows:

	2016	2015
	HK$'000	HK$'000
Less than 1 month past due	**2,582**	25,837
1 to 3 months past due	**4,613**	14,350
More than 3 months but less than 12 months past due	**17,981**	17,581
Over 1 year past due	**5,547**	–
	30,723	57,768

Receivables that were past due but not impaired relate to a number of customers that have good settlement records with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these receivables.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Details of the prepayments, deposits and other receivables are as follows:

	2016	2015
	HK$'000	HK$'000
Prepayments	**11,871**	286
Deposits and other receivables	**4,281**	1,083
	16,152	1,369

None of the above balances are past due nor impaired as there was no recent history of default by the counterparties.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	HK$'000
Equity securities, at fair value		
Listed outside Hong Kong	**–**	4

	2016	2015
	HK$'000	HK$'000
Analysed as:		
Current assets	**–**	4

The carrying amounts of the above financial assets are classified as follows:

	2016	2015
	HK$'000	HK$'000
Designated as fair value through profit or loss on initial recognition	**–**	4

The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The financial assets at fair value through profit or loss are measured using level 1 inputs of the fair value hierarchy.

25. PLEDGED BANK DEPOSITS

	2016 HK$'000	2015 HK$'000
Pledged bank deposits	**5,756**	7,252

As at the end of the reporting period, certain notes payables were secured by the pledged bank deposits.

26. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**117,364**	47,746

Cash and cash equivalents denominated in:

	2016 HK$'000	2015 HK$'000
USD	**69,298**	713
RMB	**16,111**	27,090
HK$	**31,955**	19,943
	117,364	47,746

The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. TRADE AND NOTES PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	**25,015**	58,928
Notes payables	**16,792**	25,246
	41,807	84,174

An aged analysis of trade payables, based on the invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Outstanding balances with ages:		
Within 180 days	**21,639**	57,980
181 days to 1 year	**1,233**	740
1 to 2 years	**1,954**	207
Over 2 years	**189**	1
	25,015	58,928

As at 31 December 2015, the notes payables were secured by (i) pledged bank deposits, (ii) certain notes receivables, and (iii) personal guarantee from a director amount up to RMB10,000,000 (equivalence to approximately HK$12,000,000).

As at 31 December 2016, the notes payables were secured by pledged bank deposits.

28. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Advances from customers	**10,901**	3,712
Other tax payables	**–**	374
Salaries payable	**1,505**	1,503
Others	**3,579**	3,673
	15,985	9,262

29. SHARE CAPITAL

Ordinary shares of HK$0.1 each	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2015, 31 December 2015, 1 January 2016	5,000,000,000	500,000
Increase during the year (note a)	5,000,000,000	500,000
At 31 December 2016	10,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2015, 31 December 2015, 1 January 2016	3,800,000,000	380,000
Issue of shares on placement (note b)	760,000,000	76,000
At 31 December 2016	4,560,000,000	456,000

Notes:

(a) By a resolution passed on 26 August 2016 at the annual general meeting of the company, the authorised ordinary share capital of the company was increased from HK$ 500,000,000 to HK$ 1,000,000,000 by the creation of 5,000,000,000 shares of HK$ 0.1 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

(b) On 8 July 2016, the Company entered into a placing agreement with a placing agent in respect of the placement of 760,000,000 ordinary shares of HK$0.1 each to independent investors at a price of HK$0.125 per share. The placement was completed on 29 July 2016 and the premium on the issue of shares, amounting to approximately HK$18,060,000, net of share issue expenses of approximately HK$940,000, was credited to the Company's share premium account.

30. RESERVES

Group

(a) Contributed surplus

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

(b) Statutory surplus reserve

In accordance with the relevant regulation in the PRC, the subsidiaries operating in the PRC are required to transfer 10% of their profits after tax, as determined under the accounting regulations in the PRC, to the statutory surplus reserve, until the balance of the fund reaches 50% of their respective registered capital. The statutory surplus reserve and the expansion reserve are non-distributable, and are subject to certain restrictions set out in the relevant regulations in the PRC. These reserves can be used either to offset against accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of paid-up capital after the above mentioned usages.

Company

The amounts of the Company's reserves and the movements therein for the year ended 31 December 2016 are as follows:

	Share premium HK$'000	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2015	53,826	98,938	(372,932)	(220,168)
Total comprehensive loss for the year	–	–	(19,367)	(19,367)
At 31 December 2015 and 1 January 2016	53,826	98,938	(392,299)	(239,535)
Issue of shares on placement	18,060	–	–	18,060
Total comprehensive loss for the year	–	–	(42,411)	(42,411)
At 31 December 2016	71,886	98,938	(434,710)	(263,886)

31. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 29 May 2014, the Company approved and adopted a new share option scheme (the "**Scheme**"). The purpose of the Scheme is to provide incentives and/or rewards to any director, consultant, advisor person including full-time or part-time employee of the Company and its subsidiaries, at the sole discretion of the board, for their contribution to, and their continuing efforts to promote the interests of the Company. The Scheme became effective on 30 May 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Scheme

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, at 31 December 2016 and up to the date of approval of these financial statements, no share options have been granted under the Scheme.

32. DISPOSAL OF SUBSIDIARIES

As referred to in note 13 to the financial statements, on 31 October 2015, the Group discontinued its design, assembling and installation of water meter business at the time of the disposal of its subsidiaries, Mitumaru East Kit (Group) Limited, China Mutual Investment Limited and Wuhan Sunbow Science & Technology Co., Limited.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	432
Goodwill	4,617
Inventories	3,126
Trade and notes receivables	17,994
Amounts due from non-controlling shareholders	25
Prepayments, deposits and other receivables	3,600
Cash and cash equivalents	321
Trade and notes payables	(2,878)
Other payables and accruals	(5,471)
Non-controlling interests	(1,414)
Net assets disposed of subsidiaries	20,352
Release of foreign currency translation reserve	652
Gain on disposal of subsidiaries	1,996
Total consideration – satisfied by cash	23,000
Net cash inflow arising on disposal:	
Cash consideration received	23,000
Cash and cash equivalents disposed of	(321)
	22,679

33. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2016 HK$'000	2015 HK$'000
Property, plant and equipment		
– Contracted but not provided for	**17,197**	–

34. LEASE COMMITMENTS

Commitments under operating leases

As lessee

During the year ended 31 December 2016, the Group leased its office properties under operating lease arrangements which were negotiated for terms of one to three years. At 31 December 2016, the Group's minimum lease obligation under non-cancellable operating leases in respect of land and buildings are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**337**	166
In the second to fifth years, inclusive	**351**	–
	688	166

35. RELATED PARTY TRANSACTIONS

(a) Key management compensation

The compensation of key management personnel is disclosed in note 11 to the consolidated financial statements.

(b) Sales to subsidiaries of China Water Affairs Group Limited of approximately HK$Nil (2015: HK$2,358,000) were credited to the profit or loss for the year included under revenue which are considered as continuing connected transactions (the "**CCT**") under Chapter 14A of the Listing Rules.

(c) Loan interest income received from subsidiaries of China Water Affairs Group Limited of approximately HK$Nil (2015: HK$59,000) were credited to the profit or loss for the year included under other income and gains.

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 21 February 2017, the Company entered into placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent up to 912,000,000 placing shares at the placing price of HK$0.22 per placing share. The net proceeds from the placing is expected to be approximately HK$199,250,000. The placing was completed on 17 March 2017.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2016	2015
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**4**	9
Investments in subsidiaries	**–**	–
	4	9
CURRENT ASSETS		
Prepayments, deposits and other receivables	**71**	40
Amounts due from subsidiaries	**163,048**	123,467
Cash and cash equivalents	**31,537**	20,007
	194,656	143,514
CURRENT LIABILITIES		
Other payables and accruals	**2,546**	3,058
	2,546	3,058
NET CURRENT ASSETS	**192,110**	140,456
TOTAL ASSETS LESS CURRENT LIABILITIES	**192,114**	140,465
NET ASSETS	**192,114**	140,465
EQUITY		
Issued capital	**456,000**	380,000
Reserves	**(263,886)**	(239,535)
TOTAL EQUITY	**192,114**	140,465

38. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2017.

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the published consolidated results from continuing operations and a discontinued operation and consolidated assets, liabilities and non-controlling interests of the Group for the last five financial year.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
Turnover	**139,312**	225,991	227,884	–	–
Loss before tax	**(32,460)**	(35,666)	10,087	(34,526)	(18,788)
Income tax (expense)/credit	**(2,857)**	3,666	(2,611)	–	–
(Loss)/profit for the year from continuing operations	**(35,317)**	(32,000)	7,476	(34,526)	(18,788)
DISCONTINUED OPERATION					
(Loss)/profit for the year from a discontinued operation	**–**	(7,711)	7,834	7,537	31,566
(Loss)/profit for the year	**(35,317)**	(39,711)	15,310	(26,989)	12,778
(Loss)/profit attributable to:					
Owners of the Company	**(35,317)**	(38,920)	14,385	(29,071)	12,816
Non-controlling interests	**–**	(791)	925	2,082	(38)
	(35,317)	(39,711)	15,310	(26,989)	12,778

ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**252,290**	235,557	295,600	249,258	19,625
Total liabilities	**(57,804)**	(94,614)	(107,042)	(75,226)	(160,077)
Non-controlling interests	**–**	–	(2,266)	(2,970)	(832)
Net assets/(liabilities)	**194,486**	140,943	186,292	171,062	(141,284)