G-RESOURCES

2016 ANNUAL REPORT

CORPORATE PHILOSOPHY

OUR VALUES

We strive to be a GREAT company in all of our operations and dealings with people. The GREAT values are the foundation of our Company, and provide a core commitment to achieve the best we can for all of G-Resources' stakeholders.

G-Resources is a company listed on the Hong Kong Stock Exchange focusing on principal investment business, financial services business, money lending business and real property business (HKEx: 1051).

GROWTH in value for all our stakeholders
RESPECT for our people, our communities and for all stakeholders
EXCELLENCE in everything we do
ACTION to deliver on our commitments
TRANSPARENCY openness, honesty and good governance

GREAT VALUES

BUSINESS REVIEW

2 Chairman's Statement

3 Company Overview

5 Biographical Details of Directors and Senior Management

8 Management Discussion and Analysis

CORPORATE GOVERNANCE

12 Directors' Report

22 Corporate Governance Report

FINANCIAL STATEMENTS

39 Independent Auditor's Report

43 Consolidated Statement of Profit or Loss

44 Consolidated Statement of Profit or Loss and Other Comprehensive Income

45 Consolidated Statement of Financial Position

46 Consolidated Statement of Changes in Equity

47 Consolidated Statement of Cash Flows

49 Notes to the Consolidated Financial Statements

123 Five-Year Financial Summary

CORPORATE INFORMATION

124 Corporate Information

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report that 2016 is another profitable year for G-Resources.

After completion of the disposal of the Martabe Mine, G-Resources is focusing on its other businesses, namely principal investment business, financial services business and real property business. We continue to see significant growth in our principal investment business and financial services business. However, we also see high volatility in the global financial market and the world is full of uncertainties. In short, I believe 2017 will be a year full of challenges.

In 2016, we continued to expand our investment portfolio under our principal investment business. We have also realized some of our previous investments. We shall continue to look for investment opportunities in different sectors and different countries (including United States and United Kingdom) with a view to attain better risk-balanced investment returns.

We continued to see a market for short term loans of higher interest rate in Hong Kong. G-Resources did not record any bad debt for our money lending business in 2016. During the year, we lent out a total of approximately USD366 million under our money lending business. The term of those loans ranges from 1 month to 2 years with interest rates ranges from 7% to 32.5% per annum.

Apart from our money lending business, we are cautiously developing the business of Enhanced Financial Services Group Limited ("EFS"). EFS is now a 75% owned subsidiary of G-Resources. EFS is holding, through its subsidiaries, type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) licences under the Securities and Futures Ordinance (the "SFO"). EFS, through its subsidiaries, is also applying for a type 2 (dealing in futures contracts) licence under the SFO. With the strong support from G-Resources, EFS has grown from a single licence (only type 1 licence) brokerage house to a financial services group which can provide a full range of financial services.

On the real property business of the Group, we see that there are more and more companies from Mainland China setting up regional offices in Hong Kong. Accordingly, there is a demand for prime office spaces in Hong Kong. This is further supported and confirmed by the high bids submitted in recent land tenders. The Group remains confident in the property market in Hong Kong. However, the Group is cautious of the sustainability of the current property price level. The Group will continue to search for investment opportunities in Hong Kong and other countries for its real property business.

Today, G-Resources has a strong balance sheet with significant funds available for future investments at opportune time. We are prepared for any good opportunities when arises.

Finally, I would like to thank our Board and management for their devoted service during the year and of course, we want to thank our shareholders for their continuing support for G-Resources. I look forward to continuing to work with them to achieve further success for the Company.

Chiu Tao
Chairman
Hong Kong, 31 March 2017

COMPANY OVERVIEW

OUR PRINCIPAL BUSINESSES

1. PRINCIPAL INVESTMENT BUSINESS
2. FINANCIAL SERVICES BUSINESS
   — Money Lending
   — Securities Dealing
3. REAL PROPERTY BUSINESS

COMPANY OVERVIEW

The principal business segments of G-Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are described below:

1. PRINCIPAL INVESTMENT BUSINESS

In late 2014, the Group announced the adoption of a strategy to expand its business to include a principal investment business, the goal of which is to identify investment opportunities and to invest in different industries, including mining, to provide better risk weighted return and capital value to the Group.

The Executive Committee of the Company is responsible for identifying, reviewing, considering and approving different investment opportunities taking into account the Group's liquidity requirements, risk to capital and reasonable returns on investment with the risk taken.

We are also diversifying our investment portfolio under our principal investment business. During the year, the Group invested in listed and unlisted financial assets such as shares, bonds, other security investments, managed investment funds, convertible bond and perpetual securities.

2. FINANCIAL SERVICES BUSINESS

The Company is continuing to extend the scope of its principal activities to include the provision of a wide range of financial services, including securities brokerage services, placing and underwriting services, corporate finance advisory services, provision of margin financing, money lending business and investment advisory and management services.

(A) MONEY LENDING

Since June 2015, the Group has commenced money lending business in Hong Kong through Global Access Development Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which has successfully obtained a money lender's license in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

(B) SECURITIES DEALING

The Group exercised its right of conversion under the convertible bonds of Enhanced Financial Services Group Limited ("EFS") at the end of March 2016. EFS is now a 75% owned subsidiary of G-Resources. EFS is holding, through its subsidiaries, type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) licences under the Securities and Futures Ordinance ("SFO"). EFS, through its subsidiaries, is also applying for a type 2 (dealing in futures contracts) licence under SFO. With the strong support from G-Resources, EFS has grown from a single licence (only type 1 licence) brokerage house to a financial services group which can provide a full range of financial services.

3. REAL PROPERTY BUSINESS

In the past few years, a low interest rate environment coupled with continuous economic growth in Hong Kong has seen robust demand for properties in Hong Kong. The Group intends to continue to expand its property portfolio on commercial properties with a focus in Hong Kong and other countries, but also in other types of properties as and when appropriate investment opportunities arise.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Chiu Tao, aged 61
was appointed as the Chairman and an executive director of the Company on 19 August 2009 and 22 July 2009, respectively. Mr Chiu was also appointed as Acting Chief Executive Officer of the Company on 30 June 2015. Mr Chiu is an experienced executive and merchant, and was engaged as the chairman of various listed companies in Hong Kong. Mr Chiu has extensive experience in the metal business, trading, investment planning, business acquisitions and development, and corporate management. He is currently the Chairman and an executive director of NetMind Financial Holdings Limited (formerly known as CST Mining Group Limited), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("NetMind").

Ma Xiao, aged 51
was appointed as the Deputy Chief Executive Officer and an executive director of the Company on 22 July 2009. Mr Ma has over twenty years of international minerals and metals trading, financing and hedging experience. Mr Ma also has extensive experience in mineral company acquisitions and development. He previously held senior and executive positions with several base and precious metals companies, including China Minmetals. Mr Ma was based in London for four years working for Minmetals (UK) Limited and was the Managing Director of Guizhou H-Gold & Mining Limited and was a director of the China Minerals Acquisition Fund.

Wah Wang Kei, Jackie, aged 50
was appointed as an executive director of the Company on 9 April 2008. Mr Wah graduated from The University of Hong Kong in 1990 and was qualified as a solicitor in 1992. Up until 1997, Mr Wah was a partner of a Hong Kong law firm. He was an executive director of Lamtex Holdings Limited (formerly known as China New Energy Power Group Limited), whose shares are listed on the Main Board of the Stock Exchange. He is currently an executive director and in-house legal counsel of NetMind; an independent non-executive director of Symphony Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange.

Leung Oi Kin, aged 42
was appointed as an executive director and company secretary of the Company on 8 November 2016 and 16 December 2016, respectively. Mr Leung has more than eighteen years of experience in accounting and financial management. He is a professional accountant and a member of the CPA Australia. Prior to joining our Company, Mr Leung worked in PricewaterhouseCoopers as an auditor. He was the group financial controller of China NT Pharma Group Company Limited (whose shares are listed on the Main Board of the Stock Exchange) . He was also the company secretary and chief financial officer of Wisdom Holdings Group (now knows as Wisdom Sports Group) (whose shares are listed on the Main Board of the Stock Exchange); and the chief financial officer of Linekong Interactive Co., Ltd. (whose shares are listed on the Growth Enterprise Market of the Stock Exchange). Mr Leung graduated from University of Adelaide, Australia in 1997 with a bachelor's degree in commerce.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Or Ching Fai, aged 67
was appointed as the Vice-chairman and an independent non-executive director of the Company on 22 July 2009. Dr Or began his career with The Hongkong and Shanghai Banking Corporation Limited in 1972 after receiving a bachelor's degree in Economics and Psychology from The University of Hong Kong. He was the Vice-Chairman, Chief Executive Officer and an executive director of Hang Seng Bank Limited (whose shares are listed on the Main Board of the Stock Exchange). Dr Or was also an independent non-executive director of Hutchison Whampoa Limited (whose shares was withdrawn from the Main Board of the Stock Exchange in 2015 after the reorganisation with Cheung Kong (Holdings) Limited); and an independent non-executive director of Cathay Pacific Airways Limited (whose shares are listed on the Main Board of the Stock Exchange). Dr Or is currently an independent non-executive director of Chow Tai Fook Jewellery Group Limited, Industrial and Commercial Bank of China Limited, Television Broadcasts Limited and Regina Miracle International (Holdings) Limited (whose shares are all listed on the Main Board of the Stock Exchange); Chairman and an independent non-executive director of Esprit Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange); chairman, chief executive officer and an executive director of China Strategic Holdings Limited; non-executive director and Deputy Chairman of Aquis Entertainment Limited (whose shares are listed on the Australian Securities Exchange).

Chen Gong, aged 46
was appointed as an independent non-executive director of the Company on 3 February 2017. Mr Chen has more than twenty years extensive experience in finance management, mergers & acquisitions, financing, negotiation and restructuring in a cross-culture environment. Mr Chen has participated in cross-border merger & acquisition and financing transactions. He has been involved with the management of various public companies listed in Toronto Stock Exchange, in the capacity of director and/or chief executive officer/chief financial officer. Mr Chen was a director and chief executive officer of First Growth Holdings Ltd. (whose shares are listed on TSX Venture Exchange). He is currently also an independent director of Newmac Resources Inc. (whose shares are listed on TSX Venture Exchange); a president, chief executive officer and director of Ord Mountain Resources Corp. (whose shares are listed on TSX Venture Exchange NEX); and an independent director of Credent Capital Corp. (whose shares are listed on TSX Venture Exchange NEX). Mr Chen is also the founder and managing director of DoubleOcean Financial Group, a financial advisory company that facilitates the cross-border investments between North America and China. Mr Chen also worked in various financial management positions at two Fortune 100 companies in the United States for about eight years.

Mr Chen received a Bachelor's degree in International Economics from Peking (Beijing) University in 1992 and a Master of Business Administration (MBA) from the University of Arizona in 1997. He is a United States Certified Public Accountant (CPA).

Martin Que Meideng, aged 55
was appointed as an independent non-executive director of the Company on 3 February 2017. Mr Que has over twenty years of extensive experience of North American financial investment and management, chartered financial planner in North American and tax planning and investment risk management.

Mr Que received a Bachelor of Engineering from Wuhan College of Geology in 1983 and a Master of Science from China University of Geosciences of China in 1986. Mr Que is a president and owner of Allvista Financial and Planning Services Inc., British Columbia, Canada; a vice-president of Marketing of Citistar Financial, British Columbia, Canada; a chief financial officer and a director of McVicar Energy Inc., Ontario, Canada, a natural resources and investment company; a chief financial officer of Blue-O Technology Inc., British Columbia, Canada, a fuel cell technology company. He is also a member of the Million Dollar Round Table (MDRT) of The Premier Association of Financial Professionals®, a Certified Financial Planner of the Financial Planning Standards Council and a Chartered Life Underwriter of The American College of Financial Services.

SENIOR MANAGEMENT

Lau Yue Wah, Brian, aged 43
is a director of Enhanced Financial Services Group Limited (an indirect 75%-owned subsidiary of the Company) and its various subsidiaries. Mr Lau graduated from the University of New South Wales in Sydney. He is a co-founder of Enhanced Securities Limited ("ESL") and Enhanced Finance Limited ("EFL"). Mr Lau has over twenty years of experience in the financial services industry. He had held different positions in ESL and EFL. He was a responsible officer of ESL from 2011 to 2014, supervising type 1 regulated activities under the SFO. He is holding a type 1 license under SFO and is a responsible officer for type 1 regulated activities under the SFO with effect from January 2017.

David Ki, aged 40
is a director of Enhanced Financial Services Group Limited (an indirect 75%-owned subsidiary of the Company) and its various subsidiaries. He is a co-founder and director of ESL and EFL. He has over fifteen years of experience in the financial services industry. Before founding ESL and EFL, he worked in South China Securities Limited as a customer manager for ten years. He is an honorary advisor of New Territories Chiu Chow Federation and a director of Hong Kong Chiu Chow Chamber of Commerce, both since 2010. He is also a director of Overseas Teo Chew Entrepreneurs Association Limited.

Kwan Ka Chung, Kenny, aged 49
is an executive director of Enhanced Investment Management Limited ("EIML") which holds a type 9 regulated activity license under SFO. EIML is a subsidiary of Enhanced Financial Services Group Limited. Mr Kwan is one of the responsible officers of EIML. His role and duties mainly include acting as member of Investment Committee, formulation of asset allocation strategy, implementing operation and internal controls, portfolio risk controls and monitoring and compliance monitoring. Mr Kwan is a Chartered Financial Analyst. From April 2003 to August 2008, Mr Kwan worked as an investment manager at BEA Union Asset Management mainly engaged in discretionary client portfolios, and mandatory provident fund products. He also worked as an assistant portfolio manager in BOCI-Prudential Asset Management from 2008 to 2013.

Nguyen Gia Vinh, Patrick, aged 41
is a co-founder of EIML and currently holds the roles of director and responsible officer of EIML. Mr Nguyen has over twelve years of investment advisory and discretionary portfolio management experience in Hong Kong. Mr Nguyen is in charge of overseeing the strategic development and daily operation of EIML. Before founding EIML, Mr Nguyen was a director and a relevant individual registered under the Hong Kong Monetary Authority at the International Private Banking division of Chinatrust. From 2007 to 2011, he worked as the Head of Investment at Crosby Wealth Management. Prior to that, he was a senior investment advisor of AIG Private Bank, responsible for formulating portfolio allocation strategies and providing investment recommendations and solutions to relationship managers and clients. Mr Nguyen graduated from Boston College, USA and is a CFA charterholder since 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Results

Below is a summary of the financial information:

	2016 USD'000	2015 USD'000
Highlights		
Profit for the year attributable to owners of the Company	**127,938**	59,423
Earnings per share for continuing operations and discontinued operation (US cent)	**0.48**	0.22
For continuing operations:		
Revenue	**29,985**	11,613
Administrative expenses	**15,248**	8,900
EBITDA	**11,954**	5,384
Profit before taxation	**10,235**	5,104
Profit for the year from continuing operations	**10,238**	5,104
Analysis of Profit before taxation from continuing operations:		
(i) Principal Investment Business	**6,672**	8,732
(ii) Financial Services Business	**10,784**	3,644
(iii) Real Property Business	**1,941**	611
For discontinued operation:		
Profit after taxation from mining business for the period/year	**20,028**	56,204
Gain on disposal of mining business	**110,058**	–
Transaction cost for the disposal of mining business	**(11,520)**	–

Highlights

The Group's net profit for the year attributable to owners of the Company was USD127.9 million (2015: USD59.4 million), an increase of approximately 110% over the corresponding year. The main reason for the increase in profit was due to the gain on disposal of the Company's interest in Martabe Mine and certain of its subsidiaries during the year.

Review of continuing operations

For the year ended 31 December 2016, the Group achieved a net profit after tax for continuing operations of USD10.2 million (2015: USD5.1 million).

Revenue was USD30.0 million (2015: USD11.6 million), mainly generated by the interest income from money lending business and financial products.

Administrative expenses was USD15.2 million for the year ended 31 December 2016, an increase of USD6.3 million as compared to the corresponding year of USD8.9 million. The increase was partly contributed by the increase in activities in the Financial Services Business for the year ended 31 December 2016 and expenses incurred in searching for new business opportunities.

(i) Principal Investment Business

During the year, the Group invested approximately USD131.0 million in listed and unlisted financial assets, which were mainly bonds. For the year ended 31 December 2016, the Group recorded net realised and unrealised loss of USD3.1 million, and interest income, dividend income and distribution income of USD14.6 million from the financial assets held by the Group.

As at 31 December 2016, the Group held approximately USD375.8 million non-cash financial assets, as follows:

	2016 USD'000	2015 USD'000
Listed shares	**72,391**	30,606
Listed debt securities	**176,431**	57,958
Unlisted managed investment funds	**47,977**	45,366
Unlisted other security investments	**48,974**	42,582
Perpetual securities	**30,000**	29,820
Convertible bond	**–**	17,044
Derivative component in convertible bond	**–**	744
Total	**375,773**	224,120

There was no single investment (for example, available-for-sale investments and financial assets at fair value through profit or loss) in the Group's diversified investment portfolio that was considered a significant investment given that none of the investments has a carrying amount accounting for more than 5% of the Group's audited total assets as at 31 December 2016.

(ii) Financial Services Business

During the year, in addition to the Group's money lending operations, in late March 2016, the Group purchased 75% of the ordinary shares of the Enhanced Financial Services Group Limited ("EFS") through the conversion of all its convertible bond in EFS.

The Group lent out USD366.2 million and received USD437.6 million repayments during the year. There were no bad debts during the year. Interest income from money lending business and margin financing were USD11.5 million and USD0.8 million respectively and commission income from financial services was USD1.2 million. The profit before taxation was USD10.8 million.

As at 31 December 2016, the fixed-rate loans receivable was USD15.9 million.

(iii) Real Property Business

The Group acquired three floors of commercial office and ten car parks located in Wanchai, Hong Kong in 2015. The rental income earned and the profit before taxation was USD1.9 million for the year ended 31 December 2016.

Discontinued Operation

The disposal of mining business was completed on 17 March 2016. The profit after taxation from mining business for the period (including the transaction cost on disposal) was USD8.5 million (2015: USD56.2 million). The gain on disposal of mining business was USD110.1 million.

Review of Group Financial Position

	2016 USD'000	2015 USD'000
Current Assets		
Bank balances and cash	**825,485**	106,963
Held for trading investments	**72,391**	30,606
Inventories	**–**	44,773
Loans receivable	**15,868**	72,483
Convertible bond	**–**	17,044
Others	**21,855**	30,079
Non-current Assets		
Available-for-sale investments	**303,382**	175,726
Others	**135,890**	892,500
Total Assets	**1,374,871**	1,370,174
Other Liabilities	**(13,240)**	(118,833)
Net Assets	**1,361,631**	1,251,341

Non-current assets were USD439.3 million (2015: USD1,068.2 million), a decrease of USD628.9 million as the Group (i) disposed of its mining business with the fixed assets of USD691.3 million, and (ii) incurred amortisation and depreciation charge of USD26.3 million. These decreases partially offset by invested USD131.0 million in available-for-sale investments. Current assets were USD935.6 million (2015: USD301.9 million), an increase of USD633.7 million was mainly due to an increase in bank balances and cash of USD718.5 million. These increase offset by (i) net decrease in loans

MANAGEMENT DISCUSSION AND ANALYSIS

receivable of USD56.6 million, and (ii) the decrease in inventory due to disposal of mining business of USD44.8 million. Other liabilities were USD13.2 million (2015: USD118.8 million), a decrease of USD105.6 million was due to the decrease in liabilities upon disposal of its mining business.

Net Asset Value

As at 31 December 2016, the Group's total net assets amounted to approximately USD1,361.6 million, representing an increase of USD110.3 million as compared to approximately USD1,251.3 million as at 31 December 2015. The increase in net assets was mainly due to the profit for the year for continuing operations of USD10.2 million and gain on the disposal of mining business of USD110.1 million.

Cash Flow, Liquidity and Financial Resources

	2016 USD'000	2015 USD'000
CASH FLOW SUMMARY		
Net cash from Operating Activities	**65,101**	129,885
Net cash from/(used in) Investing Activities	**657,890**	(271,036)
Cash used in Financing Activities	**(6,056)**	(13,711)
Net increase/(decrease) in cash and cash equivalents	**716,935**	(154,862)
Cash and cash equivalents at beginning of the year	**106,963**	260,750
Effect of foreign exchange rate changes	**1,587**	1,075
Cash and cash equivalents at end of the year	**825,485**	106,963

The Group's cash balance as at 31 December 2016 was USD825.5 million (2015: USD107.0 million). The Group generated net cash inflows from operating activities for 2016 of USD65.1 million, which was mainly from the sale of gold and silver and net repayment from money lending customers. Cash from investing activities was USD657.9 million as USD784.3 million was net proceed from the disposal of mining operation and set off with (i) USD131.0 million invested in available-for-sale investments, (ii) USD8.9 million for property, plant and equipment (which included USD0.1 million in near mine exploration and evaluation), and (iii) USD2.2 million for regional exploration.

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 31 December 2016 and 31 December 2015 as the Group did not have any borrowings as at the end of the reporting periods.

Capital Structure of the Group

The capital structure of the Group has not changed materially from the last interim report.

Material Acquisitions and Disposals

On 3 November 2015, the Company, Maxter Investments Limited, Top Gala Development Limited and Agincourt Resources (Singapore) Pte Ltd entered into a sale and purchase agreement dated 3 November 2015 with Marlin Enterprise Limited, Marlin Australia Holdings Pty Ltd and Marlin Group Limited in respect of the disposal of the Company's interest in the Martabe Mine and certain of its subsidiaries. Details of the transaction are disclosed in an announcement of the Company dated 23 November 2015 and a circular of the Company dated 18 February 2016. The transaction was completed on 17 March 2016.

On 10 February 2017, Top Concept Global Limited ("TCGL"), an indirect wholly-owned subsidiary of the Company, Empire Gain International Limited ("Original Investor"), Edge Special Opportunity Limited ("Edge Special") and ZQ Capital Services Limited ("ZQ Capital") entered into the deed of novation ("Novation Deed") pursuant to which the Original Investor transferred to TCGL, and TCGL accepted the transfer of, all the rights and outstanding obligations of the Original Investor under the investment agreement dated 12 December 2016 entered into among Edge Special, ZQ Capital and the Original Investor, subject to the terms of the Novation Deed.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and associated companies during the year.

Exposure to fluctuations in exchange rates and related hedge

The Group conducted most of its business in United States dollars ("USD") and Hong Kong dollars ("HKD"). The foreign currency exposure of HKD to USD is minimal as HKD is pegged to USD.

Management will continue to monitor the Group's foreign currency exposure and consider other hedging policies should the need arise.

Pledge of Assets

As at 31 December 2016, no assets of the Group had been pledged.

Business Outlook

2016 is a year full of challenges and the global financial market remains volatile. The economic growth around the world is stubbornly weak in the last few years. All investors are chasing for yield, there is also market speculation that United States will continue raising the interest rate.

Despite uncertainties in global markets, the board of directors of the Company (the "Board") believes that there are still investment opportunities that fit into the growth strategy of the Company, which will enhance the value of the Company for all shareholders.

The Company shall continue to look for investment opportunities in different sectors and different countries (including United States and United Kingdom) with a view to attain better risk-balanced investment returns.

The Company continued to see a market for short term loans of higher interest rate in Hong Kong and cautiously developing the business of Enhanced Financial Services Group Limited which is our 75% owned subsidiary to a financial services group which can provide a full range of financial services.

On the real property business of the Group, the Company sees that there are more and more companies from Mainland China setting up regional offices in Hong Kong. Accordingly, there is a demand for prime office spaces in Hong Kong. This is further supported and confirmed by the high bid submitted in recent land tenders. The Group remains confident in the property market in Hong Kong. However, the Group is cautious of the sustainability of the current property price level. The Group will continue to search for investment opportunities in Hong Kong and other countries for its real property business.

Human Resources

As at 31 December 2016, the Group had 35 employees in Hong Kong. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include a medical scheme, group insurance, mandatory provident fund, performance bonus and options for our employees.

According to the new share option scheme adopted by the Company on 18 June 2014, share options may be granted to directors and eligible employees of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

DIRECTORS' REPORT

The Board is pleased to present their report and the audited financial statements for the year ended 31 December 2016.

Principal Activities

In the course of the financial year, the principal activities of the Company are principal investment business, financial services business, money lending business and real property business. The principal activities of the Company's subsidiaries as at 31 December 2016 are set out in note 42 to the financial statements contained in this annual report.

Business Review

A business review of the Group is set out on pages 8 to 11 of this annual report.

Future Developments of the Group's Business Prospects

Details of the business's future prospects are set out in the section headed Management Discussion and Analysis — Business Outlook on page 11 of this annual report.

Dividends

The Board wishes to inform the shareholders of the Company and potential investors that, the Board, after taking into account the Group's current business development and capital requirements for the Group's future development, has decided to review the Company's current dividend policy.

The Company is still in the process of reviewing the dividend policy, and the Company has not yet concluded details of any new dividend policy or dividends declared thereunder (if any). As such, no dividend for the year ended 31 December 2016 has been proposed as at the date of this annual report.

Announcement(s) will be made by the Company in due course where appropriate regarding the details of such new dividend policy and proposed payment of the final dividends (if any).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 123 of this annual report.

Reserves

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 46 of this annual report.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 29 and 30 to the financial statements contained in this annual report, respectively.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements contained in this annual report.

Directors

The directors of the Company (the "Directors") during the year and up to the date of this report are:

Executive Directors

Chiu Tao (Chairman and Acting Chief Executive Officer)
Owen L Hegarty (Vice-Chairman) (resigned on 24 March 2016)
Ma Xiao (Deputy Chief Executive Officer)
Wah Wang Kei, Jackie
Hui Richard Rui (resigned on 3 February 2017)
Leung Oi Kin (appointed on 8 November 2016)

Independent Non-Executive Directors

Or Ching Fai (Vice-Chairman)
Ma Yin Fan (resigned on 3 February 2017)
Leung Hoi Ying (resigned on 3 February 2017)
Chen Gong (appointed on 3 February 2017)
Martin Que Meideng (appointed on 3 February 2017)

In accordance with clause 99 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 three or a multiple of three, then the number nearest but not less than one-third, shall retire from office by rotation. Accordingly, Mr Ma Xiao and Dr Or Ching Fai will retire by rotation at the forthcoming annual general meeting. Each of Mr Ma Xiao and Dr Or Ching Fai, being eligible, have offered themselves for re-election.

In accordance with clause 102(B) of the Company's Bye-laws, any Director appointed as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Thus, Mr Leung Oi Kin, Mr Chen Gong and Mr Martin Que Meideng, being the newly appointed Directors will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Change of Directors

On 24 March 2016, Mr Owen L Hegarty resigned as executive Director and vice-chairman of the Company.

On 8 November 2016, Mr Leung Oi Kin has been appointed as the executive Director.

On 3 February 2017, Mr Hui Richard Rui resigned as executive Director, meanwhile, Ms Ma Yin Fan resigned as independent non-executive Director, and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee, and Mr Leung Hoi Ying resigned as independent non-executive Director, and a member of both of the Audit Committee and Remuneration Committee.

On 3 February 2017, Mr Chen Gong has been appointed as an independent non-executive Director, and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee, and Mr Martin Que Meideng has been appointed as an independent non-executive Director, and a member of both of the Audit Committee and the Remuneration Committee.

DIRECTORS' REPORT

Directors' Service Contracts of the Retiring Directors

Both Mr Ma Xiao and Mr Leung Oi Kin have entered into a service agreement with the Company. These service agreements shall be valid unless terminated by either party by giving a three months' written notice.

The term of office of Dr Or Ching Fai is the period from the date of letter of appointment entered into between Dr Or Ching Fai and the Company up to his retirement by rotation or removal as required by the Company's Bye-laws.

The term of office of both Mr Chen Gong and Mr Martin Que Meideng is three years and will be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Directors and Executive Officers' Interests in Securities

As at 31 December 2016, the interests and short positions of the Directors and Executive Officers of the Company and their respective associates in the shares, underlying shares, convertible notes or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors and Chief Executives of the Company (the "Model Code"), were disclosed as follows in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in shares, underlying shares of the Company

	Number of shares/underlying shares[1]				
Name of Directors	Personal interests	Corporate interests	Share options	Total	Approximate % of the issued share capital of the Company[2]
Or Ching Fai	13,998,600	–	–	13,998,600	0.05%
Wah Wang Kei, Jackie	1,780,800	–	–	1,780,800	0.00%

Notes:

1. Ordinary shares unless otherwise specified in the Note.
2. Certain percentage figures included in this table have been subject to rounding adjustments.

Save as disclosed above, none of the Directors and Executive Officers of the Company or their associates had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified by the Company pursuant to the Model Code required to be disclosed in accordance with the Listing Rules as at 31 December 2016.

Share Option

Particulars of the share option scheme of the Company are set out in note 30 to the financial statements contained in this annual report.

Share Option Scheme

The Company's old share option scheme adopted on 30 July 2004 (the "2004 Share Option Scheme") expired on 29 July 2014. In order to continue to provide incentives and rewards to the eligible employees and participants, the Company adopted a new share option scheme pursuant to a resolution passed by the shareholders of the Company on 18 June 2014 (the "2014 Share Option Scheme") which will remain in force for 10 years from the date becoming effective. The following table discloses movements in the Company's share options held by each of the Directors and the employees of the Company in aggregate granted under the 2004 Share Option Scheme during the year ended 31 December 2016:

Name or Category of participants	Date of grant	Exercisable period	Exercise price HKD	Outstanding as at 01.01.2016	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31.12.2016	Market value per share at date of grant of options HKD	Option value per share HKD
(a) DIRECTORS											
Or Ching Fai	03.03.2011	03.03.2011 — 02.03.2016	0.6196	112,970,000	–	–	–	(112,970,000)	–	0.5400	0.2170
Total for Directors				112,970,000	–	–	–	(112,970,000)	–		
(b) EMPLOYEES	08.07.2011	08.07.2011 — 07.07.2016	0.6816	1,129,700	–	–	–	(1,129,700)	–	0.6400	0.2474
Total for Employees				1,129,700	–	–	–	(1,129,700)	–		
(c) OTHERS	02.03.2011	02.03.2011 — 01.03.2016	0.6196	19,204,900	–	–	–	(19,204,900)	–	0.5400	0.2174
	08.07.2011	08.07.2011 — 07.07.2016	0.6816	12,144,275	–	–	–	(12,144,275)	–	0.6400	0.2474
	03.01.2012	03.01.2012 — 02.01.2017	0.5311	20,617,025	–	–	–	–	20,617,025	0.4400	0.1426
	10.01.2012	10.01.2012 — 09.01.2017	0.5311	3,389,100	–	–	–	–	3,389,100	0.4400	0.1287
Total for Others				55,355,300	–	–	–	(31,349,175)	24,006,125		
Total for Scheme				169,455,000	–	–	–	(145,448,875)	24,006,125		

As at 31 December 2016, 24,006,125 share options were outstanding under the 2004 Share Option Scheme and all the said outstanding share options were lapsed as at the date of this annual report. No further options will be granted under the 2004 Share Option Scheme. The total number of shares of the Company issuable pursuant to the 2014 Share Option Scheme on the date of its adoption was 2,649,007,613 shares of the Company, representing 9.79% of the issued share capital of the Company as at the date of this annual report and there was no share option granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme as at the date of this annual report.

Valuation of Share Options

The valuation of share options is set out in note 30 to the financial statements contained in this annual report.

DIRECTORS' REPORT

Retirement Benefit Scheme

Details of the Group's retirement benefit scheme for the year ended 31 December 2016 are set out in note 40 to the financial statements contained in this annual report.

Directors' and Executive Officers' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors and Executive Officers' Interests in Securities" disclosed above, at no time during the year was the Company or its subsidiaries or jointly controlled entity a party to any arrangement that enabled any Director or Executive Officer to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of the Directors or Executive Officers or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

Directors' Interests in Contracts of Significance

Saved as disclosed in note 10A to the financial statements contained in this annual report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interest in Competing Business

During the year up to the date of this annual report, except otherwise disclosed, none of the Directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

Independent Non-Executive Directors

The Company has received from each of its independent non-executive Directors written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules.

Discloseable Interests and Short Positions of Persons Other than Directors and Executive Officers

As at 31 December 2016, so far as known to the Directors or Executive Officers of the Company, the following persons/entities are the shareholders (other than the Directors or Executive Officers of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital of the Company	*Notes*
NetMind Financial Holdings Limited ("NetMind") (formerly known as CST Mining Group Limited)	Interest of a controlled corporation	4,626,958,790 (L)	17.10%	2
Skytop Technology Limited ("Skytop")	Beneficial owner	4,626,958,790 (L)	17.10%	2

Notes:

1. "L" denotes long position.
2. NetMind is the ultimate beneficial owner of Skytop. Under Part XV of the SFO, NetMind is deemed to have interest in the shares of the Company held by Skytop.

Save as disclosed above, the Company has not been notified by any person (other than the Directors or Executive Officers of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 31 December 2016.

Major Customers and Suppliers

The aggregate revenue attributable to the five largest customers accounted for approximately 55% of the Group's total revenue for the year, and the revenue attributable to the largest customer included therein amounted to approximately 20% of the Group's total revenue for the year. The Group is a provider of financial services. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

At no time during the year, none of the Directors, their associate or the shareholders of the Company, which to the knowledge of the Directors owned more than 5% of the Company's issued share capital, had any interests in the above customers.

Pre-emptive Rights

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

Permitted Indemnity Provision

A permitted indemnity provision under the Bye-laws of the Company and for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has also purchased and maintained Directors' liability insurance throughout the year, which provides appropriate coverage for the Directors.

DIRECTORS' REPORT

Risk Factors

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by us.

Our results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors.

The Group's results of operations may be materially affected by market fluctuations due to global and economic conditions and other factors. Our results of operations in the past have been, and in the future may be, materially affected by many factors, including the effect of economic and political conditions and geopolitical events; the effect of market conditions, particularly in the global equity, fixed income, currency, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate; the impact of current, pending and future legislation, regulation (including capital, leverage and liquidity requirements), policies (including fiscal and monetary), and legal and regulatory actions in Hong Kong and worldwide; the level and volatility of equity, fixed income and commodity prices, interest rates, currency values and other market indices; the performance of our acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements; our reputation and the general perception of the financial services industry; inflation, natural disasters, pandemics and acts of war or terrorism; the actions and initiatives of current and potential competitors, as well as governments, regulators and self-regulatory organisations; the effectiveness of our risk management policies; and technological changes and risks and cybersecurity risks (including cyber-attacks and business continuity risks); or a combination of these or other factors. In addition, legislative, legal and regulatory developments related to our businesses are likely to increase costs, thereby affecting results of operations. These factors also may have an adverse impact on our ability to achieve our strategic objectives.

We may experience declines in the value of our financial instruments and other losses related to volatile and illiquid market conditions.

Market volatility, illiquid market conditions and disruptions in the credit markets make it extremely difficult to value certain of our financial instruments, particularly during periods of market displacement. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these instruments in future periods. In addition, at the time of any sales and settlements of these financial instruments, the price we ultimately realise will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of our financial instruments, which may have an adverse effect on our results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale. Our risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. However, severe market events have historically been difficult to predict, as seen in the last several years, and we could realise significant losses if extreme market events were to occur.

The Group is required to reassess the fair value of its investment properties at every balance sheet date to which financial statements are made up. Based on the appraisal conducted by independent property valuer, the Group recognises investment properties at fair value in the consolidated statement of financial position, while the variation in changes in fair value of investment properties are recognised in the consolidated statement of profit or loss. Notwithstanding any variations in profit, fair value gains and losses are not cash items and will not increase or decrease cash and cash equivalent. The amount of revaluation adjustment has been and will continually be subject to changes in market conditions. As such, there can be no assurance that changes in market conditions will continue to generate gains from fair value changes in investment properties at similar level or at all, or there will be no decline in the fair value of the Group's investment properties.

The Group faces market risk due to market movement which may cause a fall in the value of principal investments. In view of the increased volatility in the stock and other financial markets, this may impact the fair value of the investments and add unpredictability to the Group's profits and investment revaluation reserve.

Currency fluctuations may affect our results of businesses adversely.

The results of the Group are presented in United States Dollars, but the Company and its various subsidiaries may receive revenue, incur expenses and make investments in other currencies. Any currency fluctuations on translation of the accounts of the Company and these subsidiaries and also on the repatriation of earnings and equity investments may therefore impact on the Group's businesses. Exchange rate of United States Dollars against other foreign currencies is affected by, among other things, changes in the political and economic environment of the issuing jurisdictions of the currencies. The appreciation or depreciation in United States Dollars against other foreign currencies may materially affect the Group's businesses, financial condition, results of operations and growth prospects.

Holding large and concentrated positions may expose us to losses.

Concentration of risk may reduce revenues or result in losses in our market-making, investing, block trading, underwriting and lending businesses in the event of unfavorable market movements. We commit substantial amounts of capital to these businesses, which often results in our taking large positions in the securities of, or making large loans to, a particular issuer or issuers in a particular industry, country or region.

Technological changes and risks and cybersecurity risks may affect our businesses to a certain extent.

Notwithstanding the appropriate measures adopted to protect the Group's computer system and information, the Group cannot assure that there will be no occurrence of unlawful break-ins or misuse with rapid technological advancement, which may affect our businesses to a certain extent.

Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to us.

We are exposed to the risk that third parties that are indebted to us will not perform their obligations.

This risk may arise from a variety of business activities, including but not limited to entering into swap or other derivative contracts under which counterparties have obligations to make payments to us; extending credit to clients through various lending commitments; providing short or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; posting margin and/or collateral and other commitments to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties; and investing and trading in securities and loan pools whereby the value of these assets may fluctuate based on realised or expected defaults on the underlying obligations or loans.

DIRECTORS' REPORT

Although we regularly review our credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee. We use an internal credit assessment process to assess the potential borrower's credit quality and define credit limits granted to borrowers. We may suffer loss on loans receivable if the repayment of principal and/or interest is not paid on due date and the market value of collaterals, such as shares in companies listed on the Stock Exchange or certain properties in Hong Kong, fluctuate below the principal of the loans receivable and/or interest.

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation we may suffer as a result of our failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. In today's environment of rapid and possibly transformational regulatory change, we also view regulatory change as a component of legal, regulatory and compliance risk.

The financial services industry is subject to extensive regulation, which is undergoing major changes that will impact our business.

The Group oversees potential compliance risks, such as inside dealing, money laundering, on a regular basis. With the support of external professional advisers where appropriate, the Group monitors whether and the extent to which additional regulatory requirements apply as a result of the growth or expansion of our business and operations in financial services business.

Like other major financial services firms, we are subject to extensive regulations, which significantly affect the way we do business and can restrict the scope of our existing businesses and limit our ability to expand our product offerings and pursue certain investments. The Group is and will continue to be subject to a more complex regulatory framework, and will incur costs to comply with new requirements as well as to monitor for compliance in the future.

Environmental Policies

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

Compliance with Regulations

The Group is not aware of any instances of material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, and other applicable local laws and regulations in various jurisdictions during the year ended 31 December 2016 and up to the date of this annual report.

Relationships with Employees, Customers and Suppliers

The sustainability of the Group's business relies on the growth of the Group's employees. Remuneration packages of the employees are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understands this principal and thus maintains good relationship with its stakeholders, including but not limited to our customers, borrowers and tenants.

Emolument Policy

The emolument policy of the employees of the Group is set up by the board of Directors on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Directors, who are authorised by the shareholders in the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of which are set out in note 30 to the financial statements contained in this annual report.

Public Float

From information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules at all times during the year under review and as at the date of this annual report.

Corporate Governance

The information set out on pages 22 to 38 of this annual report and information incorporated by reference, if any, constitutes the Corporate Governance Report of the Company.

Audit Committee

The Company has established an audit committee with written terms of reference based upon the recommendations set out in *A Guide for Effective Audit Committees* published by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code (as defined below). The duties of the audit committee include reviewing the Company's annual reports and interim reports and providing advice and comments thereon to the Directors. The audit committee is also responsible for reviewing and supervising the financial reporting, risk management and internal control procedures of the Group.

As at the date of this report, the audit committee comprises three independent non-executive Directors, namely, Dr Or Ching Fai, Mr Chen Gong, and Mr Martin Que Meideng, with Dr Or Ching Fai being the chairman of the committee. The audited financial statements of the Company for the year ended 31 December 2016 have been reviewed by the audit committee.

Auditors

The consolidated financial statements of the Group for the year ended 31 December 2016 have been audited by Deloitte Touche Tohmatsu who shall retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chiu Tao
Chairman and Acting Chief Executive Officer
Hong Kong, 31 March 2017

CORPORATE GOVERNANCE REPORT

The Group is committed to maintaining a high standard of corporate governance, enhancing transparency to protect shareholders' interests, and formalising the best practices of corporate governance.

The Group is committed to maintaining a high standard of corporate governance and enhancing its transparency so as to protect shareholders' interests in general. The Group will continue to raise the standard by formalising the best practices of corporate governance as far as possible.

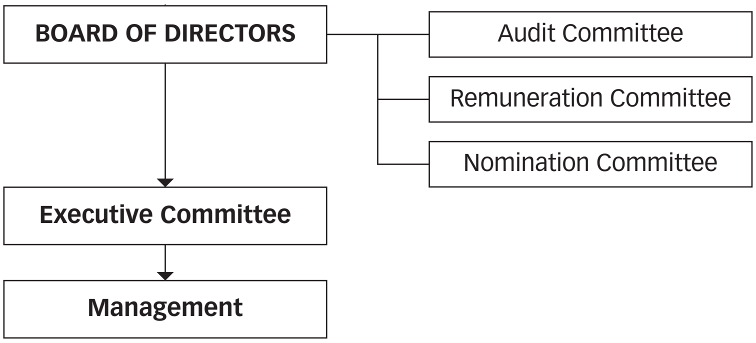
The Company has adopted the principles and complied with the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2016, except for the deviations as set out below:

(i) Code provision A.4.1 under the Corporate Governance Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. As at 31 December 2016, the independent non-executive Directors do not have a specific term of appointment but are subject to retirement by rotation and re-election at the annual general meeting under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices. Subsequent to the resignation of Ms Ma Yin Fan and Mr Leung Hoi Ying as the independent non-executive Directors on 3 February 2017, Mr Chen Gong and Mr Martin Que Meideng have been appointed as the independent non-executive Directors on the same date. In order to adhere to code provision A.4.1, the term of office of both Mr Chen Gong and Mr Martin Que Meideng is three years and will be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws. The Company considers that although Dr Or Ching Fai, the independent non-executive Director currently does not have a specific term of appointment with the Company, he is subject to retirement by rotation and re-election at the annual general meeting under the Bye-laws of the Company. Pursuant to the Company's Bye-laws, Dr Or Ching Fai will be subject to retirement by rotation and re-election in the forthcoming annual general meeting; and

(ii) Mr Chiu Tao became acting Chief Executive Officer ("CEO") of the Company from 30 June 2015. The Board has not yet identified suitable candidate to fill in the vacancy for CEO in compliance with the requirement of the code provision A.2.1 under the Corporate Governance Code. Under code provision A.2.1, the roles of chairman and CEO should be separated and should not be performed by the same individual. Mr Chiu Tao, who acts as the chairman and the acting CEO of the Company, is also responsible for the overall business strategy and development and management of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and the CEO. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently. As such, the structure is beneficial to the Group and the shareholders of the Company as a whole.

The Board has adopted new terms of reference for the Audit Committee effective from 1 January 2016 to comply with new requirements under the amendments to code provision C.3.3 of the Corporate Governance Code. Further, the Board has revised the scope of senior management covered under the terms of reference for the Remuneration Committee and adopted such revised terms of reference effective from 23 March 2016.

Organisation Chart of the Group and Various Board Committees



Board of Directors

As at 31 December 2016, the Board comprised five executive Directors and three independent non-executive Directors ("INEDs").

Save as disclosed under the section headed "Biographical Details of Directors and Senior Management" of this annual report, there is no financial, business, family or other material/relevant relationship between the Directors and the Board, which is comprised of the following:

Executive Directors

Chiu Tao (Chairman and Acting Chief Executive Officer)
Owen L Hegarty (Vice-Chairman) (resigned on 24 March 2016)
Ma Xiao (Deputy Chief Executive Officer)
Wah Wang Kei, Jackie
Hui Richard Rui (resigned on 3 February 2017)
Leung Oi Kin (appointed on 8 November 2016)

Independent Non-Executive Directors

Or Ching Fai (Vice-Chairman)
Ma Yin Fan (resigned on 3 February 2017)
Leung Hoi Ying (resigned on 3 February 2017)
Chen Gong (appointed on 3 February 2017)
Martin Que Meideng (appointed on 3 February 2017)

CORPORATE GOVERNANCE REPORT

The principal functions of the Board are to supervise the management of the business and Company's affairs; to approve the Company's strategic plans, investment and funding decisions; to review the Group's financial performance and operative initiatives.

The role of the INEDs is to bring an independent and objective view to the Board's deliberations and decisions. The INEDs must have appropriate professional qualifications, or accounting or related financial management expertise, so that they are of sufficient calibre and number for their views to carry weight. The INEDs may also take independent professional advice at the Company's expense in carrying out their functions.

The Board considers the current board size as adequate for its present operations. The day-to-day running of the Company is delegated to the senior management team, with divisional heads responsible for different aspects of the business. The Board is characterised by significant diversity, whether considered in term of gender, nationality, professional background and skills. The Board has adopted the Board Diversity Policy. The Nomination Committee is responsible for reviewing and assessing Board composition and its effectiveness on an annual basis.

The Company has received from each of the INEDs an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent.

The Board is responsible for overseeing the development of good corporate governance practice of the Group.

Role and Function on Corporate Governance

• to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board	• to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors
• to review and monitor the training and continuous professional development of Directors and senior management	• to review the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report
• to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements	

Summary of work during the year

• reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements	• arranged suitable training for Directors, placing an appropriate emphasis on the roles, functions and duties of a listed company director
• reviewed the terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee	• reviewed and approved the financial results of the Company and announcements thereof
• reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report	• reviewed the Board Diversity Policy
• reviewed the Whistleblowing Policy	

Board Committees

Executive Committee ("EC")

The Board has delegated the management of the daily operation and investment matters of the Company and its subsidiaries to the EC. As at the date of this annual report, the EC comprised five members of the Board, namely:

EC Members

Chiu Tao
Owen L Hegarty (resigned on 24 March 2016)
Ma Xiao
Hui Richard Rui (resigned on 3 February 2017)
Wah Wang Kei, Jackie
Leung Oi Kin (appointed on 8 November 2016)
Arthur Ellis

Audit Committee

As at 31 December 2016, the Audit Committee comprised three members, all of whom are INEDs, namely:

Audit Committee Members

Or Ching Fai (Chairman)
Ma Yin Fan (resigned on 3 February 2017)
Leung Hoi Ying (resigned on 3 February 2017)
Chen Gong (appointed on 3 February 2017)
Martin Que Meideng (appointed on 3 February 2017)

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group.

The terms of reference of the Audit Committee have been reviewed with reference to the Corporate Governance Code. The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

In accordance with the terms of reference of the Audit Committee, the Audit Committee meets at least twice a year to review the interim results and the final results of the Company. The terms of reference of the Audit Committee are aligned with the recommendations set out in *A Guide For Effective Audit Committees* issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

CORPORATE GOVERNANCE REPORT

Role and Function	
• to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of external auditor, any questions of its resignation or dismissal	• to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences
• to develop and implement policy on engaging an external auditor to supply non-audit services	• to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response
• to review the Group's financial and accounting policies and practices	• to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter
• to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings	• to report to the Board on the matters contained in code provision of the Corporate Governance Code in Appendix 14 to the Listing Rules
• to review the Group's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Group's risk management and internal control systems	• to consider other topics, as defined by the Board
• to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective systems	• to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters
• where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness	• to establish a whistleblowing policy and system for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Group
• to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them	• to act as the key representative body for overseeing the Company's relations with the external auditor

Summary of work during the year

• reviewed and made recommendation for the Board's approval for the draft 2016 interim report, annual report and accounts	• discussed, examined and reviewed 2016 annual accounting and financial reporting issues
• reviewed management letter, tax issues, compliance and salient features of 2016 annual accounts presented by Deloitte Touche Tohmatsu, the external auditor	• discussed, assessed and reviewed the reports, on internal control system and its effectiveness for the year ended 31 December 2016
• reviewed the enhancements to the 2016 audit planning process	• reviewed and revised the terms of reference of the Audit Committee
• approved the audit and non-audit services provided by Deloitte Touche Tohmatsu	• reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process
• reviewed Deloitte Touche Tohmatsu's fees proposal for the 2016 audit work for the Group	• reviewed and revised the Whistleblowing Policy
• discussed with management on how to comply with the new code provision on risk management under the Corporate Governance Code and appointment of an internal auditor	

Remuneration Committee

As at 31 December 2016, the Remuneration Committee comprised three members, all of whom are INEDs, namely:

Remuneration Committee Members

Or Ching Fai (Chairman)
Ma Yin Fan (resigned on 3 February 2017)
Leung Hoi Ying (resigned on 3 February 2017)
Chen Gong (appointed on 3 February 2017)
Martin Que Meideng (appointed on 3 February 2017)

The primary function of the Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The terms of reference of the Remuneration Committee have been reviewed with reference to the Corporate Governance Code. The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The details of the remuneration payable to the Directors and members of senior management are set out in note 10 to the financial statements contained in this annual report.

CORPORATE GOVERNANCE REPORT

Role and Function

• to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy	• to recommend to the Board the structure of long-term incentive plans for executive Directors and certain senior management
• to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives	• to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group
• to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment)	• to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive
• to make recommendations to the Board on the remuneration of non-executive Directors	• to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate
• to review the proposals for the award of share options to executive Directors and senior management based on their performance and contribution to the Company from time to time	• to ensure that no Director or any of his associates is involved in deciding his own remuneration

Summary of work during the year

• reviewed and recommended the remuneration and bonus of executive Directors and senior management	• reviewed and revised the terms of reference of the Remuneration Committee
• conducted an annual review of the remuneration packages for executive Directors, non-executive Directors and senior management based on their performance	• recommended to the Board on the remuneration package of the new executive Director

Nomination Committee

As at 31 December 2016, the Nomination Committee comprised three members, namely:

Nomination Committee Members

Chiu Tao (Chairman)
Or Ching Fai (INED)
Ma Yin Fan (INED) (resigned on 3 February 2017)
Chen Gong (INED) (appointed on 3 February 2017)

The primary duties of the Nomination Committee are to develop and maintain a formal and transparent process for the appointment and re-appointment of members of the Board. The Nomination Committee also reviews and assesses Board composition and its effectiveness on an annual basis.

The terms of reference of the Nomination Committee have been reviewed with reference to the Corporate Governance Code. The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

Role and Function

• to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy	• to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive
• to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships	• to assess the independence of independent non-executive Directors
• to establish a policy concerning diversity of Board members	

Summary of work during the year

• reviewed and revised the Board Diversity Policy	• reviewed the terms of reference of the Nomination Committee
• reviewed and assessed the structure, size and composition (including the skills, knowledge and experience) of the Board and its effectiveness	• proposed the Directors for re-election at annual general meeting
• assessed the independence of INEDs and confirmed that all INEDs are considered independent	• selected and recommended to the Board the appointment of Mr Leung Oi Kin as executive Director, on the basis of his qualifications, skill and experience

CORPORATE GOVERNANCE REPORT

Board Diversity

The Board has adopted a board diversity policy.

1. Vision

The Company sees diversity at Board level as an important element in maintaining a high standard of corporate governance. The Company is committed to a diverse Board, so Directors from diverse backgrounds could present the Company effectively to various constituencies, and to bring previously unheard perspective into the boardroom.

2. Policy Statement

(a) The Company aspires to maintain an appropriate range and balance of skills, experience and background on the Board. In determining the optimum composition of the Board, differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors shall be considered. All Board appointments are made on merits, in the context of the skills and experience the Board as a whole requires to be effective, with due regard for the benefits of diversity on the Board.

(b) The Nomination Committee will review and assess Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the Terms of Reference of the Nomination Committee, with due regard to the Company's own circumstances.

3. Monitoring and Reporting

The Nomination Committee will report annually in the Corporate Governance Report in the annual report, on the composition of the Board (including gender, age, length of service, education background, working experience), and monitor the implementation of the board diversity policy.

Company Secretary

Mr Wah Wang Kei, Jackie ("Mr Wah") was the Company Secretary and resigned as the Company Secretary on 16 December 2016. For the year ended 31 December 2016, Mr Wah undertook 15 hours of professional training to update his skills and knowledge as required under Rule 3.29 of the Listing Rules.

Mr Leung Oi Kin ("Mr Leung"), an executive Director, appointed as the Company Secretary on 16 December 2016. The biography of Mr Leung is set out in the Biographical Details of Directors and Senior Management section of this annual report.

The Company Secretary plays the role in supporting the Board by ensuring good information flow within the Board, as well as communications with Shareholders and management.

Attendances of Meetings

The Board will also conduct meetings on a regular basis and on an ad hoc basis, as required by business needs. The Bye-laws of the Company allow Board meetings to be conducted by way of telephone or videoconference. The Board held a total of four full Board meetings during the year.

Details of Directors' attendance at the shareholders' general meeting ("GM"), Board and Board committees' meetings held during the year ended 31 December 2016 are set out in the following table:

	Meeting Attended/Held				
Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	GM
EXECUTIVE DIRECTORS					
Chiu Tao[1,4]	4/4	–	–	1/1	2/2
Owen L Hegarty[1] (resigned on 24 March 2016)	1/1	–	–	–	1/1
Ma Xiao[1]	4/4	–	–	–	1/2
Hui Richard Rui[1] (resigned on 3 February 2017)	4/4	–	–	–	2/2
Wah Wang Kei, Jackie[1]	4/4	–	–	–	2/2
Leung Oi Kin[1] (appointed on 8 November 2016)	1/1	–	–	–	0/0
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Or Ching Fai[2,3,4]	3/4	2/2	1/1	1/1	0/2
Ma Yin Fan[2,3,4] (resigned on 3 February 2017)	4/4	2/2	1/1	1/1	2/2
Leung Hoi Ying[2,3] (resigned on 3 February 2017)	4/4	2/2	1/1	–	2/2

Notes:

1. Executive Committee members.
2. Audit Committee members.
3. Remuneration Committee members.
4. Nomination Committee members.
5. The Company held two GMs in 2016, the annual general meeting for the year 2015 held on 8 June 2016 and a special general meeting held on 8 March 2016.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Under code provision A.2.1 under the Corporate Governance Code, the roles of chairman and CEO should be separated and should not be performed by the same individual. Mr Chiu Tao, who acts as the chairman and the acting CEO of the Company, is also responsible for the overall business strategy and development and management of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and the CEO. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently. As such, the structure is beneficial to the Group and the shareholders of the Company as a whole.

Directors' Securities Transactions

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules, as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements and announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Auditor's Remuneration

For the year ended 31 December 2016, the Group engaged Deloitte Touche Tohmatsu, auditors of the Company, to perform audit service. Their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 39 to 42 of this annual report.

The services provided by Deloitte Touche Tohmatsu and the fees thereof were as follows:

Nature of services	For the year ended 31 December 2016 USD'000
Audit services	256
Audit services in relation to a very substantial disposal	371
Non-audit services in relation to tax advisory and other professional and advisory services	62
	689

Supply and Access to Information

The financial plans, including budgets and forecasts, are regularly discussed at Board meetings. Monthly reports to all Directors (including non-executive Directors) are issued, covering financial and operating highlights.

Internal Control and Risk Management

The Board has overall responsibility for maintaining a sound and effective internal control system for the Group. The Group's system of internal control, which includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against their unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislations and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Board adopts a "top-down" and "bottom-up" approach on the Group's risk management. The Audit Committee supports the Board in monitoring the Group's risk exposures, the design and implementation effectiveness of the current risk management and internal controls systems. Management assesses and presents regular reports at the meetings of the Audit Committee on its own assessments of key risks, the strengths and weaknesses of the overall internal controls systems, with action plans to address the weaknesses. The independent internal auditor engaged by the Group regularly reports on reviews of the business processes and activities, including action plans to address any identified control weaknesses. External auditors also report on any control issues identified in the course of their work.

The abovementioned system enables the Group to (i) systematically and thoroughly identify and assess all major risks which threaten the achievement of business objectives, (ii) optimise business opportunities and secure continuation of business, (iii) recognise and identify uncertainties and subsequently develop the prediction of risks and measures needed to manage risks, (iv) ensure the compliance with relevant rules and regulations and (v) be cost-effective in risk management to avoid adopting unnecessary control and management procedures.

The Company has implemented proper procedures and internal controls for the handling and dissemination of inside information to ensure that all current and prospective investors of the Company and public are provided with appropriate information relating to the Group in a timely and simultaneous manner. The Group has a set of control process for management of communications with shareholders and investors and prohibition of the unauthorised use of confidential or non-public information. In general, the authorised spokespersons only make clarification and explanation on data that are available on the market, and avoid providing or divulging any unpublished inside information either by an individual or by a team. Before conducting any external interview, if the authorised spokespersons have any doubt about the data to be disclosed, they would seek verification from the relevant person or the person-in-charge of the relevant department, so as to determine if such data is accurate. In addition, discussions on the Company's key financial data or other financial indicators are prohibited during the blackout periods under the Listing Rules.

Taking these into consideration, the Audit Committee reviews the effectiveness of the Group's system of internal controls and reports to the Board on such reviews. The Board, through the Audit Committee, has effectively assessed internal controls and risk management system in place for the Group and the Board is satisfied that the Group has fully complied with the code provisions of the Corporate Governance Code on internal control during the year.

CORPORATE GOVERNANCE REPORT

During the year, the Group engaged an independent internal auditor to review and assess its internal control system. The review covered parts of the system including risks, operational, financial and compliance controls. The Board is of the view that the Group's current internal control review system is adequate and effective but will perform periodical reviews so as to improve and safeguard our internal control system.

The Audit Committee has established and adopted a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The whistleblowing policy is posted on the websites of the Company and is also available from the Company Secretary on request.

Directors' Commitments

The Company has received confirmation from each Director that he/she has given sufficient time and attention to affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. Directors are also reminded to notify the Company Secretary in a timely manner and bi-annually confirm to the Company Secretary any change of such information. In respect of those Directors who stand for re-election at the annual general meeting in 2017, all their directorships held in listed public companies in the past three years will be set out in the notice of annual general meeting in 2017.

Participation in Continuous Professional Development Programme in 2016

During the year, Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expense. With effect from 1 January 2012, all Directors are required to provide the Company with his or her training record.

During the financial year, the Company arranged a seminar on 8 December 2016 on compliance with legal and regulatory requirements to the Directors. The seminar covered a broad range of topics including directors' duties, the new Companies Ordinance and recent enforcement action by the Securities and Futures Commission against directors. Most of the Directors have attended the seminar.

	Reading Regulatory Updates	Attending expert briefings/ seminars/conferences relevant to the business or Directors' duties
EXECUTIVE DIRECTORS		
Chiu Tao	✓	✓
Owen L Hegarty (resigned on 24 March 2016)	✓	✓
Ma Xiao	✓	✓
Hui Richard Rui (resigned on 3 February 2017)	✓	✓
Wah Wang Kei, Jackie	✓	✓
Leung Oi Kin (appointed on 8 November 2016)	✓	✓
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Or Ching Fai	✓	✓
Ma Yin Fan (resigned on 3 February 2017)	✓	✓
Leung Hoi Ying (resigned on 3 February 2017)	✓	✓

Insurance Arrangement

Pursuant to the code provision A.1.8 under the Corporate Governance Code, the Company should arrange appropriate insurance to cover potential legal actions against its Directors. The Company has renewed its corporate liability insurance purchased for its Directors and senior management.

Term of Appointment of Non-executive Directors

As at 31 December 2016, the independent non-executive Directors do not have a specific term of appointment but are subject to retirement by rotation and re-election at annual general meeting under the Bye-laws of the Company.

Subsequent to the resignation of Ms Ma Yin Fan and Mr Leung Hoi Ying as the independent non-executive Directors on 3 February 2017, Mr Chen Gong and Mr Martin Que Meideng have been appointed as the independent non-executive Directors on the same date. In order to adhere to code provision A.4.1 under the Corporate Governance Code, the term of office of both Mr Chen Gong and Mr Martin Que Meideng is three years and will be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws. The Company considers that although Dr Or Ching Fai, the independent non-executive Director currently does not have a specific term of appointment with the Company, he is subject to retirement by rotation and re-election at the annual general meeting under the Bye-laws of the Company. Pursuant to the Company's Bye-laws, Dr Or Ching Fai will be subject to retirement by rotation and re-election in the forthcoming annual general meeting.

Memorandum of Association and Bye-Laws

During the year ended 31 December 2016, there were no changes to the Memorandum of Association and Bye-Laws of the Company. The latest consolidated version of the Memorandum of Association and Bye-Laws of the Company is available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Shareholders

The Company recognises the importance of effective communication with our shareholders. Transparency is part of who we are and included in our GREAT core values. We uphold good corporate transparency and continue to review and improve our communications with shareholders through their consultation and feedback.

Shareholders' Right and Communication

We have been reporting our financial and non-financial results in a transparent fashion. Besides the annual report and the interim report, we published and released, from time to time, announcements and press releases.

The Company's corporate website – www.g-resources.com, provides an excellent channel for our shareholders and other interested parties to access information about the Company. Shareholders can find from the website all key corporate information and information of the Company including but not limited to:

- Financial Reports
- Announcements and Press Releases
- Information on Change of Share Capital
- Circulars
- Press Releases
- Terms of Reference of the various Board Committees
- Shareholders Communication Policy
- Whistleblowing Policy
- Board Diversity Policy
- Shareholders' Rights

Shareholders are encouraged to attend all general meetings of the Company and have the right to convene special general meetings, if shareholders find necessary.

The Company arranges for the notice to its shareholders to be sent at least 20 clear business days before each of the annual general meetings of the Company in accordance with code provision E.1.3 of the Corporate Governance Code. Separate resolutions are proposed at the annual general meetings on each substantially separate issue, including the election or re-election of each individual Director.

Shareholders' Rights on Convening a Special General Meeting

Bye-laws of the Company

Bye-law 62 of the Company's Bye-laws sets out the position where a requisition is made by shareholders of the Company. Bye-law 62 provides that a special general meeting (the "SGM") shall be convened on requisition, as provided by the Companies Act 1981 of Bermuda (the "Bermuda Companies Act"), and, in default, may be convened by the requisitionists.

Bermuda Companies Act

1. Pursuant to Section 74 of the Bermuda Companies Act, the Directors, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a SGM of the Company.

2. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and may consist of several documents in like form each signed by one or more requisitionists.

3. If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

4. A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

Putting forward proposals at shareholders' meeting by a shareholder

1. Sections 79 and 80 of the Bermuda Companies Act allow certain shareholder(s) to make requisition to the Company to move a resolution at an annual general meeting (the "AGM") or circulate a statement at any general meeting of the Company.

2. Under section 79 of the Bermuda Companies Act, it shall be the duty of the Company on the requisition in writing of such number of members, at the expense of the requisitionists unless the Company otherwise resolves:

   (a) to give to members of the Company entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

   (b) to circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

3. The number of members necessary for a requisition under paragraph 2 above shall be:

   (a) either any number of members representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

   (b) not less than one hundred members.

4. Notice of any such intended resolution shall be given, and any such statement shall be circulated, to members of the Company entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such member in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

CORPORATE GOVERNANCE REPORT

5. Section 80 of the Bermuda Companies Act sets out the conditions to be met before the Company is bound to give notice of any resolution or to circulate any statement. Pursuant to section 80 of the Bermuda Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph 2 above unless:

   (a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda:

      i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

      ii) in the case of any other requisition, not less than one week before the meeting; and

   (b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph 2 above.

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the abovementioned time shall be deemed to have been properly deposited for the purposes thereof.

Submission of enquiries to the Board

The Board established a shareholders' communication policy and has posted it on the website of the Company. The Board reviews it on a regular basis to ensure its effectiveness.

Enquiries, comments and suggestions to the Board or the Company are welcome and can be addressed to the Investor Relations Department by mail to Rooms 4501-02, 4510, 45th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong or by email at investor.relations@g-resources.com.

Questions about the Company's activities may be directed to information@g-resources.com.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF G-RESOURCES GROUP LIMITED
國際資源集團有限公司
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of G-Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 122, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Fair value of available-for-sale investments We identified the measurement of fair value of available-for-sale investments as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgment in selecting an appropriate valuation technique and assumptions and estimates for the fair value measurement of certain available-for-sale investments. As at 31 December 2016, the carrying value of the available-for-sale investments was USD303,382,000 of which USD224,408,000 and USD35,949,000 are classified as level 2 and level 3 of the fair value hierarchy, respectively, as set out in note 35 to the consolidated financial statements, and accordingly, judgment is required in determining an appropriate fair value of these investments. In accounting for the fair value measurement of these available-for-sale investments, management determined the fair value based on quoted price from financial institutions supported by observable inputs or an external valuation performed by an independent professional valuer engaged by the Group. The fair value is determined by the independent valuer using the discounted cash flow model with certain key assumption and inputs, including discount rate and expected life of the assets.	Our procedures in relation to fair value of available-for-sale investments included: • Obtaining an understanding of the entity's valuation process, including selecting valuation model, adopting assumptions and estimates as well as appointing independent valuer regarding the determination of fair value of the available-for-sale investments; • Assessing the qualification and experience of the independent valuer performing the valuation of the available-for-sale investments; • Involving our valuation expert to evaluate the appropriateness of the valuation model and assumptions used to calculate the fair value of the available-for-sale investments; and • Comparing the quotes from financial institutions in respect of the available-for-sale investments with available recent transaction price.
Impairment assessment of loans receivable We identified the assessment of recoverability of loans receivable as a key audit matter as it requires the application of judgement and use of subjective assumptions by management. The carrying amount of the loans receivable in respect of money lending business as at 31 December 2016 amounted to USD15,868,000. Management did not recognise any allowances for loans receivable as at 31 December 2016. As explained in note 4 to the consolidated financial statements, in determining the impairment provision of loans receivable, the recoverability of the loans receivable is assessed by management taking into account the credit quality, repayment history and likelihood of collection.	Our procedures in relation to impairment assessment of the loans receivable included: • Understanding the entity's process of assessing the borrowers' creditability and financial capability prior to granting the loans; • Discussing with the management and evaluating their process for assessing the recoverability of the loans receivable; and • Evaluating the recoverability of the loans receivable with a particular focus on loans overdue but not impaired by examining the underlying documentation, which included evidence of the borrowers' financial condition and repayments after the reporting date.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Lam Ching.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	NOTES	2016 USD'000	2015 USD'000
Continuing operations			
Revenue	6	**29,985**	11,613
Cost of sales		**–**	–
Gross profit		**29,985**	11,613
Other income		**4,206**	1,450
Administrative expenses		**(15,248)**	(8,900)
Fair value changes of held for trading investments		**(9,481)**	941
Increase in fair value of investment properties		**773**	–
Profit before taxation		**10,235**	5,104
Taxation	7	**3**	–
Profit for the year from continuing operations	8	**10,238**	5,104
Discontinued operation			
Profit for the year from discontinued operation	9	**118,566**	56,204
Profit for the year		**128,804**	61,308
Profit for the year attributable to owners of the Company			
Continuing operations		**10,285**	5,104
Discontinued operation		**117,653**	54,319
Profit for the year attributable to owners of the Company		**127,938**	59,423
(Loss)/Profit for the year attributable to non-controlling interests			
Continuing operations		**(47)**	–
Discontinued operation		**913**	1,885
Profit for the year attributable to non-controlling interests		**866**	1,885
		128,804	61,308
Earnings per share			
For continuing operations and discontinued operation			
— Basic and diluted (US cent)	12	**0.48**	0.22
For continuing operations			
— Basic and diluted (US cent)	12	**0.04**	0.02

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 USD'000	2015 USD'000
Profit for the year	**128,804**	61,308
Other comprehensive (expenses)/income:		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(304)**	264
	(304)	264
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(52)**	–
Release of exchange reserve upon disposal of subsidiaries	**304**	–
Fair value gain on:		
Available-for-sale investments	**6,416**	5,771
Hedging instruments designated in cash flow hedges	**–**	1,082
Reclassification upon disposal of available-for-sale investments	**(26)**	(10)
	6,642	6,843
Other comprehensive income for the year	**6,338**	7,107
Total comprehensive income for the year	**135,142**	68,415
Total comprehensive income for the year attributable to:		
Owners of the Company	**134,278**	66,476
Non-controlling interests	**864**	1,939
	135,142	68,415

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 USD'000	2015 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**24,664**	734,957
Exploration and evaluation assets	14	**–**	27,316
Investment properties	15	**95,934**	95,220
Available-for-sale investments	16	**303,382**	175,726
Other receivable and deposits	17	**13,357**	27,008
Inventories	18	**–**	7,999
Intangible assets	19	**455**	–
Goodwill	20	**1,480**	–
		439,272	1,068,226
CURRENT ASSETS			
Inventories	18	**–**	44,773
Accounts and other receivables	17	**21,396**	29,335
Loans receivable	21	**15,868**	72,483
Held for trading investments	22	**72,391**	30,606
Convertible bond	23	**–**	17,044
Derivative component in convertible bond	23	**–**	744
Bank trust accounts balances	24	**459**	–
Bank balances and cash	25	**825,485**	106,963
		935,599	301,948
CURRENT LIABILITIES			
Accounts and other payables	26	**13,071**	28,996
Tax payable		**105**	10,015
		13,176	39,011
NET CURRENT ASSETS		**922,423**	262,937
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,361,695**	1,331,163
NON-CURRENT LIABILITIES			
Other payables	26	**–**	4,485
Deferred tax liabilities	27	**64**	54,605
Provision for mine rehabilitation cost	28	**–**	20,732
		64	79,822
		1,361,631	1,251,341
CAPITAL AND RESERVES			
Share capital	29	**34,871**	34,246
Reserves		**1,321,591**	1,193,994
Equity attributable to owners of the Company		**1,356,462**	1,228,240
Non-controlling interests		**5,169**	23,101
TOTAL EQUITY		**1,361,631**	1,251,341

The consolidated financial statements on pages 43 to 122 were approved and authorised for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Wah Wang Kei, Jackie
Director

Leung Oi Kin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company											
	Share capital USD'000	Share premium USD'000	Capital redemption reserve USD'000	Contributed surplus (Note) USD'000	Share options reserve USD'000	Cash flow hedges reserve USD'000	Exchange reserve USD'000	Investment revaluation reserve USD'000	Retained earnings USD'000	Total USD'000	Non-controlling interests USD'000	Total USD'000
At 1 January 2015	34,150	1,012,055	212	11,658	15,203	(1,028)	1,119	508	101,489	1,175,366	21,312	1,196,678
Profit for the year	–	–	–	–	–	–	–	–	59,423	59,423	1,885	61,308
Fair value gain on:												
Available-for-sale investments	–	–	–	–	–	–	–	5,771	–	5,771	–	5,771
Hedging instruments designated in cash flow hedges	–	–	–	–	–	1,028	–	–	–	1,028	54	1,082
Exchange difference arising on translation	–	–	–	–	–	–	264	–	–	264	–	264
Reclassified to profit or loss upon disposal of available-for-sale investment	–	–	–	–	–	–	–	(10)	–	(10)	–	(10)
Total comprehensive income for the year	–	–	–	–	–	1,028	264	5,761	59,423	66,476	1,939	68,415
Vested share options lapsed/forfeited	–	–	–	–	(11,243)	–	–	–	11,243	–	–	–
Unvested share options lapsed	–	–	–	–	(41)	–	–	–	–	(41)	–	(41)
Dividends recognised as distribution (Note 29)	96	2,745	–	–	–	–	–	–	(16,402)	(13,561)	–	(13,561)
Dividend paid to a non-controlling interests	–	–	–	–	–	–	–	–	–	–	(150)	(150)
At 31 December 2015	34,246	1,014,800	212	11,658	3,919	–	1,383	6,269	155,753	1,228,240	23,101	1,251,341
Profit for the year	–	–	–	–	–	–	–	–	127,938	127,938	866	128,804
Fair value gain on available-for-sale investments	–	–	–	–	–	–	–	6,416	–	6,416	–	6,416
Exchange difference arising on translation	–	–	–	–	–	–	(354)	–	–	(354)	(2)	(356)
Release of exchange reserve upon disposal of subsidiaries (Note 33)	–	–	–	–	–	–	304	–	–	304	–	304
Reclassified to profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	–	–	(26)	–	(26)	–	(26)
Total comprehensive (expenses)/ income for the year	–	–	–	–	–	–	(50)	6,390	127,938	134,278	864	135,142
Disposal of subsidiaries (Note 33)	–	–	–	–	–	–	–	–	–	–	(24,014)	(24,014)
Acquisition of subsidiaries (Note 32)	–	–	–	–	–	–	–	–	–	–	5,218	5,218
Vested share options lapsed	–	–	–	–	(3,633)	–	–	–	3,633	–	–	–
Dividends recognised as distribution (Note 29)	625	8,383	–	–	–	–	–	–	(15,064)	(6,056)	–	(6,056)
At 31 December 2016	34,871	1,023,183	212	11,658	286	–	1,333	12,659	272,260	1,356,462	5,169	1,361,631

Note: The contributed surplus includes (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1994; (ii) the surplus arising from the group reorganisation in 1998; and (iii) the surplus arising from capital reorganisation in June 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTES	2016 USD'000	2015 USD'000
OPERATING ACTIVITIES			
Profit before taxation		**138,955**	100,920
Adjustments for:			
Interest income		**(12,778)**	(10,386)
Amortisation and depreciation		**26,325**	138,318
Loss on disposal of property, plant and equipment		**563**	157
Unvested share options lapsed		**–**	(41)
Fair value changes of held for trading investments		**9,481**	(941)
Fair value loss of derivative component in convertible bond		**–**	161
Fair value loss recognised upon conversion of convertible bond		**205**	–
(Reversal of provision)/provision for impairment of inventories		**(4,567)**	366
Gain on disposal of available-for-sale investments		**(31)**	(19)
Finance cost		**390**	2,260
Loss arising from written off of property, plant and equipment		**3**	–
Increase in fair value of investment properties		**(773)**	–
Gain on disposal of mining business	33	**(110,058)**	–
Transaction cost for the disposal of mining business	9	**11,520**	–
Operating cash flows before movements in working capital		**59,235**	230,795
(Increase)/decrease in inventories		**(564)**	2,694
(Increase)/decrease in other receivable and deposits		**(3,125)**	2,430
Increase in accounts and other receivables		**(13,477)**	(10,663)
Loans advanced to money lending customers		**(366,196)**	(85,386)
Repayments from money lending customers		**437,594**	12,903
Increase in held for trading investments		**(51,234)**	(442)
Increase in bank trust accounts balances		**(39)**	–
Increase in accounts and other payables		**8,211**	2,109
Cash generated from operations		**70,405**	154,440
Income taxes paid		**(5,304)**	(24,555)
Net cash from Operating Activities		**65,101**	129,885

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTES	2016 USD'000	2015 USD'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(8,878)**	(43,534)
Additions of exploration and evaluation assets		**(2,150)**	(8,024)
Proceeds from disposal of property, plant and equipment		**644**	676
Acquisition of property, plant and equipment and other assets and liabilities through acquisition of a subsidiary	31	**–**	(26,952)
Net cash outflow arising on acquisition of subsidiaries for real property business	31	**–**	(94,671)
Acquisition of subsidiaries	32	**5,518**	–
Net proceed from disposal of mining business	33	**784,292**	–
Transaction cost for the disposal of mining business paid		**(11,497)**	–
Purchase of available-for-sale investments		**(130,960)**	(111,523)
Proceeds from disposal of available-for-sale investments		**2,347**	20,138
Proceeds from return of capital of available-for-sale investments		**6,660**	–
Purchase of convertible bond		**–**	(17,415)
Interest received		**11,914**	8,726
Decrease in pledged bank deposits		**–**	1,543
Net cash from/(used in) Investing Activities		**657,890**	(271,036)
FINANCING ACTIVITIES			
Dividend paid to shareholders		**(6,056)**	(13,561)
Dividend paid to a non-controlling shareholder		**–**	(150)
Cash used in Financing Activities		**(6,056)**	(13,711)
Net increase/(decrease) in cash and cash equivalents		**716,935**	(154,862)
Cash and cash equivalents at beginning of the year		**106,963**	260,750
Effect of foreign exchange rate changes		**1,587**	1,075
Cash and cash equivalents at end of the year, represented by Bank Balances and Cash		**825,485**	106,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. General

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information of this annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 42.

The consolidated financial statements are presented in United States Dollars ("USD"), which is different from the Company's functional currency of Hong Kong Dollars ("HKD"). The management adopted USD as presentation currency as the management controls and monitors the performance and financial position of the Group based on USD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. Application of New and Revised Hong Kong Financial Reporting Standards

Adoption of new and revised HKFRSs

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), Hong Kong Financial Reporting Standards ("HKFRS"s), amendments and interpretations ("Int"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time.

HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
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
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the Consolidation Exception
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

New and revised HKFRSs issued but not yet effective

At the date of this report, the Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets and financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

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

2. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9: (continued)

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

Based on the Group's financial instruments and risk management policies as at 31 December 2016, 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 investments, 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). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

- 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 affect the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede *HKAS 17 Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

2. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 16 Leases (continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of USD1,812,000 as disclosed in note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material impact on the amounts recognised in the Group's consolidated financial statements.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

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

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

3. Significant Accounting Policies (continued)

Non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holdings to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Revenue from financial services is recognised on the following basis:

- Commission and brokerage income from dealing in securities are recognised on a trade date basis;
- Underwriting commission income, sub-underwriting commission income, placing commission and sub-placing commission are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed; and
- Advisory, clearing and handling fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered.

Service income is recognised when services are provided.

Proceeds from sales of financial assets at fair value through profit and loss/available-for-sale investments are recognised on a trade date basis when the risks and rewards of ownership are transferred and title has passed.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Dividend and distribution income from investments including financial assets at fair value through profit or loss and available-for-sale financial assets are recognised when the shareholders' rights to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits respectively*;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date as described in the accounting policy below; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

3. Significant Accounting Policies (continued)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period as mentioned above, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, which is described in the accounting policy above, less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Intangible assets (continued)

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses. The accounting policy in respect of impairment losses on intangible assets is described below.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress, mine property and development assets) less their estimated residual values over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Mine property and development assets include costs of exploration and evaluation, cost to acquire mineral rights, subsequent costs to develop the mine to the production phase, costs which are necessarily incurred during commissioning of the plant and net of proceeds from the sale of test production.

Mine property and development assets are reclassified to mining properties when the mine starts commercial production.

Mining properties represent the accumulated mine property and development assets and other costs, including construction cost of the mining site infrastructure, incurred in relation to areas of interest in which commercial production of minerals has commenced.

Buildings are situated on the land which is located in Indonesia. The land is included in mining properties.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

When further development expenditure is incurred in respect of an area of interest in production, such expenditure is capitalised as part of the cost of that mining property only if future economic benefits are probable. Otherwise such expenditure is classified as part of the cost of production and expensed in profit and loss.

The amortisation of mining properties and plant and equipment related to production commences when the mine starts commercial production and is provided on the unit of production basis, based on the actual production volume over the total estimated proved and probable reserves of the gold and silver mine.

The estimated reserves and life of mine are reassessed at least annually. Where there is a change in the reserves, depreciation and amortisation rates are adjusted prospectively from that reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Stripping cost

The costs from waste removal activity ("stripping cost") incurred in the development phase of a surface mine are capitalised as part of the mining properties and are subsequently amortised over the life of the mine on a unit of production basis.

To the extent that stripping costs incurred in the production phase of a surface mine ("production stripping costs") provide improved access to ore, such costs are recognised as a non-current asset ("stripping activity asset") when certain criteria are met. The costs of normal ongoing operational stripping activities are accounted as inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of mining properties and classified as tangible assets according to the nature of the mining properties of which it forms part.

The stripping activity asset is then depreciated on a unit of production basis over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost.

Exploration and evaluation assets represent costs of acquiring exploration and mining rights and the expenditures in the search for mineral resources on an area of interest basis. Costs incurred before the Group has obtained the legal right to explore an area are recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Exploration and evaluation assets (continued)

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; or
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Where a potential impairment is indicated, an assessment is performed for each area of interest or at the cash generating unit level. To the extent that capitalised expenditure is not expected to be recovered, it is charged to the profit or loss.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrated, any previously recognised exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining properties (included in property, plant and equipment).

Inventories

Inventories comprise raw materials, work in progress and finished goods. Work in progress inventories mainly comprise ore stockpiles and other partly processed materials.

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined primarily on a weighted average cost basis.

Cost for inventories comprises labour costs, material costs and contractor expenses which are directly attributable to the extraction and processing of ore; and a systematic allocation of the amortisation and depreciation of mining properties and of property, plant and equipment used in the extraction and processing of ore; and production overheads. Cost for purchased materials is determined after deducting discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Stockpiles represent ore that has been extracted and is awaiting further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with reasonable certainty, it is valued at the lower of cost and net realisable value.

Leasing

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

3. Significant Accounting Policies (continued)

Leasing (continued)

The Group as lessor

Rental income is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

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

Foreign currencies

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

Exchange differences on monetary items are recognised in the profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. USD) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Retirement benefits scheme

The retirement benefits scheme contributions relating to the mandatory provident fund scheme for all employees in Hong Kong and state-managed retirement benefit scheme for all employees in Indonesia charged to profit and loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

Taxation

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

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

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

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

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

3. Significant Accounting Policies (continued)

Taxation (continued)

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 35(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and other receivables and deposits, loans receivable, debt component of the convertible bond, bank trust accounts balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Other changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Derivative component in convertible bond

Derivative component in convertible bond is initially recognised at fair value and is classified separately into respective items on initial recognition. The derivative component is subsequently remeasured at fair value at the end of the reporting period with resulting gain or loss recognised in profit or loss immediately.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

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

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity as either financial liabilities or as equity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including accounts and other payables) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedges of highly probable forecast transactions for foreign currency exposure (cash flow hedges).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Hedge accounting (continued)

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of cash flow hedges reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (cash flow hedges reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

Financial assets are derecognised only when the contractual rights to receive cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets to another entity.

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. Significant Accounting Policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provision for mine rehabilitation cost

Provision for mine rehabilitation cost is required when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured based on the area of land disturbed by the mine as a whole in accordance with the relevant rules and regulations applicable in Indonesia at the end of the reporting period, and using the cash flows estimated to settle the present obligation. Its carrying amount is the present value of those cash flows (where the effect is material). The payments for the mine rehabilitation cost is required by the local authority upon the closure of the respective mine project.

Mine rehabilitation cost is provided in the period in which the obligation is identified and is capitalised to the costs of mining properties. The cost is charged to profit or loss through depreciation of assets, which are depreciated using the unit of production method based on the actual production volume over the total estimated proved and probable reserves of the gold and silver mine.

Impairment losses on tangible and intangible assets other than goodwill

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

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

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

3. Significant Accounting Policies (continued)

Impairment losses on tangible and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amounts, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised as an expense immediately in profit or loss.

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

Share-based payment transactions

Equity settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense on a straight-line basis over the vesting period, based on the Group's estimation of share options that will eventually vests, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the unvested share options are lapsed at the expiry date, the amount previously recognised in share options reserve is transferred to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted, measured at the date the entity obtained the goods or the counterparty rendered the service. The fair values of the goods or services received are recognised as expenses, when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

Key sources of estimation uncertainty

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

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and Level 2 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuation in the fair value of the assets and liabilities is reported and analysed periodically.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are set out in note 35(c).

Impairment loss on loans receivable

Management regularly reviews the recoverability of the loans receivable. Appropriate impairment for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration of the credit quality, repayment history, value of collateral and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, there is no impairment made and the carrying amount of loans receivable is USD15,868,000 (2015: USD72,483,000).

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment loss on advances to customers on margin financing

The Group reviews its advances to customers on margin financing to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from a portfolio of advances. Moreover, the Group also reviews the value of the securities collateral received from the customers in determining the impairment. The Group reviewed the methodology and assumptions used for estimating both the amount and timing of future cash flows regularly to reduce any differences between loss estimates and actual loss experience. Details of advances to customers on margin financing are set out in note 17.

Estimated impairment on available-for-sale investments

Management reviews the recoverability of the Group's available-for-sale investments with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether impairment on available-for-sale investments is required, the Group takes into consideration the current market environment and the estimates of future cash flows which the Group expects to receive. Impairment is recognised based on the present value of estimated future cash flows. If the market environment/circumstances change significantly, resulting in a decrease in the recoverable amount of these available-for-sale investments, additional impairment loss may be required. As at 31 December 2016, the carrying amount of available-for-sale investments is USD303,382,000 (2015: USD175,726,000).

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2016 at their fair value of USD95,934,000 (2015: USD95,220,000). The fair value was based on valuation of these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

5. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on the nature of their operations and types of products and services provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The Group has four (2015: four) operating business units which represent four (2015: four) operating segments, namely, principal investment business, financial services business, real property business and mining business (2015: principal investment business, money lending business, real property business and mining business). In the current year, the Group acquired subsidiaries with the financial services business which includes money lending business. The Group disposed of the mining business during the year and the operating segment regarding to the mining business was discontinued in the current year, which are described in more details in the note 9.

5. Segment Information (continued)

(a) Segment revenue and results

An analysis of the Group's revenue and results by operating segment is as follows:

For the year ended 31 December 2016

	Continuing operations				Discontinued operation
	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000	Mining business USD'000
Interest income from financial products	9,026	–	–	9,026	–
Dividend and distribution income from financial products	5,588	–	–	5,588	–
Interest income from money lending business	–	11,499	–	11,499	–
Commission income from financial services	–	1,171	–	1,171	–
Interest income from margin financing	–	776	–	776	–
Rental income	–	–	1,925	1,925	–
Sales of gold and silver	–	–	–	–	78,270
Segment revenue	14,614	13,446	1,925	29,985	78,270
Segment results	6,672	10,784	1,941	19,397	30,182
Unallocated corporate income				7	–
Unallocated corporate expenses				(9,942)	–
Increase in fair value of investments properties				773	–
Gain on disposal of the mining business				–	110,058
Transaction cost for the disposal of the mining business				–	(11,520)
Profit before taxation				10,235	128,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. Segment Information (continued)

(a) Segment revenue and results (continued)

For the year ended 31 December 2015

	Continuing operations				Discontinued operation
	Principal investment business USD'000	Money lending business USD'000	Real property business USD'000	Total USD'000	Mining business USD'000
Interest income from financial products	5,720	–	–	5,720	–
Dividend and distribution income from financial products	1,591	–	–	1,591	–
Interest income from money lending business	–	3,647	–	3,647	–
Rental income	–	–	655	655	–
Sales of gold and silver	–	–	–	–	391,468
Segment revenue	7,311	3,647	655	11,613	391,468
Segment results	8,732	3,644	611	12,987	95,901
Unallocated corporate expenses				(7,883)	(85)
Profit before taxation				5,104	95,816

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned or generated by each segment without allocation of central administration costs. This is the measure reported to the executive directors of the Company for the purposes of resources allocation and assessment of segment performance.

5. Segment Information (continued)

(b) Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating segment is as follows:

At 31 December 2016

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	**1,183,552**	**56,429**	**96,066**	**1,336,047**
Assets relating to discontinued operation				**13,304**
Unallocated corporate assets				**25,520**
Total assets				**1,374,871**
LIABILITIES				
Segment liabilities	**112**	**782**	**383**	**1,277**
Liabilities relating to discontinued operation				**9,847**
Unallocated corporate liabilities				**2,116**
Total liabilities				**13,240**

At 31 December 2015

	Continuing operations			Discontinued operation	
	Principal investment business USD'000	Money lending business USD'000	Real property business USD'000	Mining business USD'000	Total USD'000
ASSETS					
Segment assets	310,427	72,663	96,477	863,478	1,343,045
Unallocated corporate assets					27,129
Total assets					1,370,174
LIABILITIES					
Segment liabilities	2	656	581	115,635	116,874
Unallocated corporate liabilities					1,959
Total liabilities					118,833

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

- All assets are allocated to operating segment other than certain property, plant and equipment and other receivables.
- All liabilities are allocated to operating segment other than certain other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. Segment Information (continued)

(c) Other segment information

Continuing operations

For the year ended 31 December 2016

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Unallocated USD'000	Total USD'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	–	1,273	–	61	1,334
Additions to available-for-sale investments	130,960	–	–	–	130,960
Additions to held for trading investments	58,878	–	–	–	58,878
Depreciation	–	67	–	1,652	1,719
Interest income (including interest on bank deposits)	12,725	12,275	46	–	25,046

For the year ended 31 December 2015

	Principal investment business USD'000	Money lending business USD'000	Real property business USD'000	Unallocated USD'000	Total USD'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	–	–	95,227	26,518	121,745
Additions to available-for-sale investments	111,523	–	–	–	111,523
Additions to held for trading investments	959	–	–	–	959
Depreciation	–	–	–	280	280
Interest income (including interest on bank deposits)	6,585	3,651	–	–	10,236

Note: Non-current assets excluded available-for-sale investments, other receivable and deposits, inventories (non-current portion), intangible assets and goodwill.

5. Segment Information (continued)

(d) Geographical information

The following table sets out (i) information about the geographical location of the Group's revenue from continuing operations from external customers determined based on the location of financial products, the location of financial services business operated and location of properties in the case of rental income and (ii) information of the non-current assets by the geographical area in which the assets are located are detailed below:

	Continuing operations Segment revenue		Non-current assets excluding financial instruments	
	2016 **USD'000**	2015 USD'000	**2016** **USD'000**	2015 USD'000
Singapore	**6,766**	5,189	**–**	–
Hong Kong	**21,080**	6,172	**122,533**	121,464
Indonesia	**–**	–	**–**	744,028
Others	**2,139**	252	**–**	–
	29,985	11,613	**122,533**	865,492

Note: Non-current assets excluded available-for-sale investments and other receivable and deposits.

(e) Information about major customers

For the year ended 31 December 2016, two customers contributed over 10% of the total revenue from continuing operations with the amount of USD5,866,000 and USD5,691,000 (2015: USD2,435,000 and USD2,593,000) from financial services business and principal investment business respectively (2015: principal investment business).

6. Revenue

The following is an analysis of the Group's revenue from its major products and services:

	2016 **USD'000**	2015 USD'000
Continuing operations		
Interest income from financial products	**9,026**	5,720
Dividend and distribution income from financial products	**5,588**	1,591
Interest income from money lending business	**11,499**	3,647
Commission income from financial services	**1,171**	–
Interest income from margin financing	**776**	–
Rental income	**1,925**	655
	29,985	11,613
Discontinued operation		
Sales of gold	**71,374**	351,285
Sales of silver	**6,896**	40,183
	78,270	391,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. Taxation

	2016 USD'000	2015 USD'000
Continuing operations		
Hong Kong Profits Tax		
Current tax	–	–
Over-provision in prior year	(3)	–
Taxation for the year	(3)	–

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year.

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

	2016 USD'000	2015 USD'000
Continuing operations		
Profit before taxation	10,235	5,104
Tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	1,689	842
Tax effect of expenses not deductible for tax purpose	1,556	1,644
Tax effect of income not taxable for tax purpose	(2,768)	(1,305)
Tax effect of tax losses not recognised	1,720	97
Utilisation of tax losses previously not recognised	(2,197)	(1,278)
Over-provision of tax in prior years	(3)	–
Taxation for the year	(3)	–

8. Profit for the Year

	2016 USD'000	2015 USD'000
Continuing operations		
Profit for the year has been arrived at after charging/ (crediting):		
Staff costs		
— Directors' emoluments	1,900	3,245
— Other staff costs	2,423	1,526
— Contributions to retirement benefits schemes, excluding directors	55	42
Total staff costs	4,378	4,813
Auditors' remuneration	256	251
Depreciation of property, plant and equipment	1,719	280
Operating lease payments in respect of office premises and warehouse	991	503
Exchange loss, net	1,381	1,138
Loss on disposal of property, plant and equipment	563	–
Loss arising from written off of property, plant and equipment	3	–
Interest income	(25,046)	(10,236)

9. Discontinued Operation

On 3 November 2015, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of G-Resources Martabe Pty Ltd and Capital Squad Limited and their respective subsidiaries, which carried out all of the Group's mining business. The disposal was completed on 17 March 2016, on the date which control of Martabe Mine and other companies passed to the acquirer.

The consolidated profit for the period from the discontinued mining business is set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the mining business as a discontinued operation.

	For the period ended 17 March 2016 USD'000	For the year ended 31 December 2015 USD'000
Profit of mining business for the period/year	**20,028**	56,204
Gain on disposal of mining business (Note 33)	**110,058**	–
Transaction cost for the disposal of mining business	**(11,520)**	–
	118,566	56,204

The results of the mining business for the period/year, which have been included in the consolidated statement of profit or loss, were as follows:

	For the period ended 17 March 2016 USD'000	For the year ended 31 December 2015 USD'000
Revenue	**78,270**	391,468
Cost of sales	**(41,695)**	(265,771)
Other income	**68**	4,411
Administrative expenses	**(6,071)**	(32,032)
Finance cost	**(390)**	(2,260)
Profit before taxation	**30,182**	95,816
Taxation	**(10,154)**	(39,612)
Profit for the period/year	**20,028**	56,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. Discontinued Operation (continued)

	For the period ended 17 March 2016 USD'000	For the year ended 31 December 2015 USD'000
Profit for the period/year from discontinued operation has been arrived at after charging/(crediting):		
Staff costs		
— Directors' emoluments	**44**	132
— Other staff costs		
— Cost of sales	**3,290**	12,194
— Administrative expenses	**1,295**	4,617
— Contributions to retirement benefits schemes, excluding directors	**188**	620
— Unvested share options lapsed	**–**	(41)
Total staff costs	**4,817**	17,522
Amortisation and depreciation of property, plant and equipment, included in		
— Cost of sales	**23,282**	132,243
— Administrative expenses	**1,324**	5,795
Loss on disposal of property, plant and equipment	**–**	157
Operating lease payments in respect of office premises and warehouse	**33**	130
(Reversal of provision)/provision for impairment of inventories	**(4,567)**	366
Royalties expense	**607**	2,348
Other taxes	**539**	3,977
Exchange loss, net	**72**	3,679
Interest income	**(7)**	(150)

The Group entered into several foreign currency forward contracts with one of the local banks in Jakarta for the purchase of Indonesia Rupiah ("IDR") and the terms of all the foreign currency forward contracts were negotiated to match the expectation of the IDR payments in 2014. The directors of the Company considered the foreign currency forward contracts were designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to those highly probable IDR payments. During the year ended 31 December 2015, a fair value loss of USD660,000 (2016: nil) had been recognised foreign currency forward contracts under cash flow hedge, in which a fair value gain of USD1,082,000 (2016: nil) was in other comprehensive income and reclassified from cash flow hedges reserve. For the year ended 31 December 2015, the remaining fair value loss of USD1,742,000 (2016: nil) related to those foreign currency forward contracts settled during the year was transferred to foreign exchange loss/gain included in the discontinued operation.

9. Discontinued Operation (continued)

During the period from 1 January 2016 to 17 March 2016, the mining business contributed approximately USD55 million (year ended 31 December 2015: USD223 million) to the Group's net operating cash flows, paid approximately USD10 million (year ended 31 December 2015: USD49 million) in respect of investing activities.

The carrying amounts of the assets and liabilities of mining business at the date of disposal are disclosed in note 33.

10. Directors', Chief Executive's and Employees' Emoluments

For continuing and discontinued operations

(a) Directors' Emoluments

The emoluments paid or payable to each of the directors for the year were as follows:

For the year ended 31 December 2016

	Fees USD'000	Salaries and other emoluments USD'000	Discretionary bonus USD'000	Contributions to retirement benefits scheme USD'000	Allowances USD'000	Total USD'000
Executive directors: (Note c)						
Chiu Tao (Note b)	–	–	–	–	–	–
Owen L Hegarty (Note e)	–	151	–	–	–	151
Ma Xiao	–	360	322	2	26	710
Wah Wang Kei, Jackie	–	357	180	3	–	540
Hui Richard Rui	–	258	129	2	–	389
Leung Oi Kin (Note f)	–	25	–	1	–	26
Independent non-executive directors: (Note d)						
Or Ching Fai	90	–	–	–	–	90
Ma Yin Fan	19	–	–	–	–	19
Leung Hoi Ying	19	–	–	–	–	19
	128	1,151	631	8	26	1,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. Directors', Chief Executive's and Employees' Emoluments (continued)

For continuing and discontinued operations (continued)

(a) Directors' Emoluments (continued)

For the year ended 31 December 2015

	Fees USD'000	Salaries and other emoluments USD'000	Discretionary bonus USD'000	Contributions to retirement benefits scheme USD'000	Allowances USD'000	Total USD'000
Executive directors: (Note c)						
Chiu Tao (Note b)	–	–	387	–	–	387
Owen L Hegarty	–	601	100	–	–	701
Peter Geoffrey Albert (Note a)	–	629	–	1	65	695
Ma Xiao	–	322	258	2	94	676
Wah Wang Kei, Jackie	–	342	114	4	–	460
Hui Richard Rui	–	246	82	2	–	330
Independent non-executive directors: (Note d)						
Or Ching Fai	90	–	–	–	–	90
Ma Yin Fan	19	–	–	–	–	19
Leung Hoi Ying	19	–	–	–	–	19
	128	2,140	941	9	159	3,377

Notes:

(a) Mr Peter Geoffrey Albert was the Chief Executive of the Company till 30 June 2015 and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(b) Mr Chiu Tao became the acting Chief Executive since 30 June 2015 and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(c) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(d) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(e) Mr Owen L Hegarty was resigned on 24 March 2016.

(f) Mr Leung Oi Kin was appointed on 8 November 2016.

Bonuses which are discretionary are determined with reference to individual performance. Mr Chiu Tao suspended his salary with effect from October 2010. Mr Chiu Tao had not drawn any salary for the year ended 31 December 2016. No other director waived any emoluments in the year. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

10. Directors', Chief Executive's and Employees' Emoluments

(continued)

For continuing and discontinued operations (continued)

(b) Employees' Emoluments

(i) Of the five individuals with the highest emoluments in the Group, four were executive directors of the Company (2015: three) whose emoluments are included in the disclosures above. The remaining one (2015: two) individual was the senior management and the emoluments were as follows:

	2016 USD'000	2015 USD'000
Salaries and other benefits	**461**	1,030
Retirement benefits scheme contributions	**3**	4
Discretionary bonus	**155**	216
	619	1,250

The emoluments were within the following bands:

	Number of Employees 2016	2015
HKD4,000,001 (USD515,650) to HKD4,500,000 (USD580,106)	**–**	1
HKD4,500,001 (USD580,106) to HKD5,000,000 (USD644,562)	**1**	–
HKD5,000,001 (USD644,563) to HKD5,500,000 (USD709,019)	**–**	1
	1	2

(ii) The emoluments of senior management were within the following bands:

	Number of Employees 2016	2015
HKD500,001 (USD64,456) to HKD1,000,000 (USD128,912)	**4**	–
HKD1,500,001 (USD193,369) to HKD2,000,000 (USD257,825)	**–**	1
HKD3,500,001 (USD451,194) to HKD4,000,000 (USD515,650)	**–**	1
HKD4,000,001 (USD515,650) to HKD4,500,000 (USD580,106)	**–**	2
HKD4,500,001 (USD580,106) to HKD5,000,000 (USD644,562)	**1**	–
HKD5,000,001 (USD644,563) to HKD5,500,000 (USD709,019)	**–**	1
	5	5

The senior management of the Group are solely determined by the directors and the senior management for the 2016 are Arthur Ellis, Lau Yue Wah, Brian, David Ki, Kwan Ka Chung, Kenny and Nguyen Gia Vinh, Patrick (2015: Arthur Ellis, Timothy John Vincent Duffy, Ed Cooney, Linda H D Siahaan and Shawn David Crispin). One (2015: Two) of the senior management is included as five individuals with the highest emoluments in the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. Directors', Chief Executive's and Employees' Emoluments
(continued)

For continuing and discontinued operations (continued)

(c) Save as disclosed above, no emoluments have been paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the year.

10A. Transactions, Arrangements or Contracts in which Directors of The Company have material interests

On 3 November 2015, Marlin Enterprises Limited, Marlin Australia Holdings Pty Ltd and Marlin Group Limited (collectively the "Buyer") and the Group entered into a sale and purchase agreement dated 3 November 2015 ("Sale and Purchase Agreement") in respect of the disposal of the entire issue share capital of G-Resources Martabe Pty Ltd and Capital Squad Limited and their respective subsidiaries. The Buyer is ultimately owned as to 61.4% by funds managed by EMR Capital GP1 Limited, which is owned and advised by EMR Capital Advisors Pty Ltd, 20.6% by funds and accounts managed by Farallon. Funds and accounts managed by Farallon own 108,385,200 shares, which equate to approximately 0.4% of the issued share capital of the Company. Also, Mr Owen L Hegarty, an executive director and vice-chairman of the Company, is also the chairman and a less than 30% shareholder of EMR Capital Advisors Pty Ltd. The transaction was completed on 17 March 2016, details were set out in note 33.

11. Dividend

No dividend for the year ended 31 December 2016 was declared, proposed, or paid for ordinary shareholders of the Company during the year of 2016 since the end of the reporting period.

At the annual general meeting held on 8 June 2016, the board of directors recommended and shareholders approved the payment of a final dividend for the year ended 31 December 2015 of HK0.44 cents per share of par value of HKD0.01 each (the "2015 Final Dividend"). Shareholders were given an option to receive the final dividend in cash or an allotment of scrip shares in lieu of cash. The 2015 Final Dividend paid to shareholders in cash and in scrip shares amounted to USD6,056,000 and USD9,008,000, respectively. Full details of the 2015 Final Dividend were set out in the Company's circulars dated 29 April 2016.

12. Earnings Per Share

From continuing and discontinued operations

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

	2016 USD'000	2015 USD'000
Profit for the year from continuing and discontinued operations attributable to owners of the Company, for the purposes of basic and diluted earnings per share	**127,938**	59,423
Less: profit for the year from discontinued operation	**(117,653)**	(54,319)
Profit for the period from continuing operations attributable to owners of the Company, for the purposes of basic and diluted earnings per share	**10,285**	5,104

	Number of shares 2016	2015
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**26,757,695,478**	26,520,040,803

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is US0.44 cents per share (2015: US0.20 cents per share), based on the profit for the year from the discontinued operation of USD117,653,000 (year ended 31 December 2015: USD54,319,000) and the denominators detailed above for both basic and diluted earnings per share.

The computation of diluted earnings per share does not assume the exercise of the Group's outstanding share options as the exercise price of those options is higher than the average market price for shares for the year ended 31 December 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. Property, Plant and Equipment

	Buildings USD'000	Plant and equipment USD'000	Mining properties USD'000	Construction in progress USD'000	Leasehold improvements USD'000	Furniture, fixtures & equipment USD'000	Motor vehicles USD'000	Aircraft USD'000	Total USD'000
COST									
At 1 January 2015	16,767	260,344	776,992	131	265	8,624	1,218	–	1,064,341
Exchange realignments	–	–	64	–	–	–	–	(3)	61
Additions	–	431	11,241	29,112	–	1,252	76	–	42,112
Transfer from construction in progress	757	2,672	25,814	(29,243)	–	–	–	–	–
Disposals	(3)	(754)	–	–	–	–	(184)	–	(941)
Arising from acquisition of assets through acquisition of a subsidiary (Note 31)	–	–	–	–	–	–	–	26,511	26,511
At 31 December 2015 and 1 January 2016	17,521	262,693	814,111	–	265	9,876	1,110	26,508	1,132,084
Exchange realignments	–	–	(131)	–	–	–	–	(15)	(146)
Additions	–	–	3,959	3,585	913	421	–	–	8,878
Transfer from construction in progress	–	–	3,585	(3,585)	–	–	–	–	–
Disposals/written off	–	–	–	–	(910)	(386)	–	–	(1,296)
Acquisition of subsidiaries (Note 32)	–	–	–	–	9	22	–	–	31
Disposal of subsidiaries (Note 33)	(17,521)	(262,693)	(821,524)	–	–	(9,579)	(1,110)	–	(1,112,427)
At 31 December 2016	**–**	**–**	**–**	**–**	**277**	**354**	**–**	**26,493**	**27,124**
ACCUMULATED DEPRECIATION									
At 1 January 2015	5,234	61,288	185,060	–	265	5,692	995	–	258,534
Exchange realignments	–	–	16	–	–	–	–	–	16
Elimination on disposals	–	–	–	–	–	–	(108)	–	(108)
Provided for the year	1,718	30,625	104,202	–	–	1,770	98	272	138,685
At 31 December 2015 and 1 January 2016	6,952	91,913	289,278	–	265	7,462	985	272	397,127
Exchange realignments	–	–	(16)	–	–	–	–	–	(16)
Elimination on disposals/written off	–	–	–	–	(43)	(43)	–	–	(86)
Provided for the year	381	5,624	18,419	–	45	459	29	1,628	26,585
Disposal of subsidiaries (Note 33)	(7,333)	(97,537)	(307,681)	–	–	(7,585)	(1,014)	–	(421,150)
At 31 December 2016	**–**	**–**	**–**	**–**	**267**	**293**	**–**	**1,900**	**2,460**
CARRYING VALUES									
At 31 December 2016	**–**	**–**	**–**	**–**	**10**	**61**	**–**	**24,593**	**24,664**
At 31 December 2015	10,569	170,780	524,833	–	–	2,414	125	26,236	734,957

Construction in progress represents the construction of mine structures and mining site infrastructure for the Martabe Mine.

Depreciation on the mining properties and plant and equipment related to production are provided using the unit of production method ("UOP") based on the actual production volume over the total estimated proved and probable reserves of the gold and silver mine. These estimations are prepared by appropriately qualified party who is independent of the Group.

The effective depreciation rate of mining properties and plant and equipment related to production is approximately 10% (2015: 13%).

13. Property, Plant and Equipment (continued)

The other items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account their estimated residual value, at the following rates per annum:

Buildings	10%
Plant and equipment	12.5% to 25%
Leasehold improvements	10% to 50% or over the terms of the leases whichever is shorter
Furniture, fixtures and equipment	20% to 50%
Motor vehicles	20% to 25%
Aircraft	7%

Note: Depreciation of USD23,542,000 (2015: USD132,610,000) incurred during the year ended 31 December 2016 were capitalised as inventories of which USD23,282,000 (2015: USD132,243,000) were subsequently charged to profit or loss as cost of sales during the year.

14. Exploration and Evaluation Assets

	USD'000
At 1 January 2015	19,292
Additions	8,024
At 31 December 2015 and 1 January 2016	27,316
Additions	2,150
Disposal of subsidiaries (Note 33)	(29,466)
At 31 December 2016	–

Exploration and evaluation assets represent the costs of acquiring exploration rights and expenditures in the search for mineral resources on an area of interest basis. The addition on the exploration and evaluation assets represents drilling, assaying costs, consultancy and advisory fee, staff costs and other expenditures incurred in the search for mineral resources during the year in mining areas where the existence of economically recoverable reserves could not be reasonably assessed.

15. Investment Properties

At fair value	USD'000
At 1 January 2015	–
Acquisition of assets through acquisition of subsidiaries (Note 31)	95,227
Exchange realignments	(7)
At 31 December 2015 and 1 January 2016	95,220
Fair value change during the year	773
Exchange realignments	(59)
At 31 December 2016	95,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. Investment Properties (continued)

The investment properties comprise commercial office units and car park spaces situated in a commercial building in Hong Kong. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2015 and 2016 has been arrived at on the basis of a valuation carried out by Asset Appraisal Limited, independent qualified professional valuers not connected to the Group.

Asset Appraisal Limited is member of the Institute of Valuers of Hong Kong, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in nature, location and condition of the properties under review.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 and 2016 are as follows:

	Level 3 2016 USD'000	Level 3 2015 USD'000
Commercial office units in Hong Kong	**92,581**	92,252
Car parking spaces in Hong Kong	**3,353**	2,968
	95,934	95,220

For the investment properties categorised into Level 3 of the fair value hierarchy, the valuation method used is direct comparison method and the key inputs for valuation technique of the commercial office units in Hong Kong is price per square feet and car parking spaces in Hong Kong is price per car parking space. The price per square feet using market direct comparable and taking into account of location and other individual factors such as floor range and change in market environment for the timing differences of comparable transactions of the range from HKD18,353 to HKD19,294 (2015: the range from HKD18,431 to HKD18,902) and HKD2,600,000 (2015: HKD2,300,000) per car park space. A slight increase in price per square feet and price per car parking space will increase significantly the fair value of commercial office units and car parking spaces respectively.

16. Available-For-Sale Investments

	2016 USD'000	2015 USD'000
Listed debt securities, at fair value		
Listed in Hong Kong		
Perpetual Securities at a floating rate of 7.5% per annum (Note a, c)	**10,036**	–
Listed outside Hong Kong		
Senior Notes with a fixed coupon interests ranging from 4.875% to 12% (2015: 8.125% to 12%) per annum and maturity dates from 15 January 2019 to 8 August 2021 (2015: 17 February 2020 to 22 January 2021) (Note a, b)	**100,657**	57,958
Perpetual Notes at a floating rate ranging from 6.375% to 7.375% per annum and it is callable from 10 August 2021 to 30 March 2025 (Note a, c)	**46,239**	–
Senior Notes at a floating rate of ranging from 2.361% to 2.992% per annum with the mature dates from 10 August 2021 to 1 September 2023 (Note a, d)	**19,499**	–
Unlisted securities		
Managed investment funds (Note e)	**47,977**	45,366
Other security investments (Note f)	**48,974**	42,582
Unlisted Perpetual Securities (Note g)	**30,000**	29,820
	303,382	175,726

Notes:

(a) The listed Senior Notes, Perpetual Notes and Perpetual Securities were initially measured at fair value. The fair value at the end of reporting period is determined based on the quoted price from financial institutions supported by observable inputs.

(b) During the year ended 31 December 2016, an increase in fair value of USD2,246,000 (2015: USD3,397,000) is recognised in the other comprehensive income. One of the senior notes was partially sold and the gain on disposal of available-for-sale investments is USD5,000.

(c) The interest rate is subject to change at reset day with reset rate ranging from 3.705% to 6.301% plus mid-market swap rate. During the year ended 31 December 2016, one of the perpetual notes was sold and the gain on disposal of available-for-sale investments is USD26,000. During the year ended 31 December 2016, an increase in fair value of USD1,283,000 (2015: nil) is recognised in the other comprehensive income.

(d) The interest rate is subject to change at reset day with reset rate ranging from 1.430% to 2.110% plus 3 months LIBOR. During the year ended 31 December 2016, an increase in fair value of USD77,000 (2015: nil) is recognised in the other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. Available-For-Sale Investments (continued)

Notes: (continued)

(e) The Group held four (2015: three) unlisted investments funds which are managed by financial institutions investing real estate properties, financial products and unlisted equity investments respectively. The financial products include listed equity shares, straight bonds, convertible bond, REITs, business trusts and derivatives. The fair value of the real estate properties is determined by the market transaction prices of similar properties of the relevant locations. The underlying financial products and unlisted equity investment are valued at quoted prices in the open market or observable prices of comparable investments, or measured using valuation techniques in which significant input is based on observable market data. During the year ended 31 December 2016, an increase in fair value of USD2,800,000 (2015: USD1,135,000) is recognised in the other comprehensive income. The Group received a return of capital from one of its unlisted investments funds of USD5,189,000 (2015: USD819,000) plus distribution of USD377,000.

(f) The other security investments of the Group includes an investment with the carrying value of USD5,949,000 (2015: USD6,119,000) which was stated at fair value as at 31 December 2016 through partnership. In the absence of quoted market price in an active market, the fair value measurement is determined by the financial institution using valuation techniques including earnings multiples (based on the budget earnings or historical earnings of the issuer and earnings multiples of comparable listed companies) and discounted cash flows. The valuation may be adjusted for factors such as non-maintainable earnings, tax risk, growth stage and cash traps as deemed necessary by the financial institution.

The remaining investments through partnership or direct investment with an aggregate carrying value of USD43,025,000 (2015: USD36,463,000) represent seven (2015: five) other security investments which were stated at cost less impairment loss as the range of reasonable fair value estimates are so significant that the directors are of the opinion that the fair value cannot be measured reliably. As at 31 December 2016, three out of these seven (2015: five) other security investments accounted for 85% (2015: 93%) of the aggregate carrying value, which the investment portfolio is focused in unlisted equity investments in information technology companies on consumer business and finance industry.

During the year ended 31 December 2016, the Group received a return of capital from one of its unlisted securities investments of USD1,855,000 (2015: nil) and plus distribution of USD1,179,000. During the year ended 31 December 2015, the Group withdrawn its investment in one of the unlisted securities investments. The cost of investment of USD2,000,000 was refunded plus gain of USD11,000.

(g) On 29 December 2015, the Group subscribed for 9% perpetual securities ("Unlisted Perpetual Securities") with principal amount of USD30,000,000 at a consideration of USD29,700,000. The consideration was settled in cash by the Group. The issuer is a public limited company with its shares listed on the Main Board of the Hong Kong Stock Exchange.

The Unlisted Perpetual Securities were initially measured at fair value. In the absence of quoted market price in an active market, the fair value measurements are derived from valuation techniques using the discounted cash flow model that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). During the year ended 31 December 2016, an increase in fair value of USD180,000 (2015: USD120,000) was recognised in the investment revaluation reserve.

The fair value of the Unlisted Perpetual Securities as at 31 December 2016 and 2015 is determined using the discounted cash flow model model with the following assumptions:

	2016	2015
Discount rate	**9.481%**	11.389%
Expected life	**2 years**	25 years

17. Accounts and Other Receivables and Deposits

	2016 USD'000	2015 USD'000
Trade receivables from mining business (Note a)	–	13,822
Accounts receivables from the business of dealing in securities:		
Cash and custodian clients (Note b)	72	–
Margin clients (Note c)	19,468	–
Clearing house (Note b)	12	–
Accounts receivables	19,552	–
Less: Impairment allowance (Note d)	–	–
Other receivables and deposits, net of allowance (Note e)	15,201	42,521
Less: Other receivable and deposits classified as non-current assets (Note e)	(13,357)	(27,008)
Accounts and other receivables classified as current assets	21,396	29,335

Notes:

(a) The Group allows a credit period of less than two weeks for its trade customers. The following is an ageing analysis of trade receivables from mining business at the end of the reporting period which is determined based on the invoice date:

	2015 USD'000
0–14 days	13,822

(b) The normal settlement terms of accounts receivables from cash and custodian client and securities clearing houses are two business days after trade date. As at 31 December 2016, accounts receivables from cash and custodian clients which are neither past due nor impaired represent unsettled client trades on various securities exchanges transacted on the last two to three business days prior to the period end date. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these accounts receivables.

(c) Loans to securities margin clients are secured by clients' pledged securities with fair value of USD159,311,000 (2015: nil). Significant portion of the pledged securities are listed equity securities in Hong Kong. The loans are repayable on demand subsequent to settlement date and carry interest typically at 8.5% to 13.5% per annum as at 31 December 2016. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

(d) Impairment loss on margin clients receivables

Impairment losses in respect of margin clients receivables are recorded using an allowance account unless the company is satisfied that recovery of the amount is remote, in which the impairment loss is written off against margin clients receivables directly.

The Group held collateral of listed equity securities with a fair value of USD159,311,000 (2015: nil) at the end of the reporting period in respect of these loans. No impairment allowance has been made for margin loans with an aggregate outstanding balance of USD19,468,000 (2015: nil) based on the Group's evaluation of their collectability.

(e) As at 31 December 2016, included in other receivable are deferred cash consideration recoverable amounting to USD13,304,000 in relation to the disposal of the mining business. As at 31 December 2015, USD27,008,000 (2016: nil) of value added tax ("VAT") paid by an Indonesian subsidiary of the Group, were classified as other receivables non-current portion based on their expected refund time span, in connection with its purchase of equipment and services from suppliers for the operation and construction of the mine site.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. Inventories

	2016 USD'000	2015 USD'000
Raw materials	–	24,573
Stockpiles	–	10,010
Work in progress	–	18,189
	–	52,772
Less: inventories classified as non-current assets		
Stockpiles	–	(7,999)
Inventories classified as current assets	–	44,773

The portion of the stockpile that was to be processed more than twelve months from the reporting date was classified as non-current inventories. All of the inventories were disposed of upon the disposal of the mining business which are disclosed in note 33.

19. Intangible Assets

	Trading right USD'000
COST	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Arising on acquisition of subsidiaries (Note 32)	455
At 31 December 2016	455
AMORTISATION AND IMPAIRMENT	
At 1 January 2015, 31 December 2015 and 31 December 2016	–
CARRYING VALUES	
At 31 December 2016	455
At 31 December 2015	–

Trading right confers a right to the Group to trade securities and options contracts on or through the Hong Kong Stock Exchange such that the Group can conduct the business of securities brokerage.

Trading right is considered by the directors of the Company as having indefinite useful life because there is no foreseeable limit on the period over which the trading right is expected to generate cash flows to the Group. Trading right is not amortised until its useful life is determined to be finite. Instead, it is tested for impairment annually and whenever there is an indication that it may be impaired. For such purposes, trading right is allocated to the businesses of securities brokerage, placing and underwriting services and margin financing as one cash generating unit ("CGU").

During the year ended 31 December 2016, management of the Group determines that there are no impairments of its CGU containing intangible asset with indefinite useful lives.

20. Goodwill

	USD'000
COST	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Arising on acquisition of subsidiaries (Note 32)	1,481
Exchange realignment	(1)
At 31 December 2016	1,480
IMPAIRMENT	
At 1 January 2015, 31 December 2015 and 31 December 2016	–
CARRYING VALUES	
At 31 December 2016	1,480
At 31 December 2015	–

For the purposes of impairment testing, goodwill has been allocated to group of CGUs comprising the business of securities brokerage, placing and underwriting services, margin financing, advisory and money lending.

During the year ended 31 December 2016, management of the Company determines that there are no impairments of its CGUs containing goodwill.

For the purposes of impairment testing, the basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of the CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 14.64% (2015: nil). The cash flows beyond the five-year period are extrapolated using a steady 3% growth rate. This growth rate is based past performance and management's expectations for the market development. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue, such estimation is based on the unit's past performance and management's expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount of CGUs.

21. Loans Receivable

	2016 USD'000	2015 USD'000
Fixed-rate loans receivable, current	**15,868**	72,483

The range of effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loans receivable is 7.5% to 35.0% (2015: 5% to 18%) per annum. The contractual maturity date of the loans receivable ranges from less than one month to two years (2015: two months to one year) and are all denominated in HKD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21. Loans Receivable (continued)

As at 31 December 2016, loans receivable of USD15,868,000 carried interest ranging from 7.5% to 35.0% per annum are unsecured. As at 31 December 2015, the Group's fixed-rate loans receivable of USD36,127,000 carried interest at ranging from 14% to 16% per annum are secured by the shares in companies listed on the Hong Kong Stock Exchange and one of the Group's loans receivable of USD19,583,000 carried interest at 18% per annum is secured by a charge over certain properties in Hong Kong and the remaining loans receivable of USD16,773,000 carried interest ranging from 5% to 12.0% per annum are unsecured. All the loans receivable were due within one year (2015: one year).

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

As at 31 December 2016, included in the Group's loans receivable balance, an aggregate carrying amount of USD3,902,000 (2015: nil) which is past due as at the reporting date for which the Group has not provided for impairment loss. The Group received USD3,798,000 subsequent to the date of reporting period. Management believes that no impairment allowance is necessary in respect of the remaining loans receivable as there is no significant change in credit quality and the balances are still considered fully recoverable.

22. Held for Trading Investments

	2016 USD'000	2015 USD'000
Equity instruments listed in Hong Kong, at fair value	**72,391**	30,606

All held for trading investments are Hong Kong listed equity instruments held by the Group as at the end of the reporting period. The fair value is determined based on the closing price per share quoted on the Hong Kong Stock Exchange and quoted market bid price as at the end of the respective reporting periods.

23. Convertible Bond/Derivative Component in Convertible Bond

During the year ended 31 December 2015, the Group subscribed for a convertible bond issued by Enhanced Financial Services Group Limited, with principal amount of USD17,415,000 (which is denominated in HKD of HKD135,000,000) which carried interest at 7% per annum payable on 29 September 2016 with maturity on the same date at a redemption amount of 100% of the principal amount. The convertible bond could be converted at any time from the date immediately following seven days after the issue date up to the maturity date. The fair value at initial recognition of the debt component and derivative component, which amounted to USD16,510,000 (equivalent to HKD127,982,000) and USD905,000 (equivalent to HKD7,076,000) respectively, were determined based on the valuation provided by Greater China Appraisal Limited, independent professional qualified valuers not connected with the Group. Subsequent to the initial recognition, the debt component was carried at amortised cost using the effective interest method and the derivative component was carried at fair value.

On 30 March 2016, the Group served a notice to exercise its conversion right to convert a convertible bond for acquisition of subsidiaries which is set out in note 32.

23. Convertible Bond/Derivative Component in Convertible Bond

(continued)

The Group's convertible bond is recognised as follows:

	Debt component USD'000	Derivative component USD'000
At issue date on 29 September 2015	16,510	905
Accretion of interest	531	–
Fair value loss recognised in profit or loss	–	(161)
Exchange realignment	3	–
At 31 December 2015	17,044	744
Accretion of interest	498	–
Fair value gain/(loss) recognised in profit or loss	72	(277)
Interest received	(612)	–
Exchange realignment	(8)	(1)
Conversion of convertible bond (Note 32)	(16,994)	(466)
At 31 December 2016	–	–

The methods and assumptions applied for the valuation of the convertible bond are as follows:

(i) Valuation of debt component

At initial recognition, the fair value of debt component was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit risk of the convertible bonds issuer and maturity term of the convertible bond. The effective interest rate of the debt component was 12.9%.

(ii) Valuation of derivative component

Derivative component was measured at fair value using the Binomial Pricing Model, at initial recognition and 31 December 2015. The inputs into the model as at date of subscription and at 31 December 2015, were as follows:

	31 December 2015	29 September 2015
Stock price	**HKD0.8456**	HKD0.8236
Conversion price	**HKD1.0000**	HKD1.0000
Volatility	**49.94%**	45.33%
Dividend yield	**0%**	0%
Option life	**0.75 year**	1 year
Risk free rate	**0.64%**	0.58%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

24. Bank Trust Accounts Balances

The Group maintains segregated trust accounts with licensed financial institutions to hold clients' monies arising from the business of dealing in securities. The Group has classified the clients' monies as cash held on behalf of customers under the current assets of the consolidated statement of financial position and recognised the corresponding accounts payables to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

25. Bank Balances and Cash

Bank balances carry interest at market rates which range from 0.001% to 1.81% (2015: 0.001% to 1%) per annum.

26. Accounts and Other Payables

	2016 USD'000	2015 USD'000
Trade payables from mining business (Note a)	–	3,454
Accounts payables from the business of dealing in securities: (Note b)		
Cash and custodian clients	284	–
Margin clients	230	–
Other payables (Note c)	12,557	30,027
Accounts and other payables	13,071	33,481
Less: Other payables classified as non-current liabilities	–	(4,485)
Accounts and other payables classified as current liabilities	13,071	28,996

Notes:

(a) As at 31 December 2015, the following is an analysis of trade payables from mining business by age, presented based on the invoice date.

	2015 USD'000
0–60 days	2,933
61–90 days	64
> 90 days	457
	3,454

(b) The normal settlement terms of accounts payables to clients are two business days after trade date. No ageing analysis is disclosed for the accounts payables from the business of dealing in securities as, in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

(c) As at 31 December 2016, included in other payables are USD9,847,000 relating to the liabilities arising from the disposal of mining business. As at 31 December 2015, included in other payables are USD25,660,000 and USD1,180,000 relating to payables by an Indonesian subsidiary of the Group for the operation of the Martabe Mine and to its consultants and contractors in connection with the construction of the Martabe Mine, respectively.

27. Deferred Tax Liabilities

The following is the major deferred tax liabilities recognised and movements thereon during the current year and prior year:

	Undistributed profits of subsidiary USD'000	Accelerated tax depreciation USD'000	Total USD'000
At 1 January 2015	8,916	25,066	33,982
Charged to profit or loss	3,313	17,310	20,623
At 31 December 2015 and 1 January 2016	12,229	42,376	54,605
Charged to profit or loss in relation to discontinued operation	1,499	2,624	4,123
Disposals of subsidiaries (Note 33)	(13,728)	(45,000)	(58,728)
Arising from acquisition of subsidiaries (Note 32)	–	64	64
At 31 December 2016	–	64	64

At the end of the reporting period, the Group has unused tax losses of USD69,583,000 (2015: USD70,127,000) available for offset against future profits. During the year ended 31 December 2016, there was acquisition of subsidiaries with unused tax losses of USD2,293,000 (2015: nil). No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profits streams. The tax losses may be carried forward indefinitely.

28. Provision for Mine Rehabilitation Cost

In accordance with relevant rules and regulations in Indonesia, the Indonesian subsidiary of the Group accrued for the cost of land rehabilitation and mine closure for the Martabe Mine. The provision for rehabilitation cost has been determined by the directors based on their best estimates in accordance with the Indonesian rules and regulations. The amount of provision for mine rehabilitation cost was disposed of upon the disposal of mining business.

	USD'000
At 1 January 2015	18,472
Unwinding of discount	2,260
At 31 December 2015 and 1 January 2016	20,732
Unwinding of discount	390
Disposal of subsidiaries (Note 33)	(21,122)
At 31 December 2016	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

29. Share Capital

	Number of shares	Value USD'000
Authorised:		
Ordinary shares of HKD0.01 each		
At 1 January 2015, 31 December 2015 and 31 December 2016	60,000,000,000	76,923
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 1 January 2015	26,490,076,130	34,150
Issue of shares in lieu of cash dividends (Note a)	74,402,080	96
At 31 December 2015 and 1 January 2016	26,564,478,210	34,246
Issue of shares in lieu of cash dividends (Note b)	484,366,576	625
At 31 December 2016	27,048,844,786	34,871

Notes:

(a) On 7 August 2015, the Company issued and allotted 74,402,080 new ordinary shares of HKD0.01 each at an issue price of HKD0.296 per share to the shareholders who elected to receive shares in the Company in lieu of cash for the 2014 Final Dividend pursuant to the scrip dividend scheme announced by the Company on 3 July 2015. Accordingly, USD96,000 (equivalent to HKD744,000) was credited to share capital and USD2,745,000 (equivalent to HKD21,279,000) was credited to share premium.

(b) On 8 August 2016, the Company issued and allotted 484,366,576 new ordinary shares of HKD0.01 each at an issue price of HKD0.1442 per share to the shareholders who elected to receive shares in the Company in lieu of cash for the 2015 Final Dividend pursuant to the scrip dividend scheme announced by the Company on 29 June 2016. Accordingly, USD625,000 (equivalent to HKD4,844,000) was credited to share capital and USD8,383,000 (equivalent to HKD65,002,000) was credited to share premium.

All the shares issued by the Company during both years rank pari passu with the then existing ordinary shares in all respects.

30. Share-Based Payment Transactions

The Company's share option scheme was adopted pursuant to a resolution passed on 30 July 2004 (the "2004 Scheme"), for the purpose of providing incentives or rewards to directors, employees, invested entities, suppliers and customers of the Group and entities that provide research, development or technological support or other services to the Group, any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities. The 2004 Scheme was expired on 29 July 2014. Under the 2004 Scheme, the Board of Directors of the Company might grant options to eligible employees, including executive directors of the Company or its subsidiaries, to subscribe for shares in the Company. The Company adopted a new share option scheme pursuant to a resolution passed by shareholders on 18 June 2014 (the "2014 Scheme") for the purpose of providing incentives or rewards to directors, employees, customers, suppliers, providers of research, development or technical support, shareholders and holders of securities of the Group and its invested entities, in which the Group holds not less than 10% equity interest ("Eligible Participants"). Under the 2014 Scheme, the Board of Directors may grant options to Eligible Participants to subscribe for shares in the Company.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 Scheme and 2014 Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2004 Scheme and 2014 Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any twelve-month period is limited to 1% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. Any grant of options under the 2004 Scheme and 2014 Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HKD5,000,000 (approximately USD641,000), in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

As at 31 December 2016, the number of shares of the Company in respect of which options had remained outstanding under the 2004 Scheme of the Company was 24,006,125 (2015: 169,455,000), representing 0.1% (2015: 0.6%) of the shares of the Company in issue at that date.

No option was granted during the year ended 31 December 2015 and 2016.

Options granted must be taken up within 28 days of the date of grant, upon payment of HKD1 as the consideration for accepting the grant. The exercise period of the share options granted under the 2004 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end more than ten years from the date of grant. The exercise price is determined by the Board of Directors of the Company, and will not be less than the highest of the closing price of the Company's shares at the date of grant, the average closing price of the Company's shares for the five trading days immediately preceding the date of grant and the nominal value of the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. Share-Based Payment Transactions (continued)

The following table discloses the movements of the Company's share options for the reporting period:

Share options granted under 2004 Scheme

Category of Participants	Date of grant	Exercise period	Exercise price per share HKD	Adjusted exercise price per share HKD Note 5	Notes	Outstanding at 01. 01. 2015	Granted during the year	Exercised during the year	Lapsed during the year	Forfeited during the year	Outstanding at 01.01.2016	Granted during the year	Exercised during the year	Transfer from employee to others during the year	Lapsed during the year	Forfeited during the year	Outstanding at 31. 12. 2016
Directors	1.12.2010	1.12.2010–30.11.2015	0.70	0.6196	2	458,093,350	-	-	(345,123,350)	(112,970,000)	-	-	-	-	-	-	-
	3.3.2011	3.3.2011–2.3.2016	0.70	0.6196	2	112,970,000	-	-	-	-	112,970,000	-	-	-	(112,970,000)	-	-
Employees	13.5.2010	13.5.2010–12.5.2015	0.55	0.4869	1	5,648,500	-	-	(5,648,500)	-	-	-	-	-	-	-	-
	1.12.2010	1.12.2010–30.11.2015	0.70	0.6196	2	30,060,406	-	-	(28,365,856)	(1,694,550)	-	-	-	-	-	-	-
	1.12.2010	1.12.2010–30.11.2015	0.60	0.5311	2	27,282,255	-	-	(26,547,950)	(734,305)	-	-	-	-	-	-	-
	2.3.2011	2.3.2011–1.3.2016	0.70	0.6196	2	19,204,900	-	-	-	-	19,204,900	-	-	-	(19,204,900)	-	-
	8.7.2011	8.7.2011–7.7.2016	0.77	0.6816	3	22,029,150	-	-	-	(8,755,175)	13,273,975	-	-	(12,144,275)	(1,129,700)	-	-
	3.1.2012	3.1.2012–2.1.2017	0.60	0.5311	4	29,937,050	-	-	-	(9,320,025)	20,617,025	-	-	(20,617,025)	-	-	-
Others	10.1.2012	10.1.2012–9.1.2017	0.60	0.5311	4	3,389,100	-	-	-	-	3,389,100	-	-	(3,389,100)	-	-	-
	8.7.2011	8.7.2011–7.7.2016	0.77	0.6816	3	-	-	-	-	-	-	-	-	12,144,275	(12,144,275)	-	-
	3.1.2012	3.1.2012–2.1.2017	0.60	0.5311	4	-	-	-	-	-	-	-	-	20,617,025	-	-	20,617,025
	10.1.2012	10.1.2012–9.1.2017	0.60	0.5311	4	-	-	-	-	-	-	-	-	3,389,100	-	-	3,389,000
						708,614,711	-	-	(405,685,656)	(133,474,055)	169,455,000	-	-	-	(145,448,875)	-	24,006,125
Exercisable at the end of the year						700,239,744					169,455,000						24,006,125
Weighted average exercise price (HKD)						0.61	-	-	0.61	0.62	0.61	-	-	-	0.63	-	0.53

Notes:

1. The share options will vest upon the occurrence of:

   i) as to one-third, upon the first gold production by G-Resources Martabe Pty Ltd and its subsidiary under the Martabe Mine;

   ii) as to one-third, upon the process plant of the Martabe Mine being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan and as approved by the board of directors ("the board") for a continuous of three months; and

   iii) as to the remaining one-third, upon the average closing share price of the Company for a continuous period of 30 days having reached 100% above the exercise price of the share option granted,

   provided always that, in each case, no share options shall be vested at any time prior to the expiry of twelve months from the date of the grant of the share options and no option is exercisable until upon and after vesting.

2. The share options will vest upon the occurrence of:

   i) as to 50%, upon the first gold production by G-Resources Martabe Pty Ltd and its subsidiary under the Martabe Mine;

   ii) as to 25%, upon the process plant of the Martabe Mine being in operation and having reached its designed capacity of not less than a monthly average of gold production of 90% of the board approved production output for that year over a period of any six consecutive months after the first gold production at the Martabe Mine; and

30. Share-Based Payment Transactions (continued)

Share options granted under 2004 Scheme (continued)

Notes: (continued)

iii) as to 25%, upon the process plant of the Martabe Mine being in operation and having reached its designed capacity of not less than a monthly average of gold production of 90% of the board approved production output for that year over a period of any twelve consecutive months after the first gold production at the Martabe Mine,

provided always that, in each case, no share options shall be vested at any time prior to the expiry of twelve months from the date of grant of the share options.

3. The share options will vest upon the occurrence of:

   i) as to 50%, 90 days after the first gold production by G-Resources Martabe Pty Ltd and its subsidiary under the Martabe Mine;

   ii) as to 25%, upon the process plant of the Martabe Mine being in operation and having reached its designed capacity of not less than a monthly average of gold production of 90% of the board approved production output for that year over a period of any six consecutive months after the first gold production at the Martabe Mine; and

   iii) as to 25%, upon the process plant of the Martabe Mine being in operation and having reached its designed capacity of not less than a monthly average of gold production of 90% of the board approved production output for that year over a period of any twelve consecutive months after the first gold production at the Martabe Mine,

   provided always that, in each case, no share options shall be vested at any time prior to the expiry of twelve months from the date of grant of the share options.

4. The share options will vest upon the occurrence of:

   i) as to 50%, 180 days after the first gold production by G-Resources Martabe Pty Ltd and its subsidiary under the Martabe Mine;

   ii) as to 25%, upon the process plant of the Martabe Mine being in operation and having reached its designed capacity of not less than a monthly cumulated average of gold production of 90% of the board approved production output for that year over a period of any six consecutive months after the first gold production at the Martabe Mine; and

   iii) as to 25%, upon the process plant of the Martabe Mine being in operation and having reached its designed capacity of not less than a monthly cumulated average of gold production of 90% of the board approved production output for that year over a period of any twelve consecutive months after the first gold production at the Martabe Mine,

   provided always that, in each case, no share options shall be vested at any time prior to the expiry of nine months from the date of grant of the share options.

5. The Company has made adjustments to the outstanding share options upon the completion of the rights issue which was announced on 28 August 2013 and completed on 7 October 2013.

No share option was granted for the year ended 31 December 2016 and 2015. During the year ended 31 December 2016, the Group transferred from share option reserve to retained profits amounting to USD3,633,000 (2015: USD11,243,000) upon unvested share options lapsed/forfeited. During the year ended 31 December 2015, the Group transferred from share option reserve to profit and loss amounting to USD41,000 (2016: nil) upon vested share options lapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. Share-Based Payment Transactions (continued)

Share options granted under 2004 Scheme (continued)

The following assumptions were used to calculate the fair values of share options:

Grant date	10 January 2012	10 January 2012	10 January 2012
Lot	1	2	3
Weighted average share price on date of grant*	HKD0.417	HKD0.417	HKD0.417
Exercise price*	HKD0.600	HKD0.600	HKD0.600
Expected life	2.9 years	3.0 years	3.3 years
Expected volatility	58.64%	61.88%	68.23%
Dividend yield	0%	0%	0%
Risk-free interest rate	0.487%	0.513%	0.567%

Grant date	8 July 2011	8 July 2011	3 January 2012	3 January 2012	3 January 2012	3 January 2012
Tranche/Lot	2	3	A1	A2	A3	B
Weighted average share price on date of grant*	HKD0.649	HKD0.649	HKD0.439	HKD0.439	HKD0.439	HKD0.439
Exercise price*	HKD0.770	HKD0.770	HKD0.600	HKD0.600	HKD0.600	HKD0.600
Expected life	3.3 years	3.5 years	2.9 years	3.0 years	3.3 years	2.6 years
Expected volatility	62.52%	64.18%	58.68%	63.42%	68.17%	56.59%
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free interest rate	0.833%	0.937%	0.496%	0.527%	0.581%	0.452%

Grant date	2 March 2011	3 March 2011	3 March 2011	3 March 2011	8 July 2011
Lot	3	1	2	3	1
Weighted average share price on date of grant*	HKD0.546	HKD0.547	HKD0.547	HKD0.547	HKD0.649
Exercise price*	HKD0.700	HKD0.700	HKD0.700	HKD0.700	HKD0.770
Expected life	3.7 years	3.0 years	3.5 years	3.7 years	3.0 years
Expected volatility	65.94%	66.53%	67.82%	65.95%	61.82%
Dividend yield	0%	0%	0%	0%	0%
Risk-free interest rate	1.361%	1.099%	1.283%	1.393%	0.711%

30. Share-Based Payment Transactions (continued)

Share options granted under 2004 Scheme (continued)

Grant date	13 May 2010	1 December 2010	1 December 2010	1 December 2010	2 March 2011	2 March 2011
Tranche/Lot		A	B	C	1	2
Weighted average share price on date of grant*	HKD0.463	HKD0.512	HKD0.512	HKD0.512	HKD0.546	HKD0.546
Exercise price*	HKD0.550	HKD0.700	HKD0.600	HKD0.600	HKD0.700	HKD0.700
Expected life	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years	3.5 years
Expected volatility	69.84%	68.35%	68.35%	68.35%	66.51%	67.81%
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free interest rate	1.064%	0.828%	0.828%	0.828%	1.062%	1.250%

* Before the adjustments for the right issue

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Expected volatility was determined by using the volatility of a set of companies in the mining industry. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations. At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

31. Acquisition of assets through acquisition of subsidiaries

On 16 October 2015, the Group acquired 100% equity interest in Supreme Racer Limited ("Supreme Racer") and its subsidiaries and assignment of loans due to the vendor to the Group from an independent third parties at a consideration of USD95,227,000. This acquisition is to expand the Group's real property business. This acquisition has been accounted for an acquisition of assets. Supreme Racer is an investment holding company while its subsidiaries own several investment properties and are engaged in property leasing business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

31. Acquisition of assets through acquisition of subsidiaries

(continued)

	USD'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Investment properties	95,227
Other receivables	174
Bank balances and cash	556
Other payables	(708)
Tax payable	(22)
Sales Loan (Note)	(94,154)
	1,073
Cash consideration paid	95,227
Assignment of the Sales Loan (Note)	(94,154)
Amount attributable to the acquisition of equity interest in Supreme Racer	1,073
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:	
Cash consideration paid	95,227
Less: bank balances and cash acquired	(556)
Net cash outflow in respect of the acquisition of subsidiaries	94,671

Note: Upon acquisition date, the debt due by the company to the Vendor was assigned to the Group.

On 30 October 2015, the Group acquired 100% equity interest in Prime Century Limited ("Prime Century") and assignment of loan due to the vendor to the company from an independent third parties at a consideration of USD26,952,000. Prime Century is the registered owner of an aircraft.

	USD'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Properties, plant and equipment	26,511
Other receivables	441
Sales Loan (Note)	(26,952)
	–
Cash consideration paid	26,952
Assignment of the Sales Loan (Note)	(26,952)
Amount attributable to the acquisition of equity interest in Prime Century	–
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of a subsidiary:	
Cash consideration paid and net cash outflow in respect of the acquisition of a subsidiary	26,952

Note: Upon acquisition date, the debt due by the company to the Vendor was assigned to the Group.

32. Acquisition of Subsidiaries/Business

On 30 March 2016, the Group served a notice to exercise its conversion right to convert a convertible bond with principal amount of USD17,415,000 (which is denominated in HKD of HKD135,000,000) issued by Enhanced Financial Services Group Limited ("EFSG"). Upon the conversion of the convertible bond on 30 March 2016, 135,000,000 ordinary shares of EFSG with par value of HKD1 each were issued to the Group, which represent 75% of the issued share capital of EFSG. The consideration of USD17,460,000 is determined with reference to the fair value of convertible bond at the date of conversion. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was USD1,481,000. EFSG and its subsidiaries ("Enhanced Group") are engaged in the financial service business. EFSG was acquired so as to expend the Group's financial service business.

	USD'000
Consideration transferred:	
Fair value of convertible bond at the date of acquisition	17,460
Total	17,460

The acquisition-related costs of the acquisition is insignificant.

	30 March 2016 USD'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	31
Intangible assets	455
Accounts and other receivables and deposits	610
Loans receivable	27,793
Bank trust accounts balances	420
Bank balances and cash	5,518
Accounts and other payables	(561)
Loan from the Group	(12,897)
Tax payable	(108)
Deferred tax liabilities	(64)
Net assets acquired at	21,197

The fair value of account and other receivables and deposits and loans receivable at the date of acquisition amounted to USD610,000 and USD27,793,000 respectively. The gross contractual amounts of those accounts and other receivables and loans receivable acquired amounted to USD709,000 and USD27,930,000 respectively at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to USD99,000 and USD137,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

32. Acquisition of Subsidiaries/Business (continued)

	30 March 2016 USD'000
Goodwill arising on acquisition:	
Consideration transferred	17,460
Non-controlling interests	5,218
Less: net assets acquired	(21,197)
Goodwill arising on acquisition	1,481

The non-controlling interests (25%) in EFSG recognised at the acquisition date was measured at its proportionate share of recognised amounts of EFSG's identifiable net assets.

Goodwill arose in the acquisition of EFSG because the cost of the combination included a control premium. In addition, the consideration transferred for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of EFSG. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

	30 March 2016 USD'000
Net cash inflow arising on acquisition of EFSG:	
Cash consideration paid	–
Bank balances and cash acquired	5,518
	5,518

Included in the profit for the year is USD1,529,000 attributable to the additional business generated by Enhanced Group. Revenue for the year includes USD3,957,000 generated from Enhanced Group.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been USD30,851,000, and profit for the year would have been USD10,666,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

33. Disposal of Business/Subsidiaries

As referred to in note 9, on 17 March 2016, the Group discontinued its mining business at the time of disposal of the Martabe Mine and other companies ("mining business"). The net assets of mining business at the date of disposal were as follows:

	USD'000
Consideration received and receivables:	
Net cash received	809,392
Deferred cash consideration (Note a)	13,655
Contingent payment (Note b)	–
Other payables (Note a)	(9,824)
Total consideration received and receivables	813,223

Notes:

(a) As at 31 December 2016, the amount of the working capital entitlements under the sale and purchase agreement is not finalized, the deferred cash consideration and other payables are subjected to change.

(b) Pursuant to the sale and purchase agreement entered into with the buyer, the buyer shall pay, or procure the payment of, a contingent payment of USD130,000,000 to the Group on 31 December 2019 if the arithmetic mean of the price of gold set by the ICE Benchmark Administration on each business day in London at 3:00 p.m. (London time), expressed in USD per fine troy ounce (which is currently published on the website of the London Bullion Market Association) or, if the price of gold ceases to be set by the ICE Benchmark Administration prior to 1 January 2019, the price of gold set by any other person selected by Intercontinental Exchange and the London Bullion Market Association to perform this function ("Gold Fix") as published on each business day in London during any period of 365 consecutive calendar days between 17 March 2016 and 1 January 2019 is USD1,500 or more ("Gold Fix Target"). The "arithmetic mean" will be the sum of the Gold Fix for each business day in London during this period of 365 consecutive calendar days, divided by the number of business days in London during that period. No adjustment is made on the contingent payment as its fair value is considered to be insignificant as based on the gold price as at 31 December 2016, it will require a substantial increase before the gold price will reach USD1,500 per fine troy ounce.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

33. Disposal of Business/Subsidiaries (continued)

	17 March 2016 USD'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	691,277
Exploration and evaluation assets	29,466
Accounts and other receivable	52,490
Inventories	58,163
Bank balances and cash	25,100
Accounts and other payables	(39,094)
Tax payables	(10,677)
Deferred tax liabilities	(58,728)
Provision for mine rehabilitation cost	(21,122)
Net assets disposed of	726,875
Gain on disposal of mining business:	
Consideration received and receivables	813,223
Net assets disposed of	(726,875)
Non-controlling interests	24,014
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	(304)
Gain on disposal	110,058
Net cash inflow arising on disposal:	
Cash consideration received	809,392
Less: bank balances and cash disposed of	(25,100)
	784,292

The impact of mining business on the Group's results and cash flows in the current and prior periods is disclosed in note 9.

34. Capital Risk Management

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, share buy-backs or raising of new debt.

35. Financial Instruments

35a. Categories of financial instruments

	2016 USD'000	2015 USD'000
Financial assets		
Financial assets classified as loans and receivables (including cash and cash equivalents)	**876,215**	248,008
Available-for-sale financial assets	**303,382**	175,726
Held for trading investments	**72,391**	30,606
Derivative component in convertible bond	**–**	744
Financial liabilities		
Amortised cost	**11,814**	7,536

35b. Financial risk management objectives and policies

The Group's major financial instruments include held for trading investments, accounts and other receivables and deposits, available-for-sale investments, loans receivable, convertible bond, bank trust accounts balances, bank balances and cash, accounts and other payables and derivative component in convertible bond. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate Senior Notes. As at 31 December 2015, the Group is exposed to fair value interest rate risk in relation to fixed-rate Senior Notes and Perpetual Securities.

The interest income is derived from the Group's current and fixed deposits that carry interest at the respective banking deposit rate of the banks located in Hong Kong. The Group's bank deposits (set out in note 25) carried at prevailing market rates.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below had been determined based on the exposure to fair value for the investments in fixed-rate Senior Notes as at 31 December 2015. If the interest rate used to assess the fair value had been 2% (2016: nil) higher/lower and all other variables were held constant, the Group's investment revaluation reserve as at 31 December 2015 would decrease by USD7,780,000/increase by USD6,579,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. Financial Instruments (continued)

35b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis (continued)

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank balances and variable-rate Senior Notes. The analysis is prepared assuming the financial instruments outstanding at the end of the period were outstanding for the whole year. A 50 basis points (2015: 50 basis points) increase or decrease is used for bank balances and variable-rate Senior Notes and when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates respectively.

If interest rates had been 50 basis points (2015: 50 basis points) for bank balances and variable-rate Senior Notes higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would increase/decrease by USD4,224,000 (2015: increase/decrease by USD535,000). This is mainly attributable to the Group's exposure to interest rates on its bank balances and variable-rate Senior Notes.

(ii) Other price risk

The Group is exposed to price risk through the Group's held for trading investments, variable-rate Perpetual Notes, fixed-rate and variable-rate Senior Notes, Unlisted Perpetual Securities, managed investment funds and other security investments which is stated at fair value. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group's listed equity price risk is mainly concentrated on equity instruments quoted on the Hong Kong Stock Exchange and quoted market bid price. The fair value of variable-rate Perpetual Notes and fixed-rate and variable-rate Senior Notes which is stated at fair value with reference to quoted price from financial institutions supported by observable inputs. The fair value of Unlisted Perpetual Securities which is stated at fair value is derived from valuation techniques using the discounted cash flow model that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). The fair value of unlisted managed investment funds for the real estate properties is determined by the market transaction prices of similar properties of the relevant locations and for the underlying financial products are valued at quoted market prices in the open market or observable prices of comparable investments, or measured using valuation techniques in which significant input is based on observable market data. The fair value of other securities investments which is stated at fair value is determined by the financial institution using valuation techniques including earnings multiples (based on the budget earnings or historical earnings of the issuer and earnings multiples of comparable listed companies) and discounted cash flows.

35. Financial Instruments (continued)

35b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Other price risk (continued)

Sensitivity analysis (continued)

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective securities had been 10% (2015: 10%) higher/lower:

- the Group's post-tax profit for the year ended 31 December 2016 would increase/decrease by USD6,045,000 (2015: USD2,556,000) as a result of the changes in fair value of held for trading investments and the Group's investment revaluation reserve as at 31 December 2016 would be increase/decrease by USD26,036,000 (2015: USD5,149,000) as a result of the changes in fair value of variable-rate Perpetual Notes, fixed-rate and variable-rate Senior Notes, Unlisted Perpetual Securities, managed investment funds and other security investments which is stated at fair value.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets are the amounts stated in the consolidated statement of financial position. In order to minimize the credit risk, management of the Group has determined credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are financial institutions with good reputation or single counterparties which have its shares listed on the Hong Kong Stock Exchange is in good financial position.

The Group has concentrations of credit risk comprising deposits placed at a financial institution for the Group's bank balances of USD508,350,000 (2015: USD53,605,000), which represents approximately 62% (2015: 50%) of the Group's total bank balances and cash, and Senior Notes of USD33,523,000 (2015: USD33,351,000) was issued by a single counterparty, Senior Notes of USD35,169,000 (2015: USD 24,607,000) was issued by another single counterparty and Unlisted Perpetual Securities of USD30,000,000 (2015: USD29,820,000) was issued by another single counterparty. Management considered the credit risk on such balances held at the financial institution and the credit risk are limited because the financial institution is with good reputation and the single counterparties which have its shares listed on the Hong Kong Stock Exchange is in good financial position.

Currency risk

Most of the Group's financial assets and liabilities are denominated in USD and HKD which are the same as the functional currency of the respective Group entities. In addition, the Group has certain financial assets and financial liabilities denominated in IDR, Australian Dollar ("AUD") and Chinese Yuan Renminbi ("CNY") and Euro ("EUR").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. Financial Instruments (continued)

35b. Financial risk management objectives and policies (continued)

Currency risk (continued)

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

	2016 USD'000	2015 USD'000
Assets		
AUD	**3**	93
IDR	**13,304**	29,290
CNY	**18,031**	19,264
EUR	**987**	–
Liabilities		
AUD	**–**	758
IDR	**–**	3,842

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

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation among AUD, IDR, CNY and EUR against USD. The following table details the Group's sensitivity to a 7% (2015: 7%) increase and decrease in the USD against the foreign currencies. 7% (2015: 7%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As at 31 December 2016, a positive/(negative) number indicates and increase/decrease in profit before taxation for the year where the USD strengthens against the relevant foreign currencies. For a 7% (2015: 7%) weakening of the USD against the relevant foreign currencies, there would be an equal and opposite impact on profit before taxation.

	Profit before taxation	
	2016 USD'000	2015 USD'000
AUD	**–**	47
IDR	**(931)**	(1,781)
CNY	**(1,262)**	(1,348)
EUR	**(69)**	–
	(2,262)	(3,082)

35. Financial Instruments (continued)

35b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the operations of the Group and to maintain a balance between continuity of funding and flexibility through the use of borrowings.

The following tables detail the remaining contractual maturity for the non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	On demand or less than 1 month USD'000	1–3 months USD'000	3 months to 1 year USD'000	More than 1 year USD'000	Total undiscounted cash flow USD'000	Carrying amount USD'000
At 31 December 2016						
Non-derivative financial liabilities						
Accounts and other payables	**11,814**	**–**	**–**	**–**	**11,814**	**11,814**
At 31 December 2015						
Non-derivative financial liabilities						
Accounts and other payables	7,536	–	–	–	7,536	7,536

35c. Fair value measurements of financial instruments

The fair value of financial assets are measured at fair value on a recurring basis:

- the fair value of held for trading investments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of Unlisted Perpetual Securities in available-for-sale investments is determined in accordance with the discounted cash flow model, the valuation technique and key inputs are detailed in note 16;
- the fair value of unlisted managed investment funds, other security investment and listed debt securities in available-for-sale investments is determined based on the quoted price provided by the counterparty financial institutions; and
- the fair value of derivative financial asset in derivative component in convertible bond is determined in accordance with binomial pricing model, the valuation technique and key inputs are detailed in note 23.

The fair value of financial assets and financial liabilities are not measured at fair value on a recurring basis:

- the fair value of other financial assets and financial liabilities (excluding held for trading investments and available-for-sale investments measured at fair value) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. Financial Instruments (continued)

35C. Fair value measurements of financial instruments (continued)

The fair value of financial assets and financial liabilities are not measured at fair value on a recurring basis: (continued)

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the input to the fair value measurements are observable and the significance of the inputs to the fair value measurement:

		Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
At 31 December 2016					
Financial assets					
Listed debt securities (classified as available-for-sale investments)	(Note a, e)	**–**	**176,431**	**–**	**176,431**
Unlisted investment funds (classified as available-for-sale investments)	(Note a)	**–**	**47,977**	**–**	**47,977**
Unlisted other security investment (classified as available-for-sale investments)	(Note a)	**–**	**–**	**5,949**	**5,949**
Unlisted perpetual securities (classified as available-for-sale investments)	(Note b)	**–**	**–**	**30,000**	**30,000**
Held for trading investments	(Note c)	**72,391**	**–**	**–**	**72,391**
		72,391	**224,408**	**35,949**	**332,748**
At 31 December 2015					
Financial assets					
Listed debt securities (classified as available-for-sale investments)	(Note a, e)	–	–	57,958	57,958
Unlisted investment funds (classified as available-for-sale investments)	(Note a)	–	45,366	–	45,366
Unlisted other security investment (classified as available-for-sale investments)	(Note a)	–	–	6,119	6,119
Unlisted perpetual securities (classified as available-for-sale investments)	(Note b)	–	–	29,820	29,820
Held for trading investments	(Note c)	30,606	–	–	30,606
Derivative financial assets	(Note d)	–	–	744	744
		30,606	45,366	94,641	170,613

35. Financial Instruments (continued)

35C. Fair value measurements of financial instruments (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

Notes:

(a) The fair value of listed debt securities, unlisted managed investment funds and unlisted other security investment included in available-for-sale investments are provided by the financial institutions which are determined in accordance with the quoted price supported by observable inputs.

(b) The fair value of unlisted perpetual securities was classified as available-for-sale investments is determined in accordance with discounted cash flow model. The key inputs include those can be observed in the market in addition to unobservable inputs such as company specific financial information. The fair value of the available-for-sale investments is measured with the assumptions including discount rate and expected life. The lower the discount rate or shorter the expected life, the higher the fair value.

(c) The fair value of held for trading investments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices.

(d) The fair value of derivative financial assets in derivative component in convertible bond is determined in accordance with binomial pricing model. The key inputs include those can be observed in the market in addition to unobservable inputs such as company specific financial information. The fair value of the derivative component in convertible bond is measured with the assumptions including option life, volatility and risk free rate. The lower the risk free rate or shorter the option life, the higher the fair value.

(e) The Group invested in two listed debt securities that is classified as an available-for-sale investment and are measured at fair value at each reporting date. The fair value of the investments as at 31 December 2016 amount to USD59,168,000 (2015: USD57,958,000). During the year ended 31 December 2016, in view of availability of the market transaction information, the two listed debt securities are transferred from Level 3 to Level 2 fair value hierarchy (2015: no transfer between Level 1, 2 and 3 during the year).

Reconciliation of Level 3 fair value measurements of financial asset

	USD'000
At 1 January 2015	40,908
Purchases	65,605
Disposals	(17,300)
Gain recognised in	
— profit or loss	5,036
— other comprehensive income (Note)	392
At 31 December 2015	94,641
Reclassification to level 2	(57,958)
Disposals	(538)
Gain recognised in	
— profit or loss	2,494
— other comprehensive income (Note)	(2,690)
At 31 December 2016	35,949

Note: The gain included in other comprehensive income for the year related to the debt investments held at the end of the reporting period and are reported as changes of "investment revaluation reserve".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. Financial Instruments (continued)

35d. Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the Group's consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and a broker, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and a broker on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with its same retail customers in the Group's brokerage business ("brokerage clients") that are due to be settled on the same date with reference to the settlement method set by the HKSCC and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, a broker and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group and deposits placed with HKSCC and a broker do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Accounts receivable from the business of dealing in securities	22,193	(2,641)	19,552	–	(19,468)	84

35. Financial Instruments (continued)

35d. Financial assets and financial liabilities offsetting (continued)

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Accounts payable from the business of dealing in securities	3,155	(2,641)	514	–	–	514

36. Operating Leases

The Group as lessee

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

	2016 USD'000	2015 USD'000
Within one year	**717**	638
In the second to fifth year inclusive	**1,095**	351
	1,812	989

Operating lease payments represented rentals payables by the Group for certain of its office premises and warehouse. Leases are negotiated for terms ranging from two to four years.

The Group as lessor

During the year ended 31 December 2016, the Group had property rental income of approximately USD1,925,000 (2015: USD655,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016 USD'000	2015 USD'000
Within one year	**833**	1,981
In the second to fifth year inclusive	**1,499**	–
	2,332	1,981

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. Capital Commitments

At the end of the reporting period, the Group had the following capital commitments:

	2016 USD'000	2015 USD'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	–	11,553
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	–	55,264

38. Other Commitments

At the end of the reporting period, the Group had the following other commitments:

	2016 USD'000	2015 USD'000
Other commitments contracted for but not provided for in the consolidated financial statements in respect of capital contribution in other security investments which are recognised as available-for-sale investments	**29,140**	27,225

39. Related Party Disclosures

Key management personnel compensation

	2016 USD'000	2015 USD'000
Short-term benefits	**2,424**	3,787
Post-employment benefits	**11**	13
	2,435	3,800

40. Retirement Benefits Schemes

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Under the rules of MPF Scheme, the employer and its employees are each required to make contributions to MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contributions are available to reduce the contributions payable in future years.

40. Retirement Benefits Schemes (continued)

The employees in a Group's former subsidiary in Indonesia are members of the state-managed retirement benefit scheme (the "Indonesia State-managed Retirement Benefit Scheme") operated by the Indonesian government. The former subsidiary is required to contribute a certain percentage of payroll costs to the retirement benefits. The subsidiary was disposed of during the year ended 31 December 2016 as set out in note 33.

During the year ended 31 December 2016, the total amount contributed by the Group to the MPF Scheme charged to the consolidated statement of profit or loss was USD63,000 (2015: USD51,000). The Group also contributed to the Indonesia State-managed Retirement Benefit Scheme operated by the Indonesian government. For the year ended 31 December 2016, USD188,000 (2015: USD620,000) charged to the consolidated statement of profit or loss.

41. Statement of Financial Position of the Company

	NOTE	2016 USD'000	2015 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment		**41**	6
Investments in subsidiaries		**307,000**	307,000
Other receivable		**13,304**	–
Amounts due from subsidiaries		**32,935**	123,507
		353,280	430,513
CURRENT ASSETS			
Other receivables		**413**	1,925
Amounts due from subsidiaries		**1,153,794**	619,641
Bank balances and cash		**125,428**	50,500
		1,279,635	672,066
CURRENT LIABILITIES			
Other payables		**1,399**	1,724
Amounts due to subsidiaries		**316,812**	–
		318,211	1,724
NET CURRENT ASSETS		**961,424**	670,342
		1,314,704	1,100,855
CAPITAL AND RESERVES			
Share capital		**34,871**	34,246
Reserves	a	**1,279,833**	1,066,609
Total equity		**1,314,704**	1,100,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

41. Statement of Financial Position of the Company (continued)

Note:

(a) Reserves

	Share premium USD'000	Capital redemption reserve USD'000	Contribution surplus USD'000	Share options reserve USD'000	Exchange reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2015	1,012,055	212	23,618	15,203	685	7,951	1,059,724
Profit for the year	–	–	–	–	–	19,849	19,849
Exchange realignment	–	–	–	–	734	–	734
Total comprehensive income for the year	–	–	–	–	734	19,849	20,583
Dividends recognised as distribution	2,745	–	–	–	–	(16,402)	(13,657)
Vested share options lapsed/ forfeited	–	–	–	(11,243)	–	11,243	–
Unvested share options lapsed	–	–	–	(41)	–	–	(41)
At 31 December 2015 and 1 January 2016	1,014,800	212	23,618	3,919	1,419	22,641	1,066,609
Profit for the year	–	–	–	–	–	220,209	220,209
Exchange realignment	–	–	–	–	(304)	–	(304)
Total comprehensive income for the year	–	–	–	–	(304)	220,209	219,905
Dividends recognised as distribution	8,383	–	–	–	–	(15,064)	(6,681)
Vested share options lapsed	–	–	–	(3,633)	–	3,633	–
At 31 December 2016	1,023,183	212	23,618	286	1,115	231,419	1,279,833

The contributed surplus of the Company includes (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1994; (ii) the surplus arising from the group reorganisation in 1998; and (iii) the surplus arising from capital reorganisation in June 2009.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The reserve available for distribution to shareholders at 31 December 2016 is USD255,037,000 (2015: USD46,259,000).

42. Principal Subsidiaries

General information of subsidiaries

Particulars of the principal subsidiaries at 31 December 2016 and 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares/ equity held	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company: Directly 31.12.2016 %	Directly 31.12.2015 %	Indirectly 31.12.2016 %	Indirectly 31.12.2015 %	Proportion of voting power held by the Company: Directly 31.12.2016 %	Directly 31.12.2015 %	Indirectly 31.12.2016 %	Indirectly 31.12.2015 %	Principal activities
ABNER HOLDINGS LIMITED	British Virgin Island	Ordinary	USD1	–	–	100	100	–	–	100	100	Real property
ABUNDANT IDEA LIMITED	British Virgin Island	Ordinary	USD1	–	–	100	100	–	–	100	100	Real property
ACE EMPEROR LIMITED	British Virgin Island	Ordinary	USD1	–	–	100	100	–	–	100	100	Real property
AGINCOURT RESOURCES (SINGAPORE) PTE LIMITED (Note a)	Singapore	Ordinary	USD135,472,753	–	–	–	100	–	–	–	100	Investment holding
GLOBAL ACCESS DEVELOPMENT LIMITED	Hong Kong	Ordinary	HKD1	–	–	100	100	–	–	100	100	Money lending
G-RESOURCES MARTABE PTY LIMITED (Note a)	Australia	Ordinary	AUD1	–	–	–	100	–	–	–	100	Investment holding
PRIME CLASSIC HOLDINGS LIMITED	British Virgin Island	Ordinary	USD1	–	100	100	–	–	100	100	–	Securities investment
PT AGINCOURT RESOURCES (Note a)	Indonesia	Ordinary	USD85,000,000	–	–	–	95	–	–	–	95	Exploration and mining of gold and other minerals
WIN GENIUS INVESTMENTS LIMITED	Hong Kong	Ordinary	HKD1	–	–	100	100	–	–	100	100	Securities investment
Enhanced Finance Limited (Note b)	Hong Kong	Ordinary	HKD19,300,000	–	–	75	–	–	–	75	–	Money lending
Enhanced Securities Limited (Note b)	Hong Kong	Ordinary	HKD150,000,000	–	–	75	–	–	–	75	–	Dealing in securities, provision of securities margin financing and provision of advising on corporate finance
RAVI GLOBAL LIMITED (Note b)	British Virgin Island	Ordinary	USD1	–	–	100	–	–	–	100	–	Securities investment

Notes:

(a) These companies were disposed of during the year ended 31 December 2016.

(b) These companies were newly acquired during the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

42 Principal Subsidiaries (Continued)

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

None of the subsidiaries of the Group had any debt securities outstanding at the end of the reporting period or at any time during the year.

The directors of the Company are of the option that none of the Group's subsidiaries that have non-controlling interests are material to the consolidated financial statements as a whole, therefore, the financial information in respect of those subsidiaries that have non-controlling interests are not presented.

43. Event after the Reporting Date

On 10 February 2017, Top Concept Global Limited ("TCGL"), an indirect wholly-owned subsidiary of the Company, Empire Gain International Limited ("Original Investor"), Edge Special Opportunity Limited ("Edge Special") and ZQ Capital Services Limited ("ZQ Capital") entered into the deed of novation ("Novation Deed") pursuant to which the Original Investor transferred to TCGL, and TCGL accepted the transfer of, all the rights and outstanding obligations of the Original Investor under the investment agreement dated 12 December 2016 entered into among Edge Special, ZQ Capital and the Original Investor, subject to the terms of the Novation Deed and the relevant subscription price is USD30,000,000. Details of the transaction are disclosed in an announcement of the Company dated 10 February 2017 and 16 February 2017.

FIVE-YEAR FINANCIAL SUMMARY

(a) Results

	(Twelve Months) 1.7.2012 to 30.6.2013 USD'000	(Six Months) 1.7.2013 to 31.12.2013 USD'000	(Twelve Months) 1.1.2014 to 31.12.2014 USD'000	(Twelve Months) 1.1.2015 to 31.12.2015 USD'000	**(Twelve Months) 1.1.2016 to 31.12.2016 USD'000**
Revenue					
— Continuing operations	–	–	3,462	11,613	**29,985**
— Discontinued operation	258,378	212,505	384,115	391,468	**78,270**
	258,378	212,505	387,577	403,081	**108,255**
(Loss)/profit before taxation	(9,555)	(4,117)	8,601	5,104	**10,235**
Taxation	–	–	–	–	**3**
Profit for the year/period from discontinued operation	38,835	43,222	55,866	56,204	**118,566**
Profit for the year/period	29,280	39,105	64,467	61,308	**128,804**
Profit for the year/period attributable to:					
Owners of the Company	26,444	38,320	62,737	59,423	**127,938**
Non-controlling interests	2,836	785	1,730	1,885	**866**
	29,280	39,105	64,467	61,308	**128,804**

(b) Assets and Liabilities

	30.6.2013 USD'000	31.12.2013 USD'000	31.12.2014 USD'000	31.12.2015 USD'000	31.12.2016 USD'000
Total assets	1,094,500	1,232,780	1,297,859	1,370,174	**1,374,871**
Total liabilities	(150,093)	(95,845)	(101,181)	(118,833)	**(13,240)**
	944,407	1,136,935	1,196,678	1,251,341	**1,361,631**
Equity attributable to owners of the Company	925,306	1,117,049	1,175,366	1,228,240	**1,356,462**
Non-controlling interests	19,101	19,886	21,312	23,101	**5,169**
	944,407	1,136,935	1,196,678	1,251,341	**1,361,631**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Chiu Tao, *Chairman and Acting Chief Executive Officer*
Mr Owen L Hegarty, *Vice-Chairman* (resigned on 24 March 2016)
Mr Ma Xiao, *Deputy Chief Executive Officer*
Mr Wah Wang Kei, Jackie
Mr Hui Richard Rui (resigned on 3 February 2017)
Mr Leung Oi Kin (appointed on 8 November 2016)

Independent Non-Executive Directors

Dr Or Ching Fai, *Vice-Chairman*
Ms Ma Yin Fan (resigned on 3 February 2017)
Mr Leung Hoi Ying (resigned on 3 February 2017)
Mr Chen Gong (appointed on 3 February 2017)
Mr Martin Que Meideng (appointed on 3 February 2017)

Executive Committee

Mr Chiu Tao, *Chairman*
Mr Owen L Hegarty (resigned on 24 March 2016)
Mr Ma Xiao
Mr Wah Wang Kei, Jackie
Mr Hui Richard Rui (resigned on 3 February 2017)
Mr Leung Oi Kin (appointed on 8 November 2016)
Mr Arthur Ellis

Audit Committee

Dr Or Ching Fai, *Chairman*
Ms Ma Yin Fan (resigned on 3 February 2017)
Mr Leung Hoi Ying (resigned on 3 February 2017)
Mr Chen Gong (appointed on 3 February 2017)
Mr Martin Que Meideng (appointed on 3 February 2017)

Remuneration Committee

Dr Or Ching Fai, *Chairman*
Ms Ma Yin Fan (resigned on 3 February 2017)
Mr Leung Hoi Ying (resigned on 3 February 2017)
Mr Chen Gong (appointed on 3 February 2017)
Mr Martin Que Meideng (appointed on 3 February 2017)

Nomination Committee

Mr Chiu Tao, *Chairman*
Dr Or Ching Fai
Ms Ma Yin Fan (resigned on 3 February 2017)
Mr Chen Gong (appointed on 3 February 2017)

Company Secretary

Mr Wah Wang Kei, Jackie (resigned as Company Secretary on 16 December 2016)
Mr Leung Oi Kin (appointed as Company Secretary on 16 December 2016)

Auditor

Deloitte Touche Tohmatsu

Legal Advisors

Hong Kong: Sullivan & Cromwell,
Tung & Co.,
Peter Yuen & Associates (in association with Fangda Partners)
Bermuda: Appleby

Principal Bankers

Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of Communications Co., Ltd.

Share Registrars

Hong Kong

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

Bermuda

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

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business

Rooms 4501–02, 4510, 45th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Website

www.g-resources.com

G-Resources Group Limited
(Incorporated in Bermuda with limited liability)
Stock Code: 1051

Registered Office
Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

Hong Kong Office
Rooms 4501-02, 4510, 45/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

www.**g-resources**.com