

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole and any part of the contents of this announcement.*



## **ETERNITY INVESTMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 764)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016**

The board of directors (the “**Board**”) of Eternity Investment Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2016 together with the comparative figures for 2015 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	5	<b>161,042</b>	184,780
Cost of sales		<b>(93,432)</b>	(95,748)
		<hr/>	<hr/>
Gross profit		<b>67,610</b>	89,032
Investment and other income	6	<b>1,684</b>	4,765
Other gains and losses	7	<b>(177,691)</b>	130,344
Selling and distribution expenses		<b>(5,826)</b>	(3,654)
Administrative expenses		<b>(87,055)</b>	(88,036)
Share of results of associates		<b>—</b>	—
		<hr/>	<hr/>
(Loss)/profit from operations		<b>(201,278)</b>	132,451
Finance costs	8	<b>(9,529)</b>	(1,609)
		<hr/>	<hr/>
(Loss)/profit before taxation		<b>(210,807)</b>	130,842
Income tax credit/(expense)	9	<b>2,903</b>	(8,253)
		<hr/>	<hr/>
<b>(Loss)/profit for the year from continuing operations</b>	<b>10</b>	<b>(207,904)</b>	122,589
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		<b>—</b>	(22,988)
		<hr/>	<hr/>
<b>(Loss)/profit for the year</b>		<b>(207,904)</b>	99,601
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		(207,902)	105,256
Non-controlling interests		(2)	(5,655)
		<u>(207,904)</u>	<u>99,601</u>
<b>(Loss)/earnings per share</b>	<i>11</i>		
<b>From continuing and discontinued operations</b>			
Basic		<u>HK(6.61) cents</u>	<u>HK9.30 cents</u>
Diluted		<u>HK(6.61) cents</u>	<u>HK9.04 cents</u>
<b>From continuing operations</b>			
Basic		<u>HK(6.61) cents</u>	<u>HK10.83 cents</u>
Diluted		<u>HK(6.61) cents</u>	<u>HK10.53 cents</u>
<b>From discontinued operations</b>			
Basic		<u>N/A</u>	<u>HK(1.53) cents</u>
Diluted		<u>N/A</u>	<u>HK(1.49) cents</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>(Loss)/profit for the year</b>	<b>(207,904)</b>	99,601
<b>Other comprehensive income for the year, net of income tax</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	<b>(103,999)</b>	(32,117)
Reclassification adjustments relating to foreign operations disposed of	—	55
Net gain/(loss) arising on revaluation of available-for-sale financial assets	<b>109,000</b>	(42,334)
Reclassification adjustments relating to available-for-sale financial assets disposed of	<b>(22,500)</b>	(74,378)
Reclassification adjustments relating to impairment loss recognised in respect of available-for-sale financial assets	<b>57,750</b>	73,500
	<u>                    </u>	<u>                    </u>
<b>Total comprehensive (expense)/income for the year</b>	<b><u>(167,653)</u></b>	<b><u>24,327</u></b>
<b>Total comprehensive (expense)/income for the year attributable to:</b>		
<b>Owners of the Company</b>	<b>(167,651)</b>	29,982
<b>Non-controlling interests</b>	<b>(2)</b>	(5,655)
	<u>                    </u>	<u>                    </u>
	<b><u>(167,653)</u></b>	<b><u>24,327</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		432,976	420,784
Investment properties		561,089	595,448
Intangible assets		890,185	971,888
Goodwill		332,189	354,772
Interests in associates		600	—
Deposit for investment		—	—
Available-for-sale financial assets		365,172	262,672
Deferred tax assets		4,738	3,792
Prepayments		1,561	7,979
Loans receivables	12	138,500	462,456
		<u>2,727,010</u>	<u>3,079,791</u>
<b>Current assets</b>			
Inventories		45,636	49,258
Loans receivables	12	312,663	23,021
Trade receivables	13	63,160	62,233
Deposits, prepayments and other receivables		101,261	98,541
Amount due from an associate		1,697	2,097
Financial assets at fair value through profit or loss		544,442	597,658
Tax recoverable		6,694	8,906
Cash and cash equivalents		438,975	509,341
		<u>1,514,528</u>	<u>1,351,055</u>
<b>Total assets</b>		<u><b>4,241,538</b></u>	<u><b>4,430,846</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		32,160	26,800
Reserves		3,216,985	3,325,510
		<u>3,249,145</u>	<u>3,352,310</u>
<b>Equity attributable to owners of the Company</b>		<b>3,249,145</b>	<b>3,352,310</b>
Non-controlling interests		(6)	(5)
		<u>3,249,139</u>	<u>3,352,305</u>
<b>Total equity</b>		<u><b>3,249,139</b></u>	<u><b>3,352,305</b></u>

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>36,532</b>	40,220
Deposits received, accruals and other payables		<b>173,497</b>	161,019
Receipts in advance		<b>36,512</b>	33,389
Promissory notes		<b>30,000</b>	30,000
Tax payables		<b>85,318</b>	92,004
Deferred revenue		—	—
Amount due to an associate		<b>991</b>	—
Bank borrowings		<b>27,203</b>	29,054
		<u><b>390,053</b></u>	<u>385,686</u>
<b>Non-current liabilities</b>			
Other payables		<b>85,670</b>	92,290
Receipts in advance		<b>59,400</b>	81,000
Bank borrowings		<b>117,878</b>	154,953
Deferred tax liabilities		<b>339,398</b>	364,612
		<u><b>602,346</b></u>	<u>692,855</u>
<b>Total liabilities</b>		<u><b>992,399</b></u>	<u>1,078,541</u>
<b>Total equity and liabilities</b>		<u><b>4,241,538</b></u>	<u>4,430,846</u>
<b>Net current assets</b>		<u><b>1,124,475</b></u>	<u>965,369</u>
<b>Total assets less current liabilities</b>		<u><b>3,851,485</b></u>	<u>4,045,160</u>

## 1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period. The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

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

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (**HK\$’000**), which is the functional currency of the Company.

## 2. Application of new and amendments to HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

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

### 3. New and amendments to HKFRSs in issue but not yet effective

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 2018, with earlier application permitted.

Except as described below, none of these new and amendments to HKFRSs that have been issued but are not yet effective is expected to have a material effect on the Group's financial performance and positions.

#### **HKFRS 9 *Financial Instruments***

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

Key requirement of HKFRS 9 are described below:

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

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

Based on the Group's financial instruments and risk management policies at 31 December 2016, the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale financial assets, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria).

### **HKFRS 15 *Revenue from Contracts with Customers***

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price



- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

### **HKFRS 16 Leases**

HKFRS 16 supersedes HKAS 17 *Leases*, HK(IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) — Int 15 *Operating Lease — Incentives* and HK(SIC) — Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17. Under HKFRS 16, leases are recorded on the consolidated statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the consolidated statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor’s accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed to the notes to the consolidated financial statements. The directors of the Company do not expect the application of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

#### 4. Operating segments

The Group's operating segments have been determined based on the information reported to the Chairman of the Board, being chief operating decision maker, that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has five operating segments:

- |  |  |
|--|--|
| (a) Distribution                                 | Distribution of films and sub-licensing of film rights           |
| (b) Property investment                          | Leasing of rental properties                                     |
| (c) Sale of financial assets                     | Sale of financial assets   |
| (d) Money lending                                | Money lending  |
| (e) Sale of jewelry products and precious stones | Design and sale of jewelry products, and sale of precious stones |

An operating segment regarding the sale of beauty products and provision of therapy services was discontinued on 6 November 2015.

(a) *Segment revenue and results*

For the year ended 31 December 2016

	Continuing operations					Discontinued operations		
	Distribution <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Sale of financial assets <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Sale of jewelry products and precious stones <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Sale of beauty products and provision of therapy services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>—</u>	<u>45,171</u>	<u>(22,337)</u>	<u>49,154</u>	<u>89,054</u>	<u>161,042</u>	<u>—</u>	<u>161,042</u>
Segment (loss)/profit	<u>(36)</u>	<u>6,433</u>	<u>(147,180)</u>	<u>48,177</u>	<u>2,468</u>	<u>(90,138)</u>	<u>—</u>	<u>(90,138)</u>
Interest income on bank deposits						329	—	329
Unallocated corporate income						8	—	8
Unallocated corporate expenses						(54,335)	—	(54,335)
Cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets						22,500	—	22,500
Gain on deemed disposal of a subsidiary						8	—	8
Impairment loss recognised in respect of amount due from an associate						(400)	—	(400)
Impairment loss recognised in respect of available-for-sale financial assets reclassified from equity to profit or loss						(57,750)	—	(57,750)
Loss on deemed disposal of an associate						(21,500)	—	(21,500)
Finance costs						(9,529)	—	(9,529)
Share of results of associates						—	—	—
Loss before taxation						(210,807)	—	(210,807)
Income tax credit						2,903	—	2,903
Loss for the year						<u>(207,904)</u>	<u>—</u>	<u>(207,904)</u>

For the year ended 31 December 2015

	Continuing operations					Discontinued operations		Consolidated HK\$'000
	Distribution HK\$'000	Property investment HK\$'000	Sale of financial assets HK\$'000	Money lending HK\$'000	Sale of jewelry products and precious stones HK\$'000	Sub-total HK\$'000	Sale of beauty products and provision of therapy services HK\$'000	
<b>Segment revenue</b>	<u>—</u>	<u>9,099</u>	<u>(14,175)</u>	<u>72,529</u>	<u>117,327</u>	<u>184,780</u>	<u>37,021</u>	<u>221,801</u>
<b>Segment (loss)/profit</b>	<u>(58)</u>	<u>(48,371)</u>	<u>(78,644)</u>	<u>71,882</u>	<u>14,838</u>	<u>(40,353)</u>	<u>(21,434)</u>	<u>(61,787)</u>
Interest income on bank deposits						1,148	238	1,386
Unallocated corporate income						506	1	507
Unallocated corporate expenses						(73,368)	(129)	(73,497)
Cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets						74,378	—	74,378
Gain on deemed disposal of a subsidiary						245,072	—	245,072
Impairment loss recognised in respect of amount due from an associate						(1,431)	—	(1,431)
Impairment loss recognised in respect of available-for-sale financial assets reclassified from equity to profit or loss						(73,500)	—	(73,500)
Loss on disposal of property, plant and equipment						(1)	(136)	(137)
Write-down of inventories						—	(3)	(3)
Finance costs						(1,609)	(854)	(2,463)
Share of results of associates						—	—	—
Profit/(loss) before taxation						130,842	(22,317)	108,525
Income tax expense						(8,253)	(671)	(8,924)
Profit/(loss) for the year						<u>122,589</u>	<u>(22,988)</u>	<u>99,601</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the both years.

Segment results represent (loss incurred)/profit earned by each segment without allocation of central administrative expenses, directors' emoluments, share of results of associates, investment and other income, certain other gains and losses, finance costs and income tax credit/(expense). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) *Segment assets and liabilities*

At 31 December 2016

	Continuing operations					Sub-total HK\$'000	Discontinued operations	Consolidated HK\$'000
	Distribution HK\$'000	Property investment HK\$'000	Sale of financial assets HK\$'000	Money lending HK\$'000	Sale of jewelry products and precious stones HK\$'000		Sale of beauty products and provision of therapy services HK\$'000	
<b>Segment assets</b>								
— Hong Kong	269	1,064	723,789	616,139	134,711	1,475,972	—	1,475,972
— The People's Republic of China (the "PRC")	—	2,364,162	—	—	—	2,364,162	—	2,364,162
	<u>269</u>	<u>2,365,226</u>	<u>723,789</u>	<u>616,139</u>	<u>134,711</u>	<u>3,840,134</u>	<u>—</u>	<u>3,840,134</u>
Unallocated corporate assets								401,404
Consolidated total assets								<u>4,241,538</u>
<b>Segment liabilities</b>								
— Hong Kong	(1)	(1,198)	(12,138)	(1,220)	(39,719)	(54,276)	—	(54,276)
— The PRC	—	(833,443)	—	—	—	(833,443)	—	(833,443)
	<u>(1)</u>	<u>(834,641)</u>	<u>(12,138)</u>	<u>(1,220)</u>	<u>(39,719)</u>	<u>(887,719)</u>	<u>—</u>	<u>(887,719)</u>
Unallocated corporate liabilities								(104,680)
Consolidated total liabilities								<u>(992,399)</u>

At 31 December 2015

	Continuing operations					Sub-total	Discontinued operations	Consolidated
	Distribution	Property investment	Sale of financial assets	Money lending	Sale of jewelry products and precious stones		Sale of beauty products and provision of therapy services	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment assets</b>								
— Hong Kong	264	1,265	797,367	594,426	134,498	1,527,820	—	1,527,820
— The PRC	—	2,515,173	—	—	—	2,515,173	—	2,515,173
	<u>264</u>	<u>2,516,438</u>	<u>797,367</u>	<u>594,426</u>	<u>134,498</u>	<u>4,042,993</u>	<u>—</u>	<u>4,042,993</u>
Unallocated corporate assets								387,853
Consolidated total assets								<u>4,430,846</u>
<b>Segment liabilities</b>								
— Hong Kong	(20)	(327)	(12,126)	(6,424)	(41,568)	(60,465)	—	(60,465)
— The PRC	—	(900,311)	—	—	—	(900,311)	—	(900,311)
	<u>(20)</u>	<u>(900,638)</u>	<u>(12,126)</u>	<u>(6,424)</u>	<u>(41,568)</u>	<u>(960,776)</u>	<u>—</u>	<u>(960,776)</u>
Unallocated corporate liabilities								(117,765)
Consolidated total liabilities								<u>(1,078,541)</u>

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

- all assets are allocated to operating segments other than interests in associates, amount due from an associate, certain deposits, prepayments, and cash and cash equivalents that are not attributable to individual segments. Assets used jointly by individual segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to operating segments other than amount due to an associate, current tax payables, certain accruals, other payables and receipts in advance that are not attributable to individual segments. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

(c) *Other segment information*

For the year ended 31 December 2016

	Continuing operations					Sub-total HK\$'000	Discontinued operations	Consolidated HK\$'000
	Distribution HK\$'000	Property investment HK\$'000	Sale of financial assets HK\$'000	Money lending HK\$'000	Sale of jewelry products and precious stones HK\$'000		Sale of beauty products and provision of therapy services HK\$'000	
<b>Amounts included in the measure of segment (loss)/profit and segment assets</b>								
Additions to property, plant and equipment	—	53,683	—	—	22	53,705	—	53,705
Amortisation of intangible assets	—	(20,647)	—	—	—	(20,647)	—	(20,647)
Depreciation of property, plant and equipment	—	(14,453)	—	—	(133)	(14,586)	—	(14,586)
Dividend income	—	—	1,347	—	—	1,347	—	1,347
Gain arising on change in fair value of financial assets at fair value through profit or loss upon recognition of interest in associates	—	—	17,367	—	—	17,367	—	17,367
Gain arising on change in fair value of investment properties	—	3,733	—	—	—	3,733	—	3,733
Loss arising on change in fair value of financial assets at fair value through profit or loss	—	—	(141,649)	—	—	(141,649)	—	(141,649)

For the year ended 31 December 2015

	Continuing operations						Discontinued operations	Consolidated HK\$'000
	Distribution HK\$'000	Property investment HK\$'000	Sale of financial assets HK\$'000	Money lending HK\$'000	Sale of jewelry products and precious stones HK\$'000	Sub-total HK\$'000	Sale of beauty products and provision of therapy services HK\$'000	
<b>Amounts included in the measure of segment (loss)/profit and segment assets</b>								
Additions to property, plant and equipment	—	7,773	—	—	111	7,884	2,332	10,216
Amortisation of intangible assets	—	(5,114)	—	—	—	(5,114)	—	(5,114)
Depreciation of property, plant and equipment	—	(3,747)	—	—	(122)	(3,869)	(3,869)	(7,738)
Dividend income	—	—	3,111	—	—	3,111	—	3,111
Gain arising on change in fair value of investment properties	—	604	—	—	—	604	—	604
Impairment loss recognised in respect of goodwill	—	(48,492)	—	—	—	(48,492)	—	(48,492)
Loss arising on change in fair value of financial assets at fair value through profit or loss	—	—	(66,286)	—	—	(66,286)	—	(66,286)

**(d) Geographical information**

The Group mainly operates in Hong Kong and the PRC. The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Continuing operations		Discontinued operations		Continuing operations		Discontinued operations	
	Revenue from external customers		Revenue from external customers		Non-current assets*		Non-current assets*	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Australia	1,979	509	—	—	—	—	—	—
Europe	9,557	10,219	—	—	—	—	—	—
Hong Kong	80,829	118,692	—	37,021	504,582	725,530	—	—
The Middle East	2,701	5,706	—	—	—	—	—	—
The PRC	45,171	9,099	—	—	2,217,690	2,350,469	—	—
The United States of America	20,805	40,555	—	—	—	—	—	—
	<b>161,042</b>	<b>184,780</b>	<b>—</b>	<b>37,021</b>	<b>2,722,272</b>	<b>3,075,999</b>	<b>—</b>	<b>—</b>

\* Non-current assets excluded deferred tax assets.



### *Information about major customers*

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

	For the year ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
Customer 1 <sup>1</sup>	31,986	21,219
Customer 2 <sup>2</sup>	21,000	N/A <sup>3</sup>

<sup>1</sup> Revenue from sale of jewelry products and precious stones

<sup>2</sup> Revenue from property investment

<sup>3</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group

### 5. Revenue

	For the year ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Sale of financial assets at fair value through profit or loss, net	(22,337)	(14,175)
Interest income on loans	49,154	72,529
Rental income	45,171	9,099
Sale of jewelry products and precious stones	89,054	117,327
	<u>161,042</u>	<u>184,780</u>

Revenue from sale of financial assets at fair value through profit or loss is recorded on a net basis, details of which are as follows:

	For the year ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
Proceeds from sale of financial assets at fair value through profit or loss	191,682	622,551
Carrying amounts of financial assets at fair value through profit or loss sold plus transaction costs	(214,019)	(636,726)
	<u>(22,337)</u>	<u>(14,175)</u>

## 6. Investment and other income

	For the year ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Dividend income	1,347	3,111
Interest income on bank deposits	329	1,148
Sundry income	8	506
	<u>1,684</u>	<u>4,765</u>

## 7. Other gains and losses

	For the year ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets	22,500	74,378
Gain arising on change in fair value of financial assets at fair value through profit or loss upon recognition of interests in associates	17,367	—
Gain arising on change in fair value of investment properties	3,733	604
Gain on deemed disposal of a subsidiary	8	245,072
Impairment loss recognised in respect of amount due from an associate	(400)	(1,431)
Impairment loss recognised in respect of available-for-sale financial assets reclassified from equity to profit or loss	(57,750)	(73,500)
Impairment loss recognised in respect of goodwill	—	(48,492)
Loss arising on change in fair value of financial assets at fair value through profit or loss	(141,649)	(66,286)
Loss on deemed disposal of an associate	(21,500)	—
Loss on disposal of property, plant and equipment	—	(1)
	<u>(177,691)</u>	<u>130,344</u>

## 8. Finance costs

	For the year ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Interest on bank borrowings	<u>9,529</u>	<u>1,609</u>

## 9. Income tax credit/(expense)

	For the year ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Hong Kong Profits Tax		
— Current tax	(1,477)	(8,832)
— Over provision in prior years	<u>20</u>	<u>21</u>
	(1,457)	(8,811)
PRC Enterprise Income Tax		
— Current tax	(1,699)	(1,012)
Deferred taxation credit	<u>6,059</u>	<u>1,570</u>
	<u>2,903</u>	<u>(8,253)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. The subsidiaries incorporated in the PRC are subject to the PRC Enterprise Income Tax at 25% for both years. The subsidiary incorporated in Dubai Multi Commodities Centre of United Arab Emirates enjoys a 50-year tax holiday for corporate income tax from the date of incorporation.

## 10. (Loss)/profit for the year from continuing operations

(Loss)/profit for the year from continuing operations has been arrived at after charging/(crediting):

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Amortisation of intangible assets	<b>20,647</b>	5,114
Auditors' remuneration:		
— audit services	<b>990</b>	860
— non-audit services	<b>636</b>	2,698
	<b>1,626</b>	3,558
Cost of inventories sold	<b>73,542</b>	92,798
Depreciation of property, plant and equipment	<b>14,586</b>	3,869
Net foreign exchange loss	<b>131</b>	145
Operating lease rentals in respect of rental premises	<b>2,072</b>	1,955
Operating lease rentals in respect of operating rights	<b>16,622</b>	4,318
<i>Less: operating lease rentals capitalised</i>	<b>(10,996)</b>	(2,856)
	<b>5,626</b>	1,462
Equity-settled share-based payment expenses in respect of consultancy services	—	5,400
Staff costs (including directors' emoluments):		
— salaries, allowances and benefits in kind	<b>30,158</b>	23,214
— discretionary bonuses	<b>25,053</b>	23,585
— contributions to retirement benefits scheme	<b>464</b>	360
— equity-settled share-based payment expenses	<b>—</b>	12,400
	<b>55,675</b>	59,559
Gross rental income from investment properties and operating rights	<b>(45,171)</b>	(9,099)
<i>Less: direct operating expenses incurred for investment properties and operating rights that generated rental income during the year</i>	<b>19,890</b>	2,950
<i>Less: direct operating expenses incurred for investment properties and operating rights that did not generated rental income during the year</i>	<b>194</b>	45
	<b>(25,087)</b>	(6,104)

## 11. (Loss)/earnings per share

### *From continuing and discontinued operations*

The calculation of basic and diluted (loss)/earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	For the year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
<u>(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share</u>		
(Loss)/profit for the year attributable to owners of the Company	<u>(207,902)</u>	<u>105,256</u>
	For the year ended 31 December	
	2016	2015
	'000	'000
<u>Number of ordinary shares</u>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	3,145,711	1,131,842
Effect of dilutive potential ordinary shares:		
Share options	<u>—</u>	<u>32,144</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>3,145,711</u>	<u>1,163,986</u>

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options as they had an anti-dilutive effect to the basic loss per share for the year ended 31 December 2016.

### *From continuing operations*

The calculation of basic and diluted (loss)/earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<u>(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share</u>		
(Loss)/profit for the year from continuing operations	<b>(207,904)</b>	122,589
<i>Less:</i> loss for the year from continuing operations attributable to non-controlling interests	<u>2</u>	<u>—</u>
	<b><u>(207,902)</u></b>	<b><u>122,589</u></b>

The denominators used are same as those detailed above for both basic and diluted (loss)/earnings per share from continuing and discontinued operations.

### *From discontinued operations*

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<u>Loss for the purpose of basic and diluted loss per share</u>		
Loss for the year from discontinued operations	—	(22,988)
<i>Less:</i> loss for the year from discontinued operations attributable to non-controlling interests	<u>—</u>	<u>5,655</u>
	<b><u>—</u></b>	<b><u>(17,333)</u></b>

The denominators used are same as those detailed above for both basic and diluted (loss)/earnings per share from continuing and discontinued operations.

## 12. Loans receivables

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loans to customers	446,355	480,456
Accrued interest receivables	4,808	5,021
	<u>451,163</u>	<u>485,477</u>
<i>Less: impairment loss recognised</i>	<u>—</u>	<u>—</u>
	<u><b>451,163</b></u>	<u><b>485,477</b></u>

All loans are denominated in Hong Kong dollars. The loans receivables carry effective interest ranging from 8% to 20% per annum (2015: 8% to 15% per annum). A maturity profile of the loans receivables (net of impairment loss recognised, if any) at 31 December 2016 and 2015, based on the maturity date is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Current assets</b>		
Within one year	312,663	23,021
<b>Non-current assets</b>		
Over one year but not exceeding two years	<u>138,500</u>	<u>462,456</u>
	<u><b>451,163</b></u>	<u><b>485,477</b></u>

At 31 December 2016, certain loans amounted to HK\$53,500,000 (2015: HK\$58,000,000) are secured by personal guarantees and the pledge of the customers' properties.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loans receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

### 13. Trade receivables

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	63,160	62,233
Less: allowance for doubtful debts	—	—
	<u>63,160</u>	<u>62,233</u>

The following is an aging analysis of trade receivables (net of allowance for doubtful debts, if any) at the end of the reporting period presented based on the invoice dates:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-30 days	9,534	23,055
31-60 days	8,055	20,326
61-90 days	3,299	11,345
91-120 days	3,026	5,776
121-180 days	7,081	965
Over 180 days	32,165	766
	<u>63,160</u>	<u>62,233</u>

The Group allows credit period ranging from 0 to 180 days to its customers. The Group assesses the credit status and imposes credit limits for the customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$35,956,000 (2015: HK\$1,292,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The directors of the Company believe that there has not been a significant change in credit risk and the balances are still considered fully recoverable as these customers have good track records with the Group. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Less than 30 days past due	12,997	531
30 to 90 days past due	1,962	406
Over 90 days past due	20,997	355
	<u>35,956</u>	<u>1,292</u>



Movement in the allowance for doubtful debts during the year is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 January	—	396
Amounts written off as uncollectible	—	(396)
	<u>—</u>	<u>—</u>
<b>At 31 December</b>	<b><u>—</u></b>	<b><u>—</u></b>

#### 14. Trade payables

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	<b><u>36,532</u></b>	<u>40,220</u>

The following is an aging analysis of trade payables at the end of the reporting period presented based on the invoice dates:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	<b>3,255</b>	13,819
31 – 60 days	<b>3,681</b>	12,500
61 – 90 days	<b>9,385</b>	4,661
91 – 120 days	<b>6,525</b>	4,894
Over 120 days	<b><u>13,686</u></b>	<u>4,346</u>
	<b><u>36,532</u></b>	<b><u>40,220</u></b>

The average credit period on purchase of goods and services is 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

#### FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

On 6 November 2015, SkyNet Group Limited (“SkyNet”, stock code: 8176), a then 70.18% owned subsidiary of the Company, allotted and issued 345,000,000 new ordinary shares and 30,000,000 new convertible preferred shares to six subscribers. As a result, the Group’s shareholding interest in SkyNet was diluted from 70.18% to 12.51% and SkyNet ceased to be a subsidiary of the Company. Accordingly, the results of SkyNet and its subsidiaries (collectively, the “SkyNet Group”) for the year ended 31 December 2015 were restated to re-present as discontinued operations for financial reporting purposes. During the year ended 31 December 2015, the SkyNet Group was principally engaged in the development, distribution and marketing of personal care treatments, products and services.

Loss attributable to owners of the Company for the year ended 31 December 2016 amounted to HK\$207,902,000, whereas a profit of HK\$105,256,000 was reported for the previous year. The deterioration in the results is discussed in the sub-sections headed “Results of continuing operations” and “Operation Review” below.

#### *Results of continuing operations*

During the year ended 31 December 2016, the Group recorded revenue of HK\$161,042,000, a 12.85% decrease from HK\$184,780,000 for the previous year. The decrease in revenue was attributable to the decrease in sale of jewelry products and precious stones, and loan interest income, which were partially offset by the increase in rental income. Of the total revenue, HK\$49,154,000 was generated from money lending, HK\$89,054,000 was generated from sale of jewelry products and precious stones, HK\$45,171,000 was generated from property investment and a loss of HK\$22,337,000 was generated from sale of financial assets. Loss for the year from continuing operations amounted to HK\$207,904,000, whereas a profit of HK\$122,589,000 was reported for the previous year. This deterioration was mainly attributable to (i) a HK\$245,064,000 decrease in gain on deemed disposal of a subsidiary, and (ii) a HK\$75,363,000 increase in loss arising on change in fair value of financial assets at fair value through profit or loss.

Gross profit for sale of jewelry products and precious stones decreased by 36.76% from HK\$24,529,000 in the year ended 31 December 2015 to HK\$15,512,000 in the year ended 31 December 2016 and gross profit margin for sale of jewelry products and precious stones decreased from 20.91% in the year ended 31 December 2015 to 17.42% in the year ended 31 December 2016. These decreases were mainly due to (i) the depreciation of Euro and British pound against Hong Kong dollars in the second half of 2016, and (ii) the pessimistic economic outlook in Europe after the United Kingdom’s vote to leave the European Union in June 2016 (“Brexit”).

Gross profit for property investment increased by 311.14% from HK\$6,149,000 in the year ended 31 December 2015 to HK\$25,281,000 in the year ended 31 December 2016. This increase was mainly due to the increase in rental income resulted from the full year effect of the rental income

as the lease of the assets of the Group's membership golf club and resort in Beijing, Mainland China (the "**Club**") commenced in October 2015 and the investment property located at No. 33 Nonglinxia Road, Yuexiu District, Guangzhou, Mainland China (the "**Guangzhou Property**") was acquired by the Group in November 2015. Gross profit margin for property investment decreased from 67.58% in the year ended 31 December 2015 to 55.97% in the year ended 31 December 2016. Such decrease was attributable largely to the inclusion of a refund of Mainland China Business Tax of HK\$2,113,000 in the year ended 31 December 2015, whereas no such item in the year ended 31 December 2016.

Investment and other income decreased by 64.66% from HK\$4,765,000 for the year ended 31 December 2015 to HK\$1,684,000 for the year ended 31 December 2016. This decrease was mainly attributable to a HK\$1,764,000 decrease in dividend income received from Hong Kong listed equities held by the Group and an HK\$819,000 decrease in interest income on bank deposits.

Other gains and losses represent items of income and expenses, which are material and/or extraordinary in nature. Major items of other gains and losses recorded by the Group during the year are as follows:

- (a) At 30 June 2016, the Group re-measured its investment in 52,500,000 shares in SkyNet at market price and, for the sake of prudence, recognised an impairment loss of HK\$57,750,000 in respect of available-for-sale financial assets reclassified from equity to profit or loss.
- (b) Following the appointment of Mr. Lei Hong Wai and Mr. Cheung Kwok Wai Elton, both of them are executive directors of the Company, as executive directors of China Healthwise Holdings Limited ("**China Healthwise**", stock code: 348 and formerly known as Haier Healthwise Holdings Limited) on 11 October 2016, the Group was regarded as having significant influence over China Healthwise. Accordingly, the Group's investment in 500,000,000 shares in China Healthwise, which had been acquired for securities trading purposes, was accounted for as interest in an associate for financial reporting purposes. In recognising the cost of investment, the 500,000,000 shares in China Healthwise were re-measured at fair value and a gain arising on change in fair value of financial assets at fair value through profit or loss upon recognition of interests in associates of HK\$17,367,000 was recorded.
- (c) On 30 November 2016 and 5 December 2016, 18,750,000 shares and 6,250,000 shares in SkyNet held by the Group were placed to two independent investors respectively at a placing price of HK\$4.80 per share pursuant to the placing agreement dated 23 November 2016. Upon completion of the placing, the Group recognised a cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets of HK\$22,500,000.
- (d) Following the resignation of Mr. Cheung Kwok Wai Elton as an executive director of China Healthwise on 16 December 2016, the Group was regarded as losing significant influence over China Healthwise and China Healthwise ceased to be an associate of the Group. Accordingly,

the Group's investment in 500,000,000 shares in China Healthwise has been accounted for as available-for-sale financial assets for financial reporting purposes and a loss on deemed disposal of an associate of HK\$21,500,000 was recognised.

- (e) At the end of the reporting period, the Group measured its equity portfolio at market prices and recognised a loss of HK\$141,649,000 arising on change in fair value of financial assets at fair value through profit or loss.

Selling and distribution expenses mainly represent staff costs of sales team, overseas travelling expenses, freight charges and commission incurred by the Group's sale of jewelry products and precious stones business. Selling and distribution expenses increased by 59.44% from HK\$3,654,000 in the year ended 31 December 2015 to HK\$5,826,000 in the year ended 31 December 2016. This increase was attributable largely to (i) a HK\$610,000 increase in staff costs due to the full year effect of recruiting additional sales executives in the second half of 2015 for strengthening the Group's export selling capacity, (ii) a HK\$378,000 increase in overseas travelling expenses for cultivating new customers in Europe, the Middle East and Australia, and (iii) the payment of commission of HK\$860,000 relating to the sale of precious stones.

Administrative expenses amounted to HK\$87,055,000 for the year ended 31 December 2016, a 1.11% decrease from HK\$88,036,000 for the previous year. Such decrease was mainly due to the absence of equity-settled share-based payment expenses of HK\$17,800,000 recorded in the previous year, which was almost entirely offset by (i) a HK\$15,587,000 increase in amortisation and depreciation expense, and (ii) a HK\$1,011,000 increase in securities expenses incurred for disposing of available-for-sale financial assets. The increase in the Group's amortisation and depreciation expense was due to the full year effect of the amortisation and depreciation expense as the acquisition of (i) the rights to manage and operate the Club, (ii) the rights to develop and operate a piece of 580 Chinese acre land adjacent to the Club (the "**Subject Land**") and the rights to manage the properties erected on the Subject Land, and (iii) the assets of the Club and the Subject Land were completed in October 2015.

For the year ended 31 December 2016, Spark Concept Group Limited ("**Spark Concept**"), a 49% owned associate of the Group, and its subsidiaries (collectively, the "**Spark Concept Group**") reported a consolidated loss of HK\$2,337,000. As the Group's share of post-acquisition losses equals to its interests in Spark Concept, no further share of loss for the year was recognised.

Finance costs represent interest expense on a mortgage loan paid by the Group. Finance costs increased by 492.23% from HK\$1,609,000 in the year ended 31 December 2015 to HK\$9,529,000 in the year ended 31 December 2016. The increase was due to the full year effect of the interest on mortgage loan as the mortgage loan was assumed by the Group through the acquisition of the Guangzhou Property in November 2015.

An income tax credit of HK\$2,903,000 was recognised in the year ended 31 December 2016. The arising of the income tax credit was mainly attributable to (i) a HK\$6,667,000 decrease in current tax expense due to the decrease in the estimated assessable profit of the Group's money lending, and sale of jewelry products and precious stones businesses, and (ii) a HK\$5,271,000 increase in

deferred taxation credit arising from the reversal of deferred tax liabilities related to the temporary differences on additional amortisation and depreciation on account of upward revaluation of assets at the acquisition of the entire issued shares in and the shareholder's loan due by Smart Title Limited (“**Smart Title**”), which were partly offset by a HK\$782,000 increase in deferred taxation expense arising from the gain on change in fair value of investment properties.

### ***Results of discontinued operations***

On 6 November 2015, SkyNet ceased to be a subsidiary of the Company and the results of the SkyNet Group were restated to re-present as discontinued operations.

### ***Liquidity and financial resources***

During the year, the Group funded its operations through a combination of cash generated from operations, equity attributable to owners of the Company, issue of new shares and borrowings. Equity attributable to owners of the Company decreased from HK\$3,352,310,000 at 31 December 2015 to HK\$3,249,145,000 at 31 December 2016. This decrease was mainly attributable to (i) the loss of HK\$207,902,000 incurred by the Group for the year ended 31 December 2016, and (ii) a HK\$103,999,000 decrease in exchange reserve mainly resulted from the exchange loss arising on translating the assets and liabilities of the Group's operations in Mainland China into Hong Kong dollars using the exchange rate prevailing at the reporting date, which were partly offset by (i) a HK\$64,486,000 increase in share capital and share premium arising from the issue of 536,000,000 new ordinary shares at a price of HK\$0.125 per share in February 2016, and (ii) a HK\$144,250,000 increase in available-for-sale financial assets revaluation reserve arising from the increase in fair value of the Group's investments in SkyNet and China Healthwise at the end of the reporting period.

At 31 December 2016, the cash and cash equivalents of the Group amounted to HK\$438,975,000 (31 December 2015: HK\$509,341,000).

At 31 December 2016, the Group had outstanding borrowings of HK\$175,081,000 (31 December 2015: HK\$214,007,000), comprising (i) the mortgage loan of RMB129,777,000 (equivalent to HK\$145,081,000), which is interest bearing at the benchmark interest rate of The People's Bank of China upward by 10.00% per annum, secured by the Guangzhou Property and maturing on 21 April 2022, and (ii) the promissory note of HK\$30,000,000 issued to Gome Finance Technology Co., Ltd. (stock code: 628 and formerly known as Sino Credit Holdings Limited), which is non-interest bearing, unsecured and maturing within three business days after the date of a final and effective judgement or an effective and binding settlement agreement of the civil proceeding lodged by Zhanjiang City No. 4 Construction Engineering Co., Ltd (湛江市第四建築工程有限公司, the “**Contractor**”), a construction engineering company, against Guangzhou Yingrui Real Estate Development Co., Ltd. (廣州市迎瑞房地產開發有限公司, “**Yingrui**”), a wholly owned subsidiary of the Company, in respect of not paying certain payment under the construction contract of the Guangzhou Property. The decrease in borrowings was mainly attributable to the monthly repayments of the mortgage loan made by the Group during the year ended 31 December 2016.

### *Gearing ratio*

At 31 December 2016, the gearing ratio calculated as a percentage of total borrowings over equity attributable to owners of the Company was 5.39% (31 December 2015: 6.38%).

### *Net current assets and current ratio*

At 31 December 2016, the Group's net current assets and current ratio were HK\$1,124,475,000 (31 December 2015: HK\$965,369,000) and 3.88 (31 December 2015: 3.50) respectively.

### *Capital structure*

On 18 February 2016, the Company allotted and issued 536,000,000 new ordinary shares at a price of HK\$0.125 per share to five individual investors, who are independent third parties, and one corporation investor, whose ultimate beneficial owner is an independent third party, by way of placing of new shares under general mandate raising HK\$64,486,000 (net of expenses) for financing the Group's sale of jewelry products and precious stones business, and money lending business. The closing price of the Company's ordinary shares was HK\$0.152 per share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 January 2016, being the date of the placing agreement. The net price to the Company of each new ordinary share was HK\$0.1203. The directors considered that the placing presented an opportunity for the Company to raise additional funds for the operation of the Group's sale of jewelry products and precious stones business, and money lending business while broadening the shareholder base of the Company.

### *Use of proceeds from a fund raising activity*

On 18 February 2016, the Company raised HK\$64,486,000 by way of placing of 536,000,000 new ordinary shares under general mandate at a price of HK\$0.125 per share. The net proceeds from the placing of HK\$64,486,000 were fully utilised for financing the granting of two new loans pursuant to the loan agreements dated 19 February 2016 and 23 May 2016.

### *Material acquisition*

On 12 September 2016, the Group acquired 500,000,000 shares in China Healthwise at the aggregate consideration of HK\$117,633,000 (including transaction costs) for securities trading. The 500,000,000 shares in China Healthwise represented approximately 8.45% of the issued share capital of China Healthwise and were accounted for as financial assets at fair value through profit or loss for financial reporting purposes. Following the appointment of Mr. Lei Hong Wai and Mr. Cheung Kwok Wai Elton as executive directors of China Healthwise on 11 October 2016, the Group was regarded as having significant influence over China Healthwise and the 500,000,000 shares in China Healthwise were accounted for as interest in an associate for financial reporting purposes. The change in accounting treatment for the 500,000,000 shares in China Healthwise constitutes a discloseable transaction of the Company under the Rules Governing the Listing of Securities on the



Stock Exchange (the “**Listing Rules**”) and was announced by the Company on 11 October 2016. The Group recognised a gain of HK\$17,367,000 arising on change in fair value of financial assets at fair value through profit or loss upon recognition of interests in associates.

### ***Material disposals***

During the year, the Group had the following material disposals:

- (a) On 30 November 2016 and 5 December 2016, 18,750,000 shares and 6,250,000 shares in SkyNet held by the Group were placed to two independent investors respectively at a placing price of HK\$4.80 per share pursuant to the placing agreement dated 23 November 2016. The placing constitutes a discloseable transaction of the Company under the Listing Rules and was announced by the Company on 23 November 2016. Upon completion of the placing, the Group recognised a cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets of HK\$22,500,000.
- (b) Following the resignation of Mr. Cheung Kwok Wai Elton as an executive director of China Healthwise on 16 December 2016, the Group was regarded as losing significant influence over China Healthwise and China Healthwise ceased to be an associate of the Group. Accordingly, the Group’s investment in China Healthwise has been accounted for as available-for-sale financial assets for financial reporting purposes and a loss on deemed disposal of an associate of HK\$21,500,000 was recognised.

### ***Pledge of assets***

At 31 December 2016, the Guangzhou Property with a carrying amount of HK\$561,089,000 (31 December 2015: HK\$595,448,000) has been pledged to a bank for securing the mortgage loan granted to the Group.

### ***Material commitments***

At 31 December 2016, the Group had a total commitment of HK\$58,190,000 (31 December 2015: HK\$52,329,000) relating to the development costs of the Subject Land, which were contracted but not provided for.

### ***Exchange risk and hedging***

The majority of the Group’s transactions, assets and liabilities are denominated in Hong Kong dollars, United States dollars, Euro, British pound and Renminbi. The Group is exposed to exchange risk with respect mainly to Renminbi, Euro and British pound which may affect its performance. The directors closely monitor statement of financial position and cashflow exchange risk exposures and where considered appropriate use financial instruments, such as forward exchange contracts, foreign currency options and forward rate agreements, to hedge this exchange risk. During the year, no financial instruments for hedging purposes were used by the Group.

## *Contingent liabilities*

At 31 December 2016, the Group had the following material contingent liabilities:

- (a) On 20 March 2014, the Company announced that it came to its attention that a writ of summons in High Court Action No. 9 of 2014 was issued by The Grande Holdings Limited (in liquidation), Roderick John Sutton (as joint and several provisional liquidator of The Grande Holdings Limited), Fok Hei Yu (as joint and several provisional liquidator of The Grande Holdings Limited) and 65 other companies listed as plaintiffs against 25 defendants inclusive of One Synergy Limited (“**One Synergy**”), a company acquired by the Group in December 2011. One Synergy has, as at the date of this results announcement, not been served with the writ of summons.

The action alleges, inter alia, that One Synergy is liable to the plaintiffs as a constructive trustee and/or by way of equitable compensation and/or an accounts of profits and/or restitution and/or damages as a knowing recipient and/or by reason of the knowing or dishonest assistance in the breaches of trust and/or breaches of fiduciary duties by various of the defendants and/or by reason of dealings between One Synergy and the plaintiffs otherwise being voidable (and avoided), void, unlawful or illegal, in respect of its receipt of the shares in The Grande Properties Ltd. (now known as Rexdale Investment Limited (“**Rexdale**”)), a wholly owned subsidiary of the Company.

Riche (BVI) Limited, a wholly owned subsidiary of the Company, acquired the entire issued share capital of Adelio Holdings Limited, which was the holding company of One Synergy, from Vartan Holdings Limited, an independent third party, pursuant to a sale and purchase agreement dated 25 May 2011. One Synergy acquired the entire issued share capital of Rexdale from Lafe Corporation Limited, being one of the defendants, pursuant to a sale and purchase agreement dated 31 December 2010 (the “**Agreement**”). The entire issued share capital of Rexdale was sold by The Grande (Nominees) Ltd., being one of the plaintiffs, and The Grand Limited to Lafe Corporation Limited on or about 29 June 2007. The principal assets of Rexdale were the whole of the 1st floor and the flat roof, the whole of 6th to 12th floors, roof, external walls, two lavatories, three lorry parking spaces and eight private car parking spaces on the ground floor of an industrial building located in Kwun Tong, Kowloon, Hong Kong with a total gross floor of approximately 139,412 square feet exclusive of lavatories, lorry and private car parking spaces, flat roof and roof (collectively, the “**Kwun Tong Properties**”). The Kwun Tong Properties was sold by Rexdale to Grand Reward Limited, an independent third party, in July 2013.

One Synergy has sought counsel opinion on the writ of summons and has been advised to defend the plaintiffs’ claim in the said action. Counsel has advised that, based upon available evidence, there is nothing unusual in the Agreement and One Synergy would not have any express or constructive notice of the plaintiffs’ alleged irregularities and/or fraudulent acts of the former directors and/or management officers of the plaintiffs and One Synergy should not be held liable to any part of the plaintiffs’ claim and has good and valid defence thereto.



- (b) On 1 April 2015, the Contractor commenced a civil proceeding (the “**Proceeding**”) against Yingrui at the People’s Court of Yuexiu District of Guangzhou City (the “**People’s Court**”) for failing to pay certain payments in the sum of RMB11,427,354 (equivalent to HK\$12,775,000) under the construction contract entered into between Yingrui and the Contractor for the construction of the Guangzhou Property dated 28 July 2010, plus the interest accrued thereon and the related costs and expenses incurred in relation to the Proceeding. The amount claimed by the Contractor under the Proceeding comprises (i) the construction progress payment of RMB1,420,000 (equivalent to HK\$1,587,000), (ii) the return of the performance bond of RMB1,000,000 (equivalent to HK\$1,118,000) and (iii) the balance payment of construction fee of RMB9,007,354 (equivalent to HK\$10,070,000). On 7 April 2015, the People’s Court upon an application of the Contractor issued a seizure order on certain units of the Guangzhou Property in the aggregate value of RMB15,000,000 (equivalent to HK\$16,769,000) to protect the interest of the Contractor under the Proceeding.

Pursuant to the first trial written judgement issued by the People’s Court on 24 June 2016 (the “**First Trial Judgement**”), the People’s Court has ruled:

- (i) Yingrui to make a one-off payment of RMB7,662,183 (equivalent to HK\$8,566,000), being the construction fee, plus the interest accrued for the period from 13 September 2013 to the payment date calculated daily at the similar lending rate published by The People’s Bank of China for the same period to the Contractor;
- (ii) Yingrui to return the performance bond of RMB1,000,000 (equivalent to HK\$1,118,000) by making a one-off payment plus the interest accrued for the period from 1 October 2013 to the payment date calculated daily at the similar lending rate published by The People’s Bank of China for the same period to the Contractor;
- (iii) the Contractor’s other claims on the Proceeding be dismissed; and
- (iv) Yingrui to pay RMB239,207 (equivalent to HK\$267,000), being part of all the costs of the First Trial Judgement.

Having consulted with its legal advisers, Yingrui lodged an appeal against the First Trial Judgement to the Intermediate People’s Court of Guangzhou City in July 2016 (the “**Appeal**”).

No provision for the Proceeding was made in the consolidated financial statements of the Group for the year ended 31 December 2016 as Best Volume Investments Limited (“**Best Volume**”), the immediate holding company of Yingrui, has secured an unconditional undertaking from Ace Guide Holdings Limited, the ultimate beneficial owner of Yingrui prior to the acquisition of Yingrui by Best Volume in October 2014. Pursuant to the unconditional undertaking, Ace Guide Holdings Limited has agreed to pay to Best Volume or its assignee by way of damages an amount equal to any and all losses incurred by Yingrui and/or Best Volume resulting from, arising out of or in relation to the Proceeding, including without limitation payment under final effective judgement or settlement, and all other costs and expenses incurred in relation to the Proceeding.

## ***Employees and remuneration policy***

At 31 December 2016, the headcount of the Group was 42 (31 December 2015: 32). Staff costs (including directors' emoluments) for the year ended 31 December 2016 amounted to HK\$55,675,000 (2015: HK\$59,559,000). The decrease in staff costs was mainly attributable to the absence of equity-settled share-based payment expenses of HK\$12,400,000 recorded in the previous year, which was partly offset by an HK\$8,194,000 increase in directors' emoluments. In addition to basic salaries, contributions to retirement benefits scheme and discretionary bonus, staff benefits include medical scheme and share options.

## ***Key performance indicators***

The Company has defined the following key performance indicators ("KPIs") which are closely aligned with the performance of the Group.

		<b>For the year ended 31 December</b>	
	<i>Notes</i>	<b>2016</b>	<b>2015</b>
Revenue		<b>HK\$161,042,000</b>	HK\$184,780,000
(Loss)/profit for the year attributable to owners of the Company		<b>HK\$(207,902,000)</b>	HK\$105,256,000
Equity attributable to owners of the Company		<b>HK\$3,249,145,000</b>	HK\$3,352,310,000
Return on financial assets at fair value through profit or loss	<i>1</i>	<b>(14.28)%</b>	(5.99)%
Return on loans receivables	<i>2</i>	<b>9.08%</b>	8.80%
Return on capital employed in sale of jewelry products and precious stones	<i>3</i>	<b>3.18%</b>	36.17%
Return on investment properties	<i>4</i>	<b>3.04%</b>	0.46%

### *Notes:*

1. Return on financial assets at fair value through profit or loss includes gains and losses arising on change in fair value, gains and losses on disposal and dividend income. It is measured as a percentage against opening fair value of financial assets at fair value through profit or loss and total investments made at cost.
2. Return on loans receivables includes interest income and impairment loss recognised. It is measured as a percentage against average loans receivables (excluding accrued interest receivables).
3. Return on capital employed in sale of jewelry products and precious stones represents segment profit or loss from sale of jewelry products and precious stones business divided by average capital employed and is measured as a percentage.
4. Return on investment properties includes gains and losses arising on change in fair value, rental income and gains and losses on disposal less amortisation of intangible assets in respect of the Club, depreciation expense of the property, plant and equipment of the Club and operating lease rentals in respect of the Club. It is measured as a percentage against opening fair value of investment properties, opening carrying amounts of intangible assets in respect of the Club and opening carrying amounts of the property, plant and equipment of the Club.

Commentary on the performance of the Group against each of these KPIs is set out in “Financial Review” above and “Operations Review” below.

These KPIs are reviewed regularly and amended occasionally to correspond with the changing mix of the Group’s principal activities.

## Operations Review

During the year, no revenue was generated from the Group’s film distribution business as the Group was not able to secure quality films at reasonable prices for distribution.

During the year, the Group’s sale of financial assets business reported a segment loss (before taxation) of HK\$147,180,000, which includes the loss of HK\$22,337,000 from trading of Hong Kong listed equities, the gain of HK\$17,367,000 arising on change in fair value of financial assets at fair value through profit or loss upon recognition of interests in associates, the loss of HK\$141,649,000 arising on change in fair value of financial assets at fair value through profit or loss, and the dividend income from the Hong Kong listed equities held by the Group of HK\$1,347,000. The reporting of the segment loss was mainly due to the poor market sentiment in small and mid-cap stocks in Hong Kong resulted from investors taking a defensive strategy towards uncertainty. Return on financial assets at fair value through profit or loss for the year ended 31 December 2016 is (14.28)% (2015: (5.99)%). The deterioration was mainly due to an HK\$8,162,000 increase in the trading loss of Hong Kong listed equities and a HK\$75,363,000 increase in the loss arising on change in fair value of financial assets at fair value through profit or loss.

During the year ended 31 December 2016, the Group acquired six Hong Kong listed equities at the aggregate acquisition cost of HK\$419,668,000 and made the trading loss of HK\$22,337,000 from disposing of seven Hong Kong listed equities with the aggregate carrying amount plus transactions costs of HK\$214,019,000 at the aggregate sale proceeds of HK\$191,682,000.

Movements in the Hong Kong listed equities held by the Group during the years ended 31 December 2016 and 2015 are as follows:

	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>
Carrying amount at 1 January	597,658	598,705
<i>Add:</i> Acquisitions	419,668	692,506
Gain arising on change in fair value of financial assets at fair value through profit or loss upon recognition of interests in associates	17,367	—
<i>Less:</i> Disposals	(213,602)	(627,267)
Transfer to interests in associates	(135,000)	—
Loss arising on change in fair value	(141,649)	(66,286)
Carrying amount at 31 December	<u>544,442</u>	<u>597,658</u>

Details of the Hong Kong listed equities held by the Group at 31 December 2016 are as follows:

Name of Hong Kong listed equities	Number of shares held at 31 December 2016	Fair value at 31 December 2016 <i>HK\$'000</i>	Fair value as compared to the consolidated total assets of the Group at 31 December 2016	Gain/(loss) arising on change in fair value recognised in the year ended 31 December 2016 <i>HK\$'000</i>
China Healthcare Enterprise Group Ltd. (stock code: 1143)	30,000,000	3,360	0.08%	(22,135)
Frontier Services Group Ltd. (stock code: 500)	4,800,000	4,992	0.12%	(3,552)
Hsin Chong Group Holdings Ltd. (stock code: 404)	90,000,000	31,950	0.75%	(37,350)
Huanxi Media Group Ltd. (stock code: 1003)	55,610,000	144,586	3.41%	44,131
Kingston Financial Group Ltd. (stock code: 1031)	33,028,000	110,644	2.61%	9,976
Lajin Entertainment Network Group Ltd. (stock code: 8172)	120,000,000	78,000	1.84%	(18,349)
Sincere Watch (Hong Kong) Ltd. (stock code: 444)	55,000,000	11,000	0.26%	(34,100)
Town Health International Medical Group Ltd. (stock code: 3886)	70,000,000	87,500	2.06%	(24,500)
Yunfeng Financial Group Ltd. (stock code: 376)	13,000,000	72,410	1.71%	(55,770)
		<u>544,442</u>		<u>(141,649)</u>

During the year, the Group's money lending business generated interest income on loans of HK\$49,154,000, a 32.23% decrease from HK\$72,529,000 for the previous year. This decrease was attributable to the grant of fewer new loans and the making of early repayment by a number of customers. The granting of fewer new loans was mainly attributable to the decrease in loan applications as a number of prospective customers did not meet the Group's credit screening criteria. The average monthly balance of loans receivables decreased from HK\$824,071,000 in the year ended 31 December 2015 to HK\$541,434,000 in the year ended 31 December 2016. During the year, the Group granted new loans in the aggregate principal amount of HK\$409,800,000 to its customers and received loans repayment of HK\$443,901,000 from its customers. In view of certain internal cash

resources of the Group were allocated to finance the development of the Subject Land, the Group raised additional funds of HK\$64,486,000 from the placing of new shares under general mandate in February 2016 for financing the operations of its money lending business. The entire additional funds has been utilised for granting two new loans to customers. At the end of the reporting period, the directors assessed the collectability of loans receivables. As there was no objective evidence that the Group would not be able to collect all amounts due, no impairment loss on loans receivables was recognised. At 31 December 2016, the Group's loans receivables together with accrued interest receivables amounted to HK\$451,163,000 (31 December 2015: HK\$485,477,000). Return on loans receivables for the year ended 31 December 2016 is 9.08%, which is fairly constant with 8.80% in the previous year.

During the year, the Group's sale of jewelry products and precious stones business generated revenue of HK\$89,054,000, a 24.10% decrease from HK\$117,327,000 for the previous year, and reported a segment profit (before taxation) of HK\$2,468,000, an 83.37% decrease from HK\$14,838,000 for the previous year. Revenue from sale of jewelry products decreased by 11.41% from HK\$76,248,000 in the year ended 31 December 2015 to HK\$67,550,000 in the year ended 31 December 2016. Such decrease was mainly attributable to (i) the depreciation of Euro and British pound against Hong Kong dollars, and (ii) the pessimistic economic outlook in Europe after Brexit. Revenue from sale of precious stones decreased by 47.65% from HK\$41,079,000 in the year ended 31 December 2015 to HK\$21,504,000 in the year ended 31 December 2016. The decrease in revenue from sale of precious stones was mainly due to the Group's decision to slow down its sale of precious stones business in the second half of 2016 in response to the slowdown in settling trade debts by customers, which was a direct result of the poor market sentiment on precious stones. The sale of precious stones business merely provides a single digit gross profit margin, but requires a longer than expected period for trade debts settlement. The Group is currently reviewing its business strategy as to whether or not to close down its sale of precious stones operations in order to reduce its credit risk exposure. Return on capital employed in sale of jewelry products and precious stones for the year ended 31 December 2016 is 3.18% (2015: 36.17%).

At 31 December 2016, the Group's inventories of jewelry products and precious stones, including raw materials, work-in-progress and finished goods, amounted to HK\$38,329,000 (31 December 2015: HK\$41,412,000) and the Group's sale of jewelry products and precious stones business had undelivered sale orders amounting to HK\$2,000,000 (31 December 2015: HK\$1,500,000).

During the year ended 31 December 2016, the Group's property investment business generated rental income of HK\$45,171,000, a 396.44% increase from HK\$9,099,000 for the previous year, and recorded a segment profit (before taxation) of HK\$6,433,000, whereas a segment loss (before taxation) of HK\$48,371,000 was recorded in the previous year. Return on investment properties for the year ended 31 December 2016 is 3.04% (2015: 0.46%). The significant improvement was attributable to the full year effect of the rental income as the lease of the assets of the Club commenced in October 2015 and the Guangzhou Property was acquired by the Group in November 2015. Of the total rental income, HK\$21,000,000 was generated from the assets of the Club and HK\$24,171,000 was generated from the Guangzhou Property. No rental income was generated from the Subject Land as the entire Subject Land is still at development stage.

Since the third quarter of 2016, the Group has been approached by and in discussion with several prospective purchasers for the sale and purchase of the Club and the Subject Land. As disclosed in the Company's announcement dated 29 August 2016, the Group entered into a non-legally binding memorandum of understanding with one of the prospective purchasers for the possible sale and purchase of the entire shareholding interest in Smart Title. The major assets of Smart Title and its subsidiaries are the Club and the Subject Land. Despite the possible sale and purchase of the entire shareholding interest in Smart Title not being materialised, the Group is still being approached by various prospective purchasers for the proposed sale and purchase of the Club and the Subject Land.

The development of the Subject Land is divided into three phases, in which the first phase involves erecting nine hotel villas with a total gross floor area of 21,661 square meters, the second phase involves erecting 29 hotel villas with a total gross floor area of 33,000 square meters, and the third phase is a development of a five-storey high-end hotel apartment complex with restaurants, multi-function room facilities and approximately 100 hotel apartment units with a total gross floor area of 25,000 square meters. At the end of the year, the first phase development was substantially completed. In view of being approached by various prospective purchasers for the sale and purchase of the Club and the Subject Land, the Group is considering to re-examine its business strategy for the Subject Land in order to maximising the shareholders' value. The Group may delay the marketing activity for leasing the hotel villas and/or slow down the pace of the development of the Subject Land as so to keep the Subject Land as an unoccupied site for sale.

Taking into account the development costs already incurred, the remaining total budgeted development costs to be incurred by the Group for the Subject Land at 31 December 2016 is approximately RMB860,061,000 (equivalent to HK\$961,488,000). It is currently expected that the remaining total budgeted development costs will be financed by the Group's internal resources and the rental income generated from the assets of the Club and the Subject Land.

At the end of the reporting period, the directors performed an impairment test for the intangible assets relating to (i) the rights to construct and operate the club facilities of the Club, and (ii) the rights to develop and operate the Subject Land and the rights to manage the properties erected on the Subject Land with reference to the valuation report prepared by an independent valuer. As the recoverable amounts of the intangible assets exceeded their carrying amounts, no impairment was required.

At the end of the reporting period, the directors measured the fair value of the Guangzhou Property. Based on a property valuation report prepared by another independent valuer, the fair value of the Guangzhou Property increased from RMB498,700,000 at 31 December 2015 to RMB501,900,000 at 31 December 2016. Accordingly, the Group recognised a gain of HK\$3,733,000 (equivalent to RMB3,200,000) arising on change in fair value of investment properties. However, the gain arising on change in fair value was not reflected in the carrying amount of the Guangzhou Property at 31 December 2016. As the Renminbi to Hong Kong dollars exchange rate fell by approximately 6.34% from 31 December 2015 to 31 December 2016, an exchange realignment of HK\$38,092,000



for translating the Guangzhou Property from Renminbi to Hong Kong dollars at the closing rate at 31 December 2016 was recorded. Such exchange realignment not only offset the gain of HK\$3,733,000 arising on change in fair value entirely, but also reduced the carrying amount of the Guangzhou Property by HK\$34,359,000.

In order to enable the Group to dispose of its investment in SkyNet in an effective and efficient manner, the directors proposed to seek approvals from the Company's shareholders for granting a 12-month mandate to the directors for disposing of up to 52,500,000 shares in SkyNet held by the Group on 8 January 2016. The 12-month disposal mandate constitutes a very substantial disposal of the Company under the Listing Rules and was approved by the shareholders at the special general meeting of the Company held on 12 May 2016. At 30 June 2016, the Group re-measured its investment in the 52,500,000 shares in SkyNet at market price and, for the sake of prudence, recognised an impairment loss of HK\$57,750,000 in respect of available-for-sale financial assets reclassified from equity to profit or loss. Due to the thin trading volume of the shares in SkyNet, the Group entered into the placing agreement with a placing agent for placing up to 25,000,000 shares in SkyNet held by the Group at a price of HK\$4.80 per share to two independent investors on 23 November 2016. On 30 November 2016 and 5 December 2016, 18,750,000 shares and 6,250,000 shares in SkyNet held by the Group were placed to two independent investors respectively at a placing price of HK\$4.80 per placing share pursuant to the placing agreement. Upon completion of the placing, the Group held 27,500,000 shares in SkyNet and recognised a cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets of HK\$22,500,000. The placing of the 25,000,000 shares in SkyNet did not constitute a disposal under the disposal mandate. Other than the placing of the 25,000,000 shares in SkyNet, no shares in SkyNet were disposed of during the year.

On 12 September 2016, the Group acquired 500,000,000 shares in China Healthwise at the aggregate consideration of HK\$117,633,000 (including transaction costs) for securities trading. The 500,000,000 shares in China Healthwise represented approximately 8.45% of the issued share capital of China Healthwise and were accounted for as financial assets at fair value through profit or loss for financial reporting purposes. Following the appointment of Mr. Lei Hong Wai and Mr. Cheung Kwok Wai Elton as executive directors of China Healthwise on 11 October 2016, the Group was regarded as having significant influence over China Healthwise and the 500,000,000 shares in China Healthwise were accounted for as interest in an associate for financial reporting purposes. In recognising the cost of investment, the Group re-measured the 500,000,000 shares in China Healthwise at fair value and recognised a gain of HK\$17,367,000 arising on change in fair value of financial assets at fair value through profit or loss upon recognition of interests in associates in profit or loss. Following the resignation of Mr. Cheung Kwok Wai Elton as an executive director of China Healthwise on 16 December 2016, the Group was regarded as losing significant influence over China Healthwise and China Healthwise ceased to be an associate of the Group. Accordingly, the Group's investment in China Healthwise has been accounted for as available-for-sale financial assets for financial reporting purposes and a loss on deemed disposal of an associate of HK\$21,500,000 was recognised in profit or loss. During the year, no shares in China Healthwise were disposed of.

At the end of the reporting period, the Group measured its investments in SkyNet and China Healthwise, which have been accounted for as available-for-sale financial assets for financial reporting purposes, at market price. As the fair value of the 27,500,000 shares in SkyNet and the 500,000,000 shares in China Healthwise in aggregate exceeded their carrying amounts by HK\$144,250,000, a gain of HK\$144,250,000 arising on revaluation of available-for-sale financial assets was recognised in other comprehensive income.

Details of the available-for-sale financial assets (other than the club debenture of HK\$172,000) held by the Group at 31 December 2016 are as follows:

Name of Hong Kong listed equities	Number of shares held at 31 December 2016	Fair value at 31 December 2016 <i>HK\$'000</i>	Fair value as compared to the consolidated total assets of the Group at 31 December 2016	Gain/(loss) arising on revaluation recognised in the year ended 31 December 2016 <i>HK\$'000</i>
SkyNet (stock code: 8176)	27,500,000	258,500	6.09%	151,250
China Healthwise (stock code: 348)	500,000,000	106,500	2.51%	(7,000)
		<u>365,000</u>		<u>144,250</u>

Depending on their business fundamentals and development, and share price performance, the directors intend to sell the Group's investments in SkyNet and China Healthwise as and when appropriate.

The Spark Concept Group is operating two Japanese noodle shops (麵鮮醬油房周月) in Central and Quarry Bay, and a high-end Japanese restaurant (料理人 上田) in Central. During the year, the Spark Concept Group reported a loss of HK\$2,337,000, a 14.33% decrease from HK\$2,728,000 for the previous year. As the Group's share of post-acquisition losses equals to its interests in Spark Concept, no further share of losses was recognised for the year. The decrease in loss was mainly attributable to the closure of the loss making Japanese noodle shop in Hunghom in February 2016. No further cash was advanced to the Spark Concept Group by the Group during the year. In view of the decrease in the consolidated net assets (before shareholders' loans) of the Spark Concept Group, an impairment loss of HK\$400,000 was further recognised against the amount due from the Spark Concept Group. At 31 December 2016, the Spark Concept Group owed the Group an amount of HK\$7,393,000 (before impairment of HK\$5,696,000), which is unsecured, non-interest bearing and repayable on demand. As announced by the Michelin Guide in November 2016, the Japanese noodle shops (麵鮮醬油房周月) in Central and Quarry Bay are again awarded the Bib Gourmand rating in the Michelin Guide Hong Kong Macau 2017.



## Future Prospects

International forecasters fear that 2017 will not be a big improvement on 2016 for a sluggish global economy. The global economy is facing a lot of challenges, including Brexit, European instability, an aggressive interest rate rises by the United States (“US”) Federal Reserve and an unclear US trade policy under President Donald Trump. As such, the directors expect the Hong Kong equity market remains volatile in 2017. However, the directors recognise that market volatility and downturns can often coincide with a good opportunity to acquire equities at a better price. In 2017, the directors will cautiously monitor the Hong Kong equity market and actively seek equities which are believed to be undervalued and/or to have a sustainable business growth. In relation to the Group’s existing equity portfolio, the directors believe that the future performance is largely affected by economic factors, investor sentiment, demand and supply balance of an investee company’s shares and fundamentals of an investee company, such as investee company’s news, business fundamentals and development, financial performance and future prospects. Accordingly, the directors closely monitor the above factors, particularly the fundamentals of each individual investee company in the Group’s existing equity portfolio, and proactively adjust the Group’s equity portfolio mix in order to improve its performance.

In view of the challenges faced by the global economy, the directors expect the Hong Kong economy remains uncertain in 2017. Accordingly, the Group adopts a more cautious approach in screening customers and approving new loans in order to mitigate its credit risk. The directors expect the performance of the Group’s money lending business in 2017 is more or less the same as 2016.

The growth of the Group’s sale of jewelry products and precious stones business slowed down significantly in 2016, which was a direct result of the depreciation of Euro and British pound against Hong Kong dollars, the gloomy economy in Europe and the poor market sentiment on precious stone. According to the Group’s latest sale data, there is no sign of improvement in European market. In addition, the Middle East market is deteriorating due to a drop in number of tourists visiting the Middle East countries. As such, the directors expect the sale of the Group’s sale of jewelry products and precious stones business may experience a decline in 2017.

As the Group may delay its marketing activity for leasing the hotel villas of the Subject Land and/or slow down the pace of the development of the Subject Land, the directors expect the rental income of the Group’s property investment business for 2017 is more or less the same as 2016.

In 2017, the directors will continue to cautiously monitor the business environment and strengthen the Group’s business foundation by focusing the Group’s existing businesses. In addition, the directors will continue to cautiously identify suitable investment opportunities for the Group to diversify its businesses and broaden its revenue.

## Events after the Reporting Period

Subsequent to 31 December 2016 and up to the date of this results announcement, the Group had the following material events:

- (a) The fair value of the Group's financial assets at fair value through profit or loss decreased from HK\$544,442,000 at 31 December 2016 to HK\$466,589,000 at the date of this results announcement.
- (b) The fair value of the Group's available-for-sale financial assets decreased from HK\$365,172,000 at 31 December 2016 to HK\$291,672,000 at the date of this results announcement.
- (c) The validity of the writ of summons in High Court Action No. 9 of 2014 dated 3 January 2014 and issued by The Grande Holdings Limited (in liquidation), Roderick John Sutton (as joint and several provisional liquidator of The Grande Holdings Limited), Fok Hei Yu (as joint and several provisional liquidator of The Grande Holdings Limited) and 65 other companies listed as plaintiffs against 25 defendants inclusive of One Synergy was expired on 2 January 2017 and has not been extended by the plaintiffs after 2 January 2017.
- (d) After the Appeal was heard by the Intermediate People's Court of Guangzhou City, a judgement was handed down on 9 January 2017 dismissing the Appeal and upholding the First Trial Judgement. On 15 March 2017, Yingrui and the Contractor entered into a settlement agreement, pursuant to which Yingrui agreed to pay the Contractor a sum of RMB9,700,000 (equivalent to HK\$10,844,000) within three days from the date of the settlement agreement as full and final settlement of the Proceeding. On the same day, Ace Guide Holdings Limited deposited an amount of RMB9,700,000 (equivalent to HK\$10,844,000) into Yingrui's bank account and Yingrui paid the said amount as settlement payment to the Contractor pursuant to the settlement agreement. On 16 March 2017, the People's Court has ruled the seizure on certain units of the Guangzhou Property in the aggregate value of RMB15,000,000 (equivalent to HK\$16,769,000) be released.

## Principal Risks and Uncertainties

A summary of the principal risks and uncertainties which may impact the Group's financial conditions, results of operations or future performance and how the Group to mitigate these risks is set out below.

This summary should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties faced by the Group, but rather those risks which the Group currently believes may have a significant impact on the Group's performance and future prospects.

<i>Principal risks</i>	<i>Description</i>	<i>Mitigating actions</i>
Strategic risk	Strategic risk is the risk that medium and long-term profitability and/or reputation of the Group could be adversely impacted by the failure either to identify or implement the correct strategy, or to react appropriately to changes in the business environment.	<ul style="list-style-type: none"> <li>• Extensive investment management experience of the Board.</li> <li>• Regularly review on strategy and performance of each business unit.</li> <li>• Perform comprehensive due diligence on all potential acquisitions.</li> </ul>
Economic risk	Economic risk is the risk of any downturn in economic conditions could impact the Group's performance through higher bad debts as a result of customers' inability to repay loans and lower asset values.	<ul style="list-style-type: none"> <li>• Regularly review forward looking indicators to identify economic conditions.</li> </ul>
Credit risk	Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.	<ul style="list-style-type: none"> <li>• Fully understand customers and carry out credit quality assessment on customers before granting loans.</li> <li>• Regularly monitor loans receivables and assess for their recoverability.</li> <li>• Limit credit risk exposure by granting loan to any single customer of not more than 8% of the consolidated total assets of the Group.</li> <li>• Make rental contracts with tenants with an appropriate credit history.</li> </ul>
Liquidity risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.	<ul style="list-style-type: none"> <li>• Regularly monitor liquidity and statement of financial position.</li> <li>• Maintain appropriate liquidity to cover commitments.</li> <li>• Limit liquidity risk exposure by investing only in securities listed on stock exchanges.</li> <li>• Ensure acceptable and appropriate finance in place, or believed to be available before committing investment projects.</li> </ul>

<i>Principal risks</i>	<i>Description</i>	<i>Mitigating actions</i>
Price risk	Price risk is the risk that changes in equity prices will affect the Group's income and the value of its holdings of equities.	<ul style="list-style-type: none"> <li>• Regularly monitor equity portfolio to address any portfolio issues promptly.</li> <li>• Spread price risk exposure by investing a number of equities.</li> </ul>
Exchange risk	Exchange risk is the risk that changes in foreign exchange rates will affect the Group's income and the value of its holdings of assets.	<ul style="list-style-type: none"> <li>• Closely monitor statement of financial position and cashflow exchange risk exposures and where considered appropriate use financial instruments, such as forward exchange contracts, foreign currency options and forward rate agreements, to hedge this exchange risk.</li> </ul>
People risk	People risk is the risk of loss the services of any directors, senior management and other key personnel which could have a material adverse effect on the Group's businesses.	<ul style="list-style-type: none"> <li>• Provide competitive reward and benefit packages that ensure our ability to attract and retain the employees we need.</li> <li>• Ensure that the staff of the Group has the right working environment to enable them to do the best job possible and maximise their satisfaction at work.</li> </ul>
Legal and regulatory risk	Legal and regulatory risk is the risk that a breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.	<ul style="list-style-type: none"> <li>• Monitor changes and developments in the regulatory environment and ensure that sufficient resources being made available to implement any required changes.</li> <li>• Seek legal or other specialist advice as appropriate.</li> </ul>

## **Compliance with Laws and Regulations**

The Group recognises the importance of compliance with the relevant laws and regulations that have a significant impact on its principal activities and the risk of non-compliance with such laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.

During the year, the Group has complied with (i) the Money Lenders Ordinance and the Money Lenders Regulations for its money lending business, and (ii) the Urban and Rural Planning Law of the People's Republic of China and Construction Law of the People's Republic of China for the development of the Subject Land in Mainland China.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016, except for:

- (a) code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year, Mr. Lei Hong Wai has taken up the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Lei possesses essential leadership skills and has extensive experience in corporate management and business development. The Board is of the view that currently vesting the roles of the Chairman and the Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies; and
- (b) code provision A.4.1 of the Code requires that non-executive directors should be appointed for a specific term, subject to re-election. All non-executive directors of the Company are not appointed for a specific term, but are subject to retirement from office by rotation and re-election in accordance with the provisions of the Company’s bye-laws. At each annual general meeting, one-third of the directors for the time being, (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. As such, the Company considers that such provision is sufficient to meet the underlying objective of this code provision.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2016.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2016.

## **REVIEW OF FINANCIAL INFORMATION**

The audit committee has reviewed this annual results announcement and the annual report of the Company for the year ended 31 December 2016.

By Order of the Board  
**Eternity Investment Limited**  
**Lei Hong Wai**  
*Chairman*

Hong Kong, 30 March 2017

*As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Lei Hong Wai, Mr. Cheung Kwok Wai Elton, Mr. Chan Kin Wah Billy and Mr. Cheung Kwok Fan; and three independent non-executive directors, namely, Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen.*