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GREEN INTERNATIONAL

Holdings Limited

格林國際控股有限公司

GREEN INTERNATIONAL HOLDINGS LIMITED

格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2700)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the “Board”) of directors (the “Directors”) of Green International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2016, which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with comparative figures for the year 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Revenue	3	46,960	45,620
Direct costs and operating expenses	5	(8,813)	(18,595)
Gross profit		38,147	27,025
Other income and gains, net	4	883	2,055
Gain on bargain purchase on acquisition of subsidiaries	15	–	36,918
Gain on disposal of a subsidiary	16	3,005	–
Selling expenses	5	(29,940)	(29,767)
Administrative expenses	5	(60,995)	(69,256)
Fair value changes of derivative financial instruments			
– Early redemption option		(9,803)	(47,690)
– Call options		(23,999)	–
Provision for impairment of trademark user right and technical know-how		(64,972)	–
Provision for impairment of property, plant and equipment		(406)	(10,240)
Provision for impairment of goodwill		–	(160,877)
Finance income, net	6	11,090	45,605
Loss before income tax		(136,990)	(206,227)
Income tax credit/(expense)	7	4,047	(2,624)
Loss for the year		(132,943)	(208,851)

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
(Loss)/Profit for the year attributable to:			
– Equity holders of the Company		(134,537)	(205,103)
– Non-controlling interests		1,594	(3,748)
		<u>(132,943)</u>	<u>(208,851)</u>
Loss per share for loss for the year attributable to the equity holders of the Company			
– Basic and diluted (<i>HK cents</i>)	8	<u>(6.82)</u>	<u>(10.40)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 HK\$'000	2015 <i>HK\$'000</i>
Loss for the year	(132,943)	(208,851)
Other comprehensive income/(expense), net of tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences		
– Exchange differences arising during the year	3,632	5,155
– Reclassification adjustments relating to foreign operations disposed of during the year	(240)	–
	<u>3,392</u>	<u>5,155</u>
Total comprehensive expenses for the year	<u>(129,551)</u>	<u>(203,696)</u>
Total comprehensive (expenses)/income for the year attributable to:		
– Equity holders of the Company	(130,722)	(199,735)
– Non-controlling interests	1,171	(3,961)
	<u>(129,551)</u>	<u>(203,696)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		30,927	25,148
Goodwill		–	–
Trademark user right and technical know-how		157,250	222,222
Other intangible assets		1,665	1,767
Derivative financial instruments			
– Put option	<i>15</i>	6,150	5,910
– Early redemption option	<i>12(d)&13(a)</i>	12,743	22,546
		<u>208,735</u>	<u>277,593</u>
Current assets			
Inventories		3,463	6,831
Promissory note receivables		154,218	–
Derivative financial instruments			
– Call options		11,040	–
Trade receivables	<i>10</i>	186	98,993
Loans receivable		26,068	51,000
Prepayments, deposits and other receivables		24,742	50,874
Tax recoverable		707	707
Bank balances – trust and segregated accounts		4,007	–
Bank balances (general accounts) and cash		24,514	53,129
		<u>248,945</u>	<u>261,534</u>
Total assets		<u>457,680</u>	<u>539,127</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	<i>11</i>	19,725	19,725
Share premium		544,946	544,946
Other reserves		83,404	80,598
Accumulated losses		(432,278)	(301,527)
		<u>215,797</u>	<u>343,742</u>
Non-controlling interests		<u>5,428</u>	<u>4,257</u>
Total equity		<u>221,225</u>	<u>347,999</u>

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Convertible bonds	<i>12</i>	64,921	44,669
Bonds payable		16,031	9,705
Contingent consideration payables	<i>13</i>	38,771	49,247
Deferred tax liabilities		15,918	22,222
		<u>135,641</u>	<u>125,843</u>
Current liabilities			
Trade payables	<i>14</i>	6,558	6,020
Other payables, accruals and deposits received		38,054	51,152
Convertible bonds	<i>12</i>	54,223	5,482
Tax payable		1,979	2,631
		<u>100,814</u>	<u>65,285</u>
Total liabilities		<u>236,455</u>	<u>191,128</u>
Total equity and liabilities		<u>457,680</u>	<u>539,127</u>
Net current assets		<u>148,131</u>	<u>196,249</u>
Total assets less current liabilities		<u>356,866</u>	<u>473,842</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of the Stock Exchange in 2006.

The Group was principally engaged in the manufacturing and trading of recreational and educational toys and equipment, operation of clubhouse business and provision of beauty and wellness services during the year.

The Directors consider Gold Bless International Invest Limited, a company incorporated in the British Virgin Islands (the “BVI”), to be the immediate and ultimate holding company of the Company.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to the nearest thousand unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 30 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing Rules and the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) relating to the preparation of consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group incurred a continuous loss of HK\$132,943,000 during the year ended 31 December 2016. As at 31 December 2016, the Group has cash and cash equivalent of approximately HK\$24,514,000 and the management anticipated that it is insufficient to support the operating expense in the next twelve months. However, in the opinion of the Directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the following:

1. Management will continue to control the operating costs and launch new services to attract new customers with an aim to attain better operating cash flows; and
2. The Group would contemplate issuance of financial instruments to raise additional funds to support the operation and investment of the Group as necessary and appropriate.

Based on the aforesaid measures, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2.2 Adoption of new standards and amendments

(a) *Effect of adopting amendments to existing standards*

The following new standards and amendments are mandatory for the first time for the financial year beginning on 1 January 2016:

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

The adoption of these new standards and amendments has no material effect on the amounts reported and disclosure set out in the consolidated financial statements of the Group for the current or prior accounting period.

(b) *New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group*

The following new standards and amendments to the HKFRSs have been issued but are not yet effective for the financial year beginning on January 2016 and have not been early adopted by the Group.

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKAS 7	Statement of Cash Flows: Disclosure Initiative ¹
Amendments to HKAS 12	Income taxes: Recognition of deferred tax assets for unrealised losses ¹
Amendments to HKFRS 2	Share-based payment: Classification and measurement of share-based payment transactions ²
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of assets between an investor and its associate or joint venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning or after a date to be determined

The Directors anticipate that the adoption of the above new standards and amendments to existing standards will not result in a significant impact on the results and financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board is identified as the Group's chief operating decision-maker. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide. Each of the Group's business segments represent a strategic business unit that offers products or services which are subject to risks and returns that are different from those of the other business segments. Management considers the Group's business segments are as follows:

- (a) the toys business segment engages in the manufacturing and trading of recreational and educational toys and equipment;
- (b) the clubhouse business segment engages in the operation of clubhouse business; and
- (c) the beauty and wellness business segment (acquired in May 2015) (Note 15) engages in the provision of beauty and wellness related services.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted according to the relevant prevailing market prices.

Segment results are presented as operating profit or loss.

The Group primarily operates in Hong Kong and the People's Republic of China (the "PRC").

Revenue of the Group by operating segments and geographical regions is as follows:

	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2016				
The PRC	<u>2,450</u>	<u>11,237</u>	<u>33,273</u>	<u>46,960</u>
	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2015				
Hong Kong	162	–	–	162
The PRC	7,458	16,269	21,668	45,395
Japan	<u>63</u>	<u>–</u>	<u>–</u>	<u>63</u>
	<u>7,683</u>	<u>16,269</u>	<u>21,668</u>	<u>45,620</u>

Revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for toys business segment and clubhouse/beauty and wellness segment, respectively. There was no revenue from a customer contributing over 10% of total revenue of the Group for the year ended 31 December 2016. During the year ended 31 December 2015, revenue of approximately HK\$7,458,000 was derived from 1 major customer who individually account for more than 10% of the total revenue.

Results by operating segments are as follows:

	2016 HK\$'000	2015 HK\$'000
Toys business	685	(16,718)
Clubhouse business (<i>Note (i)</i>)	(22,462)	(197,777)
Beauty and wellness business (<i>Note (ii)</i>)	(57,481)	6,247
	<hr/>	<hr/>
Total net operating loss by operating segments	(79,258)	(208,248)
Unallocated corporate expenses, net	(39,857)	(33,734)
Gain on bargain purchase on acquisition of subsidiaries (<i>Note 15</i>)	–	36,918
Gain on disposal of trade receivables	175	–
Gain on issue of bonds payable	2,622	922
Gain on disposal of a subsidiary (<i>Note 16</i>)	3,005	–
Loss on disposal of other receivables	(965)	–
Fair value changes of derivative financial instruments		
– Early redemption option	(9,803)	(47,690)
– Call options	(23,999)	–
Finance income, net (<i>Note 6</i>)	11,090	45,605
	<hr/>	<hr/>
Loss before income tax	(136,990)	(206,227)
Income tax credit/(expense) (<i>Note 7</i>)	4,047	(2,624)
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Loss for the year	(132,943)	(208,851)
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Notes:

- (i) For the year ended 31 December 2016, provision for impairment of property, plant and equipment of approximately HK\$406,000 was included within clubhouse segment.

For the year ended 31 December 2015, provision for impairment of property, plant and equipment and goodwill of approximately HK\$10,240,000 and HK\$160,877,000, respectively, were included within clubhouse business segment.

- (ii) For the year ended 31 December 2016, provision for impairment of trademark user right and technical know-how of approximately HK\$64,792,000 was included within beauty and wellness business segment.

Total assets of the Group by operating segments and geographical regions are as follows:

	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
As at 31 December 2016				
Hong Kong	2,172	–	–	2,172
The PRC	–	5,758	199,409	205,167
	<u>2,172</u>	<u>5,758</u>	<u>199,409</u>	<u>207,339</u>
Derivative financial instruments				6,150
– Put option (<i>Note 15</i>)				12,743
– Early redemption option (<i>Note 12(d) & 13(a)</i>)				11,040
– Call options				220,408
Unallocated corporate assets				<u>457,680</u>
				<u><u>457,680</u></u>
	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
As at 31 December 2015				
Hong Kong	98,113	–	–	98,113
The PRC	5,289	7,703	257,119	270,111
	<u>103,402</u>	<u>7,703</u>	<u>257,119</u>	368,224
Derivative financial instruments				5,910
– Put option (<i>Note 15</i>)				22,546
– Early redemption option (<i>Note 12(d) & 13(a)</i>)				142,447
Unallocated corporate assets				<u>539,127</u>
				<u><u>539,127</u></u>

Total assets are allocated based on their geographical locations.

Non-current assets of the Group by operating segments and geographical regions are as follows:

	Toys business <i>HK\$'000</i>	Clubhouse business <i>HK\$'000</i>	Beauty and wellness business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
As at 31 December 2016				
Hong Kong	–	–	–	–
The PRC	–	–	183,592	183,592
	<u>–</u>	<u>–</u>	<u>183,592</u>	<u>183,592</u>
Derivative financial instruments				6,150
– Put option (<i>Note 15</i>)				12,743
– Early redemption option (<i>Note 12(d) & 13(a)</i>)				6,250
Unallocated corporate assets				<u>208,735</u>
				<u><u>208,735</u></u>
	Toys business <i>HK\$'000</i>	Clubhouse business <i>HK\$'000</i>	Beauty and wellness business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
As at 31 December 2015				
Hong Kong	66	–	–	66
The PRC	488	–	243,316	243,804
	<u>554</u>	<u>–</u>	<u>243,316</u>	243,870
Derivative financial instruments				5,910
– Put option (<i>Note 15</i>)				22,546
– Early redemption option (<i>Note 12(d) & 13(a)</i>)				5,267
Unallocated corporate assets				<u>277,593</u>
				<u><u>277,593</u></u>

Non-current assets are allocated based on their geographical locations.

Capital expenditures of the Group by operating segments and geographical regions are as follows:

	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2016				
Hong Kong	–	–	–	–
The PRC	–	406	9,508	9,914
	<u>–</u>	<u>406</u>	<u>9,508</u>	<u>9,914</u>
	<u>–</u>	<u>406</u>	<u>9,508</u>	<u>9,914</u>
Unallocated corporate capital expenditures				<u>3,222</u>
				<u>13,136</u>
	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2015				
Hong Kong	45	–	–	45
The PRC	–	2,721	6,983	9,704
	<u>45</u>	<u>2,721</u>	<u>6,983</u>	<u>9,749</u>
	<u>45</u>	<u>2,721</u>	<u>6,983</u>	<u>9,749</u>
Deposit paid for acquisition of subsidiaries				34,250
Unallocated corporate capital expenditures				<u>3,566</u>
				<u>47,565</u>

Capital expenditures are allocated based on their geographical locations.

4. OTHER INCOME AND GAINS, NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sundry income		
– Other payables written off	–	4,035
– Others	1,150	166
Exchange loss, net	(2,099)	(5,055)
Gain on disposal of trade receivables	175	–
Gain on issue of bonds payable	2,622	922
Loss on disposal of other receivables	(965)	–
Pre-acquisition expenses borne by an ex-shareholder of a subsidiary	–	1,987
	<u>883</u>	<u>2,055</u>

5. EXPENSES BY NATURE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditor's remuneration	902	774
Depreciation of property, plant and equipment	5,081	8,735
Merchandise purchased and changes in inventories	7,492	15,534
Employee benefit expenses	33,496	37,930
Operating lease rental expenses	18,019	17,806
Others	34,758	36,839
	<u>99,748</u>	<u>117,618</u>
Total direct costs, operating expenses, selling expenses and administrative expenses	<u>99,748</u>	<u>117,618</u>

6. FINANCE INCOME, NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income:		
– Bank deposits	28	138
– Loans receivable	7,812	4,913
– Promissory note receivables	14,776	–
Fair value change of contingent consideration payables (<i>Note 13</i>)	(5,752)	(4,761)
Interest expense:		
– Convertible bonds (<i>Note 12</i>)	(17,659)	(6,474)
– Bonds payable	(2,448)	(57)
– Other borrowings	(24)	–
Written back/(Reversal) pursuant to profit guarantee (<i>Note 15</i>):		
– Convertible bonds (<i>Note 12</i>)	24,424	27,331
– Contingent considerable payables (<i>Note 13</i>)	(10,067)	24,515
	<u>11,090</u>	<u>45,605</u>
Finance income, net	<u>11,090</u>	<u>45,605</u>

7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax and PRC Enterprise Income Tax have been provided at the rate of 16.5% (2015: 16.5%) and 25% (2015: 25%), respectively, on the estimated assessable profits during the year, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax (credit)/expense charged to the consolidated statement of profit or loss represent:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current taxation		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax		
– Current year	2,122	2,624
– Under-provision in respect of prior year	135	–
	<u>2,257</u>	<u>2,624</u>
Deferred taxation		
Credit for the year	(6,304)	–
	<u>(4,047)</u>	<u>2,624</u>

8. LOSS PER SHARE

Basic

The calculation of basic loss per share is based on the consolidated loss attributable to the equity holders of the Company of approximately HK\$134,537,000 (2015: HK\$205,103,000) divided by the weighted average number of approximately 1,972,453,000 (2015: 1,972,453,000) ordinary shares in issue during the year, after taking into consideration of the mandatorily convertible bonds issued on 30 January 2014 as partial satisfaction of the consideration for the acquisition of a clubhouse business.

	2016	2015
Loss attributable to the equity holders of the Company (<i>HK\$'000</i>)	(134,537)	(205,103)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,972,453	1,972,453
Basic loss per share (<i>HK cents</i>)	<u>(6.82)</u>	<u>(10.40)</u>

Diluted

Diluted earnings/loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding (after taking into consideration of the mandatorily convertible bonds as mentioned above) to assume exercise/conversion of all dilutive potential ordinary shares (excluding shares issuable upon the conversion of the mandatorily convertible bonds as mentioned above). The Company has 4 categories of dilutive potential ordinary shares: share options (Note 11(b)), convertible bonds (Note 12) (excluding the mandatorily convertible bonds), convertible bonds issuable for the acquisition of Tai Cheng International Limited in 2012 (the “Tai Cheng CB”) (Note 13(b)) and convertible bonds issued (with reference to the profit guarantee) (Note 15) for the acquisition of Rainbow Star Global Limited in 2015 (the “Marsa CB”).

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the year) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Hence, the share options have a dilutive effect only when the average market price of ordinary shares during the year exceeds the exercise price of the share options.

For the convertible bonds (excluding the mandatorily convertible bonds), the Tai Cheng CB and the Marsa CB, they are assumed to have been converted into ordinary shares, and the loss for the year attributable to the equity holders of the Company is adjusted to eliminate the interest expense of the convertible bonds and fair value change of the liability components/early redemption option of the convertible bonds, the Tai Cheng CB and the Marsa CB.

The computation of diluted loss per share for the year ended 31 December 2016 did not assume the exercise of the Company's outstanding share options since their exercise price was higher than the average market price per share. The computation of diluted loss per share for the year ended 31 December 2015 did not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

The computation of diluted loss per share for the years ended 31 December 2016 and 2015 did not assume the conversion of the Company's outstanding convertible bonds, the Tai Cheng CB and the Marsa CB since their assumed conversion would result in a decrease (2015: decrease) in loss per share.

9. DIVIDENDS

No dividend in respect of the year ended 31 December 2016 (2015: Nil) is to be proposed at the forthcoming annual general meeting.

10. TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	52,165	150,972
Less: Provision for discount on past due balances	(51,979)	(51,979)
	186	98,993

The Group's trade receivables are generally with credit periods of 90 days (2015: 90 days). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade receivables. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values.

The ageing analysis of trade receivables as at 31 December 2016 and 2015 are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	31	1,396
31 – 60 days	6	874
61 – 90 days	5	473
91 – 180 days	4	86
Over 180 days	<u>52,119</u>	<u>148,143</u>
	<u>52,165</u>	<u>150,972</u>

11 SHARE CAPITAL

Authorised capital

	Number of shares	Nominal value <i>HK\$'000</i>
At 1 January 2015, 31 December 2015 and 31 December 2016, ordinary shares of HK\$0.01 each	<u>4,000,000,000</u>	<u>40,000</u>

Issued and fully paid capital

	Number of shares	Nominal value <i>HK\$'000</i>
At 1 January 2015	1,853,661,910	18,537
Issue of shares upon exercise of share options (<i>Note (a)(i)</i>)	58,139,534	581
Issue of shares upon conversion of convertible bonds (<i>Note (a)(ii)</i>)	<u>60,651,162</u>	<u>607</u>
At 31 December 2015 and 31 December 2016	<u>1,972,452,606</u>	<u>19,725</u>

Notes:

(a) Issue of new shares

- (i) On 30 January 2015, certain outstanding convertible bonds with an aggregate principal amount of HK\$25,000,000 were converted into the shares of the Company at a conversion price of HK\$0.43 (as adjusted to reflect the open offer completed on 19 August 2014) per share and, accordingly, the Company allotted and issued a total of 58,139,534 shares to the convertible bond holders (Note 12(b)).
- (ii) On 17 April 2015, certain outstanding convertible bonds with an aggregate principal amount of HK\$26,080,000 were converted into the shares of the Company at a conversion price of HK\$0.43 (as adjusted to reflect the open offer completed on 19 August 2014) per share and, accordingly, the Company allotted and issued a total of 60,651,162 shares to the convertible bond holders (Note 12(b)).

(b) Share option scheme

On 2 September 2006, a share option scheme (the “Share Option Scheme”) was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

- (i) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK\$0.37 per share were granted to certain eligible participants (as defined under the Share Option Scheme) which were vested immediately on the date of grant and expire on 10 May 2022.

The weighted average fair value of options granted in 2012 determined using the Trinomial Option Pricing Model was HK\$0.21 per option. The significant inputs into the model were weighted average share price of HK\$0.37 at the grant date, exercise price as shown above, volatility of 45%, dividend yield of 0%, an expected option life of 10 years, and annual risk-free interest rate of 1.14%.

The volatility and dividend yield reflects the assumptions that the historical volatility and dividend yield are indicative of future trends, which may also not necessarily be the actual outcome. The expected life of the options is not necessarily indicative of the exercise patterns that may occur.

- (ii) In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme and was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,246,050 share options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK\$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). However, no share options were accepted by the grantees within 28 days from the date of offer in accordance with the rules of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year.

- (iii) Movements in the share options are as follows:

	2016		2015	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January and 31 December	0.32	<u>55,800,000</u>	0.32	<u>55,800,000</u>
			2016	2015
– Number of share options exercisable at year ended		55,800,000		55,800,000
– Range of exercise prices		HK\$0.32		HK\$0.32
– Weighted average remaining contractual life		<u>5.35 years</u>		<u>6.35 years</u>

12 CONVERTIBLE BONDS

The liability components of the convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	1st Tai Cheng CB HK\$'000 (Note (a))	Big Point HK\$'000 (Note (b))	2nd Tai Cheng CB HK\$'000 (Note (a))	2015 CB HK\$'000 (Note (c))	1st Marsa CB HK\$'000 (Note (d))	3rd Tai Cheng CB HK\$'000 (Note (a))	1st 2016 CB HK\$'000 (Note (e))	2nd 2016 CB HK\$'000 (Note (f))	2nd Marsa CB HK\$'000 (Note (d))	Total HK\$'000
At 1 January 2015	4,781	-	3,803	-	-	-	-	-	-	8,584
Issue of convertible bonds	-	-	-	29,000	-	305	-	-	-	29,305
Direct issue costs	-	-	-	(952)	-	-	-	-	-	(952)
Equity component on initial recognition	-	-	-	(6,929)	-	-	-	-	-	(6,929)
Acquisition of subsidiaries (Note 15)	-	-	-	-	41,000	-	-	-	-	41,000
Written back pursuant to profit guarantee (Note 6)	-	-	-	-	(27,331)	-	-	-	-	(27,331)
Interest expenses (Note 6)	701	-	577	2,451	2,729	16	-	-	-	6,474
At 31 December 2015	<u>5,482</u>	<u>-</u>	<u>4,380</u>	<u>23,570</u>	<u>16,398</u>	<u>321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,151</u>
At 31 December 2015, analysed by maturity date as:										
Within one year and included under current liabilities	5,482	-	-	-	-	-	-	-	-	5,482
Over one year and included under non-current liabilities	-	-	4,380	23,570	16,398	321	-	-	-	44,669
At 31 December 2015	<u>5,482</u>	<u>-</u>	<u>4,380</u>	<u>23,570</u>	<u>16,398</u>	<u>321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,151</u>
At 1 January 2016	5,482	-	4,380	23,570	16,398	321	-	-	-	50,151
Issue of convertible bonds	-	-	-	-	-	-	40,000	12,000	26,295	78,295
Equity component on initial recognition	-	-	-	-	-	-	(1,312)	(1,225)	-	(2,537)
Written back pursuant to profit guarantee (Note 6)	-	-	-	-	(5,209)	-	-	-	(19,215)	(24,424)
Interest expenses (Note 6)	681	-	666	3,391	4,910	51	4,326	857	2,777	17,659
At 31 December 2016	<u>6,163</u>	<u>-</u>	<u>5,046</u>	<u>26,961</u>	<u>16,099</u>	<u>372</u>	<u>43,014</u>	<u>11,632</u>	<u>9,857</u>	<u>119,144</u>
At 31 December 2016, analysed by maturity date as:										
Within one year and included under current liabilities	6,163	-	5,046	-	-	-	43,014	-	-	54,223
Over one year and included under non-current liabilities	-	-	-	26,961	16,099	372	-	11,632	9,857	64,921
At 31 December 2016	<u>6,163</u>	<u>-</u>	<u>5,046</u>	<u>26,961</u>	<u>16,099</u>	<u>372</u>	<u>43,014</u>	<u>11,632</u>	<u>9,857</u>	<u>119,144</u>

The fair value of the liability components of the convertible bonds at 31 December 2016 amounted to approximately 126,576,000 (2015: HK\$58,742,000). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5% (2015: 5%).

The values of the liability components and the equity components were determined at issuance of the convertible bonds. The fair values of the liability components were calculated using market interest rates for equivalent non-convertible bonds. The residual amounts, representing the values of the equity conversion options, are included in equity within other reserves (with the exception of the 1st Marsa CB and 2nd Marsa CB, which is detailed in note (d) below).

As at 31 December 2016, there were outstanding convertible bonds in an aggregate principal amount of approximately HK\$201,769,000 (2015: HK\$95,519,000) which are convertible into 574,090,730 (2015: 224,911,386) shares of the Company.

Convertible bonds issued by the Group and outstanding during the years ended 31 December 2016 and 2015 were as follows:

- (a) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng International Limited (“Tai Cheng”) (Note 13(b)), partial consideration shall be settled by the issue of the Tai Cheng CB in 3 tranches of each not exceeding HK\$10,000,000 for each financial years ended 31 December 2012, 2013 and 2014 respectively.

On 29 October 2013, the Company issued the first tranche of the Tai Cheng in an aggregate principal amount of HK\$6,163,639 (the “1st Tai Cheng CB”) to Hong Kong Tai Shing Toys Trading Limited (“Tai Shing”). The 1st Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 29 October 2016. The effective interest rate of the 1st Tai Cheng CB was 17.90% per annum.

On 13 October 2014, the Company issued the second tranche of the Tai Cheng CB in an aggregate principal amount of HK\$5,628,138 (the “2nd Tai Cheng CB”) to Tai Shing. The 2nd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 13 October 2017. The effective interest rate of the 2nd Tai Cheng CB was 17.99% per annum.

On 8 September 2015, the Company issued the third tranche of the Tai Cheng CB on 8 September 2015 in an aggregate principal amount of HK\$477,241 (the “3rd Tai Cheng CB”) to Tai Shing. The 3rd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 8 September 2018. The effective interest rate of the 3rd Tai Cheng CB was 18.15% per annum.

All tranches under the Tai Cheng CB are convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.43 per share (subject to adjustments).

On 15 January 2016, certain convertible bonds (the “1st 2016 CB”) were issued to a nominee of Mr. Yang Yuezhou (Note 12(e)). Subsequent to the completion of the issue of the 1st 2016 CB, the conversion price of the all tranches under the Tai Cheng CB was adjusted from HK\$0.43 per share to HK\$0.42 per share.

Subsequent to the end of the reporting period, on 3 March 2017, the conversion price of all tranches under the Tai Cheng CB was adjusted from HK\$0.42 per share to HK\$0.41 per share after the completion of the convertible bond issue (details refer to the Company's announcement dated 3 March 2017).

The 1st Tai Cheng CB has matured on 29 October 2016, and on 15 March 2017, the Company and Tai Shing entered into a side letter to terminate all obligations under the 1st Tai Cheng CB and issue a promissory note (details refer to the Company's announcement dated 15 March 2017) to the convertible bond holder.

- (b) Pursuant to the sale and purchase agreement to the acquisition of Big Point Investment Limited (“Big Point”), the Company issued convertible bonds on 30 January 2014 in an aggregate principal amount of HK\$76,620,000 (the “Big Point CB”) to China Real Estates Investment Holdings Limited (“China Real Estates”) as partial satisfaction of the consideration.

The Big Point CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 30 January 2017.

In respect of the conversion by the bondholder, (a) for the principal amount of HK\$25,540,000, the convertible bonds is convertible into shares before maturity, and (b) for the remaining principal amount of HK\$51,080,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK\$0.50 per share (subject to adjustments). In respect of the conversion by the Company, for the principal amount of HK\$76,620,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK\$0.50 per share (subject to adjustments). Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date by issuing shares to the bondholder at an initial conversion price of HK\$0.50 per share (subject to adjustments). Therefore, there were no amounts under liability component as the Big Point CB is mandatorily convertible into shares and there was no interest repayment.

Due to the completion of an open offer on 19 August 2014, the conversion price of the Big Point CB was adjusted from HK\$0.50 per share to HK\$0.43 per share with effect from 19 August 2014.

All of the Big Point CB in the respective principal amounts of HK\$25,540,000, HK\$25,000,000 and HK\$26,080,000 were converted into 51,080,000, 58,139,534 and 60,651,162 shares of the Company on 18 February 2014, 30 January 2015 and 17 April 2015.

- (c) On 9 February 2015, the Company entered into a placing agreement with ASA Securities Limited (“ASA Securities”), pursuant to which ASA Securities has conditionally agreed with the Company to place, on a best effort basis, convertible bonds up to a total principal amount of HK\$83,800,000 which are convertible into, at HK\$0.33 per share (subject to adjustments), 253,939,393 ordinary shares of HK\$0.01 each in the capital of the Company to the placees who are independent third parties at 100% of the principal amount of the convertible bonds. The market closing price of the Company’s shares on 9 February 2015 was HK\$0.355 per share.

The convertible bonds are denominated in Hong Kong dollars, unsecured, bear interest at 3% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if these convertible bonds are neither converted nor redeemed prior to the maturity date. These convertible bonds are convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.33 per share (subject to adjustments).

The placing was completed on 6 March 2015, where convertible bonds in an aggregate principal amount of HK\$29,000,000 (the “2015 CB”) was successfully placed by ASA Securities to three placees who are third parties independent of the Company and its connected persons. The net proceeds was HK\$28,048,000. The effective interest rate of the 2015 CB was 14.39% per annum.

- (d) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star Global Limited (“Rainbow Star”) (Note 15), the Company issued convertible bonds in May 2015 in an aggregate principal amount of HK\$54,250,000 (the “1st Marsa CB”) to Mr. Chung Sum Sang (“Mr. Chung”) and Ms. Eva Au (“Ms. Au”) as partial satisfaction of the consideration. The 1st Marsa CB is denominated in Hong Kong dollars, unsecured, bear interest at 2% per annum from the first anniversary of issue onwards (interest-free during the first calendar year of issue) and will be matured in May 2018. Interest will be payable on the maturity date if the 1st Marsa CB is neither converted nor redeemed prior to the maturity date. The Company shall have the right to redeem the 1st Marsa CB at any time during its term by issuing shares to the holders at the initial conversion price of HK\$0.50 per share (subject to adjustments). The 1st Marsa CB is convertible into the shares of the Company at the holder’s option during the period commencing from the date being the latter of (a) the first anniversary of the issue date of the 1st Marsa CB; and (b) the Company having exercised its rights in respect of the redemption and cancellation of the 1st Marsa CB with reference to the profit guarantee (Note 15), to maturity at an initial conversion price of HK\$0.50 per share (subject to adjustments).

The Company has also issued convertible bonds in May 2016 in an aggregate principal amount of HK\$54,250,000 (the “2nd Marsa CB”) to Mr. Chung and Ms. Au as partial satisfaction of the consideration pursuant to the sale and purchase agreement of Rainbow Star (Note 15). All of the terms and conditions of the 2nd Marsa CB are same as the 1st Marsa CB, with the exception that the 2nd Marsa CB will be matured in May 2019.

A liability component, an equity component and an early redemption option were classified at initial recognition of the 1st Marsa CB and the 2nd Marsa CB. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets.

The fair values of the liability components of the 1st Marsa CB and 2nd Marsa CB were initially recognised at approximately HK\$41,000,000 and HK\$26,295,000, respectively, by using the discounted cash flow model. The fair value estimate was based on respective assumed discount rates of 11.24% and 11.46% and the Directors’ expectation on the amount of the 1st Marsa CB and 2nd Marsa CB to be redeemed or cancelled (if any).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the 1st Marsa CB were initially recognised at the date of acquisition at approximately HK\$22,847,000 and HK\$20,200,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 89.55% and risk-free rate of 0.70%. As at 31 December 2016, the equity component amounting to approximately HK\$7,562,000 (2015: HK\$8,568,000) is included in equity within other reserves, and as at 31 December 2016, the early redemption option was subsequently at fair value of approximately HK\$610,000 (2015: HK\$3,713,000).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the 2nd Marsa CB were initially recognised at the date of acquisition at approximately HK\$16,506,000 and HK\$7,944,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 83.26% and risk-free rate of 0.83%. As at 31 December 2016, the equity component amounting to approximately HK\$5,934,000 is included in equity within other reserves, and the early redemption option was subsequently measured as at 31 December 2016 at fair value of approximately HK\$1,584,000.

- (e) On 27 November 2015, the Company entered into a subscription agreement with Mr. Yang Yuezhou, pursuant to which Mr. Yang Yuezhou has conditionally agreed with the Company to subscribe for the 1st 2016 CB in a principal amount of HK\$40,000,000 which are convertible into, at HK\$0.20 per share (subject to adjustments), 200,000,000 ordinary shares of HK\$0.01 each in the capital of the Company at 100% of the principal amount of the convertible bonds. The market closing price of the Company’s shares on 27 November 2015 was HK\$0.227 per share.

The 1st 2016 CB is denominated in Hong Kong dollars, unsecured, bears interest at 8% per annum and will be matured on the date falling on the first anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if the 1st 2016 CB is neither converted nor redeemed prior to the maturity date. The 1st 2016 CB is convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.20 per share (subject to adjustments).

The subscription was completed on 15 January 2016. The net proceeds was HK\$40,000,000. The effective interest rate of the 1st 2016 CB was 11.65% per annum. The use of proceeds is disclosed in the “Management Discussions and Analysis” section.

Subsequent to the end of the reporting period, the maturity of the 1st 2016 CB is extended for three months from 15 January 2017 to 15 April 2017 (details refer to the Company’s announcement dated 10 February 2017).

- (f) On 5 April 2016, the Company entered into a subscription agreement with Hong Kong Qian Hai Financial Group Limited (“Qian Hai Financial”), pursuant to which Qian Hai Financial has conditionally agreed with the Company to subscribe for convertible bonds (the “2nd 2016 CB”) in a principal amount of HK\$12,000,000 which are convertible into, at HK\$0.30 per share (subject to adjustments), 40,000,000 ordinary shares of HK\$0.01 each in the capital of the Company at 100% of the principal amount of the convertible bonds. The market closing price of the Company’s shares on 5 April 2016 was HK\$0.234 per share.

The 2nd 2016 CB is denominated in Hong Kong dollars, unsecured, bears interest at 8% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if the 2nd 2016 CB is neither converted nor redeemed prior to the maturity date. The 2nd 2016 CB is convertible into the shares of the Company at the holder’s option during the period commencing from the first anniversary of the issue date to the maturity date at an initial conversion price of HK\$0.30 per share (subject to adjustments).

The subscription was completed on 15 April 2016. The net proceeds was HK\$12,000,000. The effective interest rate of the 2nd 2016 CB was 11.36% per annum. The use of proceeds is disclosed in the “Management Discussions and Analysis” section.

13 CONTINGENT CONSIDERATION PAYABLES

The Group’s contingent consideration payables arises from two acquisitions completed by the Group detailed below:

- (a) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star (Note 15), part of the consideration shall be settled by the issue of convertible bonds (the Marsa CB) in 3 tranches of principal amount of HK\$54,250,000 each on the date of acquisition, the 1st anniversary of and the 2nd anniversary of the date of acquisition. The Marsa CB comprises the profit guarantee as provided by Mr. Chung and Ms. Au (as detailed in Note 15) and may be redeemed or cancelled by the Company with reference to the profit guarantee. The Marsa CB not yet issued as at the reporting date is recognised as contingent consideration payable (the “Marsa CCP”). A liability component, an equity component and an early redemption option were classified at initial recognition of the Marsa CCP. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets. When the Marsa CB is issued, the liability component of the Marsa CCP is de-recognised from contingent considerable payables and recognised as convertible bonds on the date of issue.

The Company issued the 1st and 2nd Marsa CB in May 2015 and May 2016, respectively, each in an aggregate principal amount of HK\$54,250,000 (Note 12(d)).

The fair value of the liability component of the Marsa CCP was initially recognised at the date of acquisition at approximately HK\$69,033,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 11.46% to 11.69% and the Directors’ expectation on the amount of the Marsa CB to be redeemed or cancelled (if any). This liability component of the Marsa CCP was subsequently measured as at 31 December 2016 at fair value of approximately HK\$26,619,000 (2015: HK\$49,247,000).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option of the Marsa CCP were initially recognised at the date of acquisition at approximately HK\$53,061,000 and HK\$50,036,000, respectively, by using the partial differential equation method. The initial fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 79.13% – 88.53% and risk-free rate of 0.92% – 1.14%. As at 31 December 2016, the equity component of the Marsa CCP amounting to approximately HK\$26,861,000 (2015: HK\$35,577,000) was included in equity within other reserves, and the early redemption option of the Marsa CCP was subsequently measured as at 31 December 2016 at fair value of approximately HK\$10,549,000 (2015: HK\$18,833,000).

- (b) On 8 May 2012, the Group acquired 55% equity interests in Tai Cheng, at a total consideration of not exceeding HK\$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong.

Pursuant to the sale and purchase agreement, contingent consideration payable (the “Tai Cheng CCP”) in aggregate not exceeding HK\$30,000,000 (the remaining consideration of HK\$100 was settled in cash) shall be settled by the issue of the Tai Cheng CB in 3 tranches of not exceeding HK\$10,000,000 each for each financial year ended 31 December 2012, 2013 and 2014 respectively.

The principal amount of the Tai Cheng CB to be issued in each tranche shall be determined by the proportion of the audited profit after taxation of Tai Cheng to the benchmark profit, as multiplied by HK\$10,000,000. The benchmark profit is HK\$12,000,000, HK\$13,000,000 and HK\$14,000,000 for the financial years ended 31 December 2012, 2013 and 2014 respectively.

A liability component and an equity component of the Tai Cheng CCP were classified at initial recognition of the Tai Cheng CB.

The Company issued the first, second and third tranches of the Tai Cheng CB on 29 October 2013, 13 October 2014 and 8 September 2015 in an aggregate principal amount of HK\$6,163,639, HK\$5,628,138 and HK\$477,241, respectively (Note 12(a)).

The fair value of the liability component of the Tai Cheng CCP was initially recognised at the date of acquisition at approximately HK\$13,267,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 17.90% to 18.15% and the Directors’ expectation on the amount of the Tai Cheng CB to be issued. The equity component of the Tai Cheng CCP, which represents the value of the equity conversion option, was initially recognised at an amount of approximately HK\$16,733,000. As at 31 December 2016 and 2015, there were no amounts under the Tai Cheng CCP as all amounts were settled by the issuance of the Tai Cheng CB.

The liability components of the contingent consideration payables recognised in the consolidated statement of financial position were calculated as follows:

	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>
At 1 January	49,247	273
Acquisition of subsidiaries (Note 15)	–	69,033
Fair value changes (Note 6)	5,752	4,761
Reversal/(Written back) pursuant to profit guarantee (Note 6)	10,067	(24,515)
Issue of the 2nd Marsa CB (Note 12(d))	(26,295)	–
Issue of the 3rd Tai Cheng CB (Note 12(a))	–	(305)
	<u>38,771</u>	<u>49,247</u>

14 TRADE PAYABLES

The ageing analysis of trade payables as at 31 December 2016 and 2015 are as follows:

	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>
0 – 30 days	–	1,237
31 – 60 days	6	768
61 – 90 days	4,007	658
91 days – 1 year	288	944
Over 1 year	2,257	2,413
	<u>6,558</u>	<u>6,020</u>

The carrying amounts of trade payables approximate their fair values.

15 ACQUISITION OF SUBSIDIARIES

On 21 November 2014, the Company, Mr. Chung and Ms. Au entered into a sale and purchase agreement pursuant to which the Company has conditionally agreed to purchase the 100% equity interests of Rainbow Star, a company incorporated in the BVI, from Mr. Chung and Ms. Au at a maximum aggregate consideration of HK\$217,000,000, out of which HK\$54,250,000 shall be settled in cash and the remaining consideration of not more than HK\$162,750,000 shall be settled by the 1st Marsa CB (Note 12(d)) and the Marsa CCP (Note 13(a)).

Rainbow Star is an investment holding company, its principal asset being 70% indirect equity interests in 深圳市瑪莎嘉兒連鎖實業有限公司 (literally translated as Shenzhen Marsa Guer Chain Enterprise Limited, "Marsa"). Marsa and its subsidiaries are principally engaged in the provision of beauty and wellness related services.

Pursuant to the terms of the sale and purchase agreement (as supplemented by a supplemental agreement dated 16 December 2014), deposits in the aggregate amount of HK\$20,000,000 were paid to Mr. Chung and Ms. Au before 31 December 2014. The acquisition was subsequently completed in May 2015, the remaining cash consideration of HK\$34,250,000 was paid and the 1st Marsa CB (Note 12(d)) was issued to Mr. Chung and Ms. Au as partial satisfaction of the consideration. The remaining convertible bonds (the Marsa CCP) shall be issued on the 1st and the 2nd anniversary of the date of acquisition.

The 1st Marsa CB and the Marsa CCP comprise the profit guarantee as provided by Mr. Chung and Ms. Au, who have undertaken that the audited consolidated net profit after tax of Marsa for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than RMB20,000,000 for each year. In the event that it is less than RMB20,000,000, the Company shall redeem and cancel in whole or part of the corresponding convertible bonds at HK\$1 based on the shortfall with reference to the profit guarantee of RMB20,000,000.

Besides, in the case that all of the audited consolidated net profit after tax of Marsa for each of the three years ending 31 December 2015, 2016 and 2017 are less than RMB20,000,000, the Company shall have the right to request Mr. Chung and Ms. Au to repurchase the 100% equity interest in Rainbow Star at the aggregate consideration paid to them. The fair value of this put option was initially recognised at the date of acquisition at approximately HK\$24,990,000 by using the binomial tree pricing model. The fair value estimates were based on assumed expected volatility of 31.606% and risk-free rate of 0.662%. The put option was recorded as a derivative financial instrument under non-current assets. This put option was subsequently measured as at 31 December 2016 at fair value of approximately HK\$6,150,000 (2015: HK\$5,910,000), with the fair value change recognised directly in equity within other reserves.

Revenue and net profit of approximately HK\$21,668,000 and HK\$6,246,000, respectively, from Rainbow Star and its subsidiaries were contributed to the Group during the period from May 2015 to 31 December 2015.

The following table summarises the recognised fair values of the consideration for the acquisition of Marsa and its subsidiaries, the assets acquired and liabilities assumed.

	Fair values recognised <i>HK\$'000</i>
Purchase consideration	
Cash deposits paid in 2014	20,000
Cash paid in 2015	34,250
Fair value of the 1st Marsa CB issued on completion of acquisition (<i>Note 12(d)</i>)	
– Liability component	41,000
– Equity component	22,847
– Early redemption option	(20,200)
Fair value of the Marsa CCP (<i>Note 13(a)</i>)	
– Liability component	69,033
– Equity component	53,061
– Early redemption option	(50,036)
	<hr/>
Total purchase consideration	169,955
	<hr/> <hr/>
Identifiable assets acquired and liabilities assumed on acquisition date	
Property, plant and equipment	12,179
Trademark user right and technical know-how	222,222
Other intangible assets	279
Inventories	13,571
Trade receivables	8
Prepayments, deposits and other receivables	2,001
Cash and cash equivalents	4,712
Trade payables	(1,847)
Other payables, accruals and deposits received	(13,879)
Amount due to a director	(8,809)
Deferred tax liability	(22,222)
	<hr/>
Total identifiable net assets acquired	208,215
Non-controlling interests	(1,342)
Gain on bargain purchase on acquisition of subsidiaries	(36,918)
	<hr/>
	169,955
	<hr/> <hr/>

An analysis of the net outflow of cash and cash equivalents during the year ended 31 December 2015 in respect of the acquisition is as follows:

	Fair values recognised <i>HK\$'000</i>
Cash and cash equivalents acquired	4,712
<i>Less:</i> Consideration satisfied by cash	(34,250)
	<hr/>
Net cash outflow on acquisition of subsidiaries	(29,538)
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16 DISPOSAL OF A SUBSIDIARY

On 8 April 2016, 格林致福投資諮詢(深圳)有限公司, a wholly-owned subsidiary of the Company, disposed of its 100% equity interests in 東莞市金翹玩具有限公司 (“金翹”) to independent third parties at a consideration of RMB500,000. 金翹 was principally engaged in the manufacturing of toys in the PRC. The net liabilities of 金翹 on 8 April 2016 are as follows:

	<i>HK\$'000</i>
Assets disposed of and liabilities transferred	
Property, plant and equipment	460
Inventories	1,960
Trade receivables	2,230
Prepayments, deposits and other receivables	1,291
Cash and cash equivalents	317
Trade payables	(3,267)
Other payables and accruals	(5,120)
Tax payable	(37)
	<hr/>
Net liabilities disposed of	(2,166)
Cumulative exchange differences reclassified from equity to profit or loss on disposal of the subsidiary	(240)
Gain on disposal of a subsidiary	3,005
	<hr/>
	599
	<hr/> <hr/>
Satisfied by	
Cash	599
	<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

	<i>HK\$'000</i>
Cash consideration received	599
Less: Cash and cash equivalents disposed of	(317)
	<hr/>
Net cash inflow on disposal of a subsidiary	282
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17 COMPARATIVE FIGURES

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

MANAGEMENT DECISION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Following the acquisition of the beauty and wellness business in May 2015 (Note 15), the Group is principally engaged in the manufacturing and trading of recreational and educational toys and equipment, the operation of clubhouse business and the provision of beauty and wellness services during the year.

Total revenue of approximately HK\$46,960,000 was recorded by the Group during the year ended 31 December 2016, as compared to approximately HK\$45,620,000 for the same period in 2015.

Revenue arising from different business segments are as follows:

- (a) approximately HK\$2,450,000 from the toys business segment (2015: HK\$7,683,000);
- (b) approximately HK\$11,237,000 from the clubhouse business segment (2015: HK\$16,269,000); and
- (c) approximately HK\$33,273,000 from the beauty and wellness business segment (after the acquisition in May 2015 to 31 December 2015: HK\$21,668,000).

The overall revenue in 2016 was basically same with that in 2015, but the contribution from the toys business segment has decreased, which was mainly due to reallocation of resources by the Board from the toys business segment, in order to align the Group's businesses and resources with the Group's current major development objective of exploring opportunities to venture into healthcare, beauty and wellness, medical services for elderly, senior tourism, retirement home, hospital, medical equipment and technology and other prospective businesses. The Group's gross profit was approximately HK\$38,147,000 in 2016, as compared to approximately HK\$27,025,000 in 2015, representing an increase of approximately HK\$11,122,000; the gross profit margin has increased from 59.2% in 2015 to 81.2% in 2016. This is mainly attributable to the higher gross profit margin from clubhouse business and the beauty and wellness business, and decrease in contribution from the toys business segment, which has a lower gross profit margin.

The loss for the year attributable to the equity holders of the Company amounted to approximately HK\$134,537,000 in 2016 whilst a loss of approximately HK\$205,103,000 was recorded in 2015. Excluding the effects of non-cash income and expenses (including gain on bargain purchase on acquisition of subsidiaries, gain on disposal of a subsidiary, fair value change of derivative financial instruments, provision for impairment of property, plant and equipment/goodwill/trademark user right and technical know-how, etc.), the operating loss for the year ended 31 December 2016 amounted to approximately HK\$13,880,000, which represents a significant decrease to the operating loss of the same period in 2015 of approximately HK\$37,131,000 (as adjusted by excluding non-cash income and expenses).

Due to the re-allocation of resources as mentioned above (and hence less costs incurred), the operating loss from the toys business segment has a turnaround from a loss of approximately HK\$16,718,000 in 2015 to a profit of approximately HK\$685,000 in 2016.

Revenue from the clubhouse business decreased from approximately HK\$16,269,000 in 2015 to approximately HK\$11,237,000 in 2016 due to the clamp down by the PRC government on money laundering and the push for frugality. However, operating loss decreased from approximately HK\$26,660,000 in 2015 to approximately HK\$22,056,000 in 2016 due to better control on costs. The Group is undergoing assessment for rebranding and repositioning of the clubhouse and its contribution to the Group, and will try to control the costs of the clubhouse business.

The Group has completed the acquisition of the beauty and wellness business in May 2015, which is principally engaged in the provision of beauty and wellness related services in Shenzhen. Revenue from the beauty and wellness business was approximately HK\$33,273,000 in 2016 (2015: HK\$21,668,000) and an operating profit of approximately HK\$7,491,000 was recorded in 2016 (2015: HK\$6,247,000).

While the Board assessed the valuation of the beauty and wellness business with reference to (i) the profit guarantee (which is RMB20,000,000 per year for the three years ending on 31 December 2017); (ii) the price-to-earnings ratios of other companies listed in Hong Kong and engaged in similar businesses; and (iii) the growth potential and prospects of the beauty and wellness business at the time of the acquisition, for the purpose of the impairment reviews of the trademark user right and technical know-how during the year ended 31 December 2016, the Company has an independent valuer to perform valuation. When estimating the value in use of the trademark user right and technical know-how, the independent valuer considered that the estimation of value in use conforms with the income approach which focuses on the economic benefits generated by the income producing capability and income approach is therefore adopted for the valuation.

The actual performance of the beauty and wellness business was not as good as anticipated by the Board at the time of the acquisition. Based on the assessment conducted by the independent valuer, the value in use of the trademark user right and technical know-how was approximately HK\$157,250,000 as at 31 December 2016, which was determined based on the cash flow projections and a pre-tax discount rate of 17.98% per annum. As the value-in-use of the trademark user right and technical know-how was less than its carrying amount of approximately HK\$222,222,000, a provision for impairment of approximately HK\$64,972,000 was provided. The Directors would like to emphasise that the abovementioned provisions are non-cash in nature and have no cash flow impact to the Group. There is also no impact on the operations of the beauty and wellness business. Management of the beauty and wellness business has already launched new services to attract more high-end customers, and the Directors are prudently optimistic of the future contributions from this business segment.

The Board is adopting approaches in order to sustain the Group for the long term development and will take appropriate strategic measures to reshape the Group's different business segments and reallocate resources to them when necessary. The Group is actively identifying and exploring other investment and business opportunities to broaden its assets and revenue base. Potential acquisitions or mergers will be assessed by the Board for expansion of the business segments of the Group. The Board believes diversified investments could be beneficial to the interests of the Group and the shareholders as a whole. The Board will cautiously search for investment opportunities so as to produce a steady growth in the Group's long term performance.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group held cash and cash equivalents of approximately HK\$24,514,000 (2015: HK\$53,129,000). Net current assets amounted to approximately HK\$148,131,000 (2015: HK\$196,249,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 2.47 times (2015: 4.01 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 51.7% (2015: 35.5%). As at 31 December 2016, the carrying amounts and the principal amounts of the outstanding borrowings (all of which are denominated in Hong Kong dollars and at fixed interest rates) of the Group amounted to approximately HK\$135,175,000 (2015: HK\$59,856,000) and approximately HK\$228,562,000 (2015: HK\$109,519,000), respectively.

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group currently does not have regular and established hedging policies in place. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments and adopting appropriate hedging policies to control the risks, when the need arises. The Group was not engaged in any hedging contracts as at 31 December 2016.

CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the year ended 31 December 2016 and up to the date of this announcement.

(A) Share Capital

There were no changes in the share capital of the Company during the year end up to the date of this announcement. The Company has 1,972,452,606 issued shares as at 31 December 2016 and the date of this announcement.

(B) Share Options

On 11 May 2012, the Company granted 65,800,000 share options under the share option scheme of the Company adopted on 2 September 2006 (the "Share Option Scheme") to certain eligible participants (as defined under the Share Option Scheme) at an exercise price of HK\$0.37 per share, which were vested immediately on the date of grant (i.e. 11 May 2012) and expire on 10 May 2022, of which 55,800,000 and 34,800,000 share options were still outstanding as at 31 December 2016 and the date of this announcement, respectively. Pursuant to the terms and conditions of the Share Option Scheme, the exercise price of these share options were adjusted from HK\$0.37 per share to HK\$0.32 per share with effect from 19 August 2014 (immediately after the completion of an open offer on 19 August 2014).

In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme and was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,246,050 options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK\$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). No share options were accepted by the grantees within 28 days from the date of offer in accordance with the terms and conditions of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year.

(C) Convertible Bonds

There were outstanding convertible bonds in an aggregate principal amounts of approximately HK\$201,769,000 and HK\$220,605,000 which are convertible into 574,090,733 and 684,415,403 shares of the Company, respectively, as at 31 December 2016 and the date of this announcement. Convertible bonds issued or converted during the year and up to the date of this announcement are as follows:

- i) issue of the 1st 2016 CB on 15 January 2016 (Note 12(e));
- ii) issue of the 2nd 2016 CB on 15 April 2016 (Note 12(f));
- iii) issue of the 2nd Marsa CB in May 2016 (Note 12(d)); and
- iv) issue of certain convertible bonds on 3 March 2017 (details refer to the Company's announcement dated 3 March 2017).

In the past twelve months and up to the date of this announcement, the Company has raised approximately HK\$43,500,000 from issuance of bonds and convertible bonds. As at the date of this announcement, approximately HK\$8,000,000 was utilised to development of the money lending business and HK\$35,500,000 as general working capital.

Besides, as disclosed in Note 12(a), the 1st Tai Cheng CB was terminated on 15 March 2017 and the Company issued a promissory note to the holder of that convertible bond.

CHARGES ON ASSETS

As at 31 December 2016, none of the Group's assets was pledged to secure any facilities and borrowings granted to the Group.

SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS

Save as disclosed in Note 16 and the disposals of trade and other receivables of the Group detailed in the Company's announcements dated 29 April 2016 and 30 June 2016, there were no significant acquisition and disposal of assets during the year ended 31 December 2016 and up to the date of this announcement.

COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital and operating lease commitments as at 31 December 2016 were detailed below:

Capital commitment

The Group had the following capital commitments as at the end of the reporting period:

	<i>HK\$'000</i>
Authorised but not contracted for:	
– Construction of property, plant and equipment	<u>25,850</u>

Save as disclosed above, as disclosed in the Company's announcements dated 29 April 2016 and 30 June 2016, the Group will be committed in certain investments upon exercise of certain call options.

Operating lease commitment

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<i>HK\$'000</i>
Not later than 1 year	17,083
Later than 1 year but not later than 5 years	<u>37,774</u>
	<u>54,857</u>

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2016.

After the end of the reporting period, on 9 February 2017, the Company has received a writ of summons (the "Writ") dated 9 February 2017 issued by the High Court of Hong Kong. The plaintiff is Nu Kenson Limited ("Nu Kenson") and the Company is named as the defendant in the Writ (the "Legal Proceedings").

Pursuant to the Statement of Claim attached to the Writ, Nu Kenson seeks, inter alia, the following reliefs:

- (i) a declaration that Nu Kenson is the legal and lawful owner and/or holder of the 1st 2016 CB;
- (ii) a declaration that Nu Kenson is entitled to (a) a certificate of the 1st 2016 CB in its name, to be issued by the Company; (b) have its name entered into the register of bondholder by the Company; and (c) convert the 1st 2016 CB into shares of the Company in accordance with the terms and conditions of the 1st 2016 CB;

(iii) specific performance of the 1st 2016 CB; and/or

(iv) damages to be assessed.

Given that the litigation process is at an early stage, the Board, after consulting legal opinion, is yet to evaluate the likelihood of an unfavourable outcome and provide an estimate on any liability and the amount of damages. The Legal Proceedings thereby do not materially affect the normal operation of the Company.

The Company is seeking legal advice in respect of the Legal Proceeding and will make further announcement(s) to keep its shareholders and investors informed of any significant development of the Legal Proceeding as and when appropriate.

EMPLOYEES AND REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to retain and motivate employees by linking their compensation to the Group's performance and benchmarking their compensation against corporate goals, so that the interests of the employees are in line with those of the Company's shareholders.

As at 31 December 2016, the Group employed approximately 350 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing its employees with adequate and regular trainings. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed in the paragraph headed "Capital Structure" in the "Management Discussion and Analysis" section above, neither the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's securities listed on the Stock Exchange during the year.

CORPORATE GOVERNANCE PRACTICE

The Board believes that good governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviation from code provision A.6.7 which is explained below, the Company has been in compliance with all code provisions set out in the CG Code for the year ended 31 December 2016.

Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. 2 independent non-executive Directors and 1 non-executive Director did not attend the annual general meeting held on 15 June 2016 due to other work commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS

During the year, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have confirmed their compliance with the required standard as set out in the Model Code during the year.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive Directors, namely Mr. Low Chin Sin (Chairman), Mr. Wu Hong and Mr. Wong Ka Wai. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited consolidated financial statements of the Company for the year ended 31 December 2016 and this announcement. Also, the Company has established an internal audit function in 2016 and the Audit Committee has reviewed matters relating to risk management and internal control systems, and the plans and objectives of the internal audit function.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (<http://www.irasia.com/listco/hk/greeninternational/index.htm>). The 2016 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited and the Company on or before 30 April 2017.

EXTRACT OF THE AUDITOR'S REPORT – EMPHASIS OF MATTER

We draw attention to Note 2.1 of the consolidated financial statements, as at 31 December 2016, the cash balance of the Group is approximately HK\$24.5 million, which is less than management's estimate of cash requirement on operating expenses for the next twelve months and there has been operating losses for the current year reported. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Groups' financial statements have been prepared on a going concern basis, the validity of which depends upon the future revenue and the availability of additional funding is forthcoming to meet the Group's financial obligations as and when they fall due in the foreseeable future. Our opinion is not modified in respect of this matter.

SCOPE OF WORK OF MCMILLAN WOODS SG CPA LIMITED

The figures in respect of the Company's annual results announcement for the year ended 31 December 2016 have been agreed by the Company's external auditors, McMillan Woods SG CPA Limited, to the amounts set out in the Company's consolidated financial statements for the year. The work performed by McMillan Woods SG CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods SG CPA Limited on the annual results announcement.

By Order of the Board
Green International Holdings Limited
Yang Wang Jian
Chairman

Hong Kong, 30 March 2017

As at the date of this announcement, the executive Directors are Mr. Yang Wang Jian, Mr. Zeng Xiang Di, Ms. Yang Jun, Mr. Chen Hanhong, Ms. Yang Ya, Dr. Yu Qigang and Ms. Eva Au; the nonexecutive Director is Ms. Yu Jiaoli; and the independent non-executive Directors are Mr. Wu Hong, Mr. Low Chin Sin, Mr. Ye Yunhan, Prof. Zhu Yi Zhun and Mr. Wong Ka Wai.