



WORLDSEC LIMITED

Annual Report for the year ended 31 December 2016

CORPORATE INFORMATION

Board of Directors

Non-Executive Chairman

Alastair GUNN-FORBES*

Executive Directors

Henry Ying Chew CHEONG (Deputy Chairman)

Ernest Chiu Shun SHE

Non-Executive Directors

Mark Chung FONG*

Martyn Stuart WELLS*

** independent*

Company Secretary

Jordans Company Secretaries Limited

21 St Thomas Street, Bristol B51 6JS, United Kingdom

Registered Office Address

Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda

Registration Number

EC21466 Bermuda

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road, Central, Hong Kong

External Auditor

BDO Limited

25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong

Principal Share Registrar and Transfer Office

Estera Management (Bermuda) Ltd.

Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda

International Branch Registrar

Capita Asset Services

12 Castle Street, St Helier, JE2 3RT, Jersey, Channel Islands

United Kingdom Transfer Agent

Capita Registrars Limited

The Registry, 34 Beckenham Rd, Beckenham, Kent, BR3 4TU, United Kingdom

Investor Relations

For further information about Worldsec Limited, please contact:

Henry Ying Chew CHEONG

Executive Director

Worldsec Group

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Company's Website

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WORLDSEC LIMITED

CONTENTS

	Page
Chairman's statement	1
Directors' report	2
Statement of directors' responsibilities	15
Independent auditor's report	16
Consolidated statement of profit or loss and other comprehensive income	21
Consolidated statement of financial position	22
Consolidated statement of changes in equity	23
Consolidated statement of cash flows	24
Notes to the consolidated financial statements	25
Investment policy	59
Biographical notes of the directors	60

Chairman's Statement

RESULTS AND REVIEW

As discussed below and in the directors' report on pages 2 to 14, I wish to report that Worldsec Limited (the "Company") and its subsidiaries (together the "Group") made steady progress during the year under review. The audited consolidated loss of the Group at US\$514,000 for the year ended 31 December 2016 showed a small improvement over the loss of US\$644,000 in 2015. Loss per share was US0.91 cent (2015: US1.14 cents). Net asset value per share was US5.2 cents (2015: US5.5 cents).

During the year under review, the Group added to its investment portfolio a new investment in a technology enterprise called Velocity Mobile Limited ("Velocity"). Velocity offers mobile applications to consumers to discover and make real-time reservations and settle bills at premier restaurants. In addition, the Group increased its investment in ayondo Holding AG ("Ayondo") through the exercise of warrants ahead of Ayondo's proposed reverse takeover of a company listed on the Singapore Stock Exchange.

Meantime, the Group's investment in ICBC Specialised Ship Leasing Fund continued to provide a stable dividend income while its 50% owned associated company, Oasis Education Group Limited, achieved encouraging progress with the number of pupil enrolment in the Huizhou Kindergarten increasing satisfactorily.

During the year under review, the Group also completed the following house-cleaning acts:

- the voluntary liquidation of two subsidiaries, Worldsec International (Netherlands) BV and Worldsec International (PH) BV, which had remained dormant since the Group decided to disengage in stockbroking business; and
- the reversion to the Company's reserves of dividends previously declared but unclaimed totalling approximately US\$147,000 in accordance with its Bye-Laws.

PROSPECTS

Given the abundance of liquidity, private equity investments in 2016 continued to see asset valuations being pushed higher with investors facing persistent challenges and difficulties in indentifying and closing deals at prices that would generate satisfactory returns. Such investment environment will further be complicated by Britain's entering into the formal proceedings to exit from the European Union, the economic nationalist objectives of the U.S. Administration under President Trump, as well as the gradual ending of the low interest rate era. Global trades are expected to take different forms and will be conducted under new structures and agreements in the years ahead. Before the conclusion of the negotiations on new trade agreements among the developed countries, private equity investors are likely to experience increased uncertainties and volatilities resulting in higher investment risks. Nonetheless, notwithstanding the uncertain and challenging investment environment, I am confident that the Group will continue to make progress in expanding and diversifying its investment portfolio in accordance with the Company's investment objectives with a view to building shareholders' value in the longer term.

NOTE OF APPRECIATION

I wish to thank my fellow directors and staff for their efforts and contributions made during the year under review and extend a note of appreciation to shareholders for their continued patience with and support of the Company.

Alastair Gunn-Forbes
Non-Executive Chairman
28 April 2017

DIRECTORS' REPORT

The directors submit the annual report of the Company and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries are primarily engaged in investment in unlisted companies in the Greater China and South East Asian region.

RESULTS

The audited consolidated loss of the Company and its subsidiaries for the year ended 31 December 2016 was US\$514,000, compared with a loss of US\$644,000 in 2015. Loss per share was US0.91 cent (2015: US1.14 cents).

Revenue, by way of dividend income received from the Group's investment in ICBC Specialised Ship Leasing Fund, amounted to US\$96,000 in 2016 and was the same as in 2015. Three notable one-off items, on the other hand, were recorded in the profit or loss statement during the year under review. Under other income, there was a write back of provisions totalling US\$78,166 which were related to legal fees over-provided for in previous years in connection with the liquidations, disposals and capital reductions of certain subsidiaries when the Group decided to disengage in the businesses of stockbroking and corporate finance in 2002 and 2003. On the expenditure side, there was a one-off charge of US\$172,000 which was related to the share-based payment expenses associated with the share options granted to the directors and staff in December 2015 under the Company's Share Option Scheme (the "Scheme"). Adjusting for this one-off charge, staff costs increased slightly to US\$213,000 in 2016 from US\$191,000 in 2015. In addition, there were also certain expenses and loss arising from the voluntary liquidation of two subsidiaries as described below.

The share of joint venture loss in respect of the Group's 50% shareholding investment in Oasis Education Group Limited ("Oasis Education") amounted to US\$5,000 in 2016, down from US\$53,000 in 2015, reflecting largely the one-off effects relating to the write back of certain provision made last year.

In accordance with the Company's Bye-Laws on unclaimed dividend, any dividend unclaimed after a period of 12 years from the date on which such dividend was declared or became due for payment shall be forfeited and shall revert to the Company. As at the end of December 2016, dividends that had been declared and due for payment and that had remained unclaimed for more than the 12 years limit amounted to a total of US\$147,235.09. These unclaimed dividends were reverted to the Company and the amount was transferred to the Company's reserve accounts in 2016.

During the year under review, two subsidiaries, Worldsec International (Netherlands) BV and Worldsec International (PH) BV, completed their voluntary liquidation. These subsidiaries used to provide agency broking services and became dormant when the Group decided to disengage in stockbroking business in 2002.

As at 31 December 2016, the net assets of the Group stood at US\$2.9 million (2015: US\$3.1 million), equivalent to US5.2 cents (2015: US5.5 cents).

Further details of the Group's results are set out in the consolidated statement of profit or loss and other comprehensive income on page 21 and notes to the consolidated financial statements on pages 25 to 58.

The Board does not propose to declare any dividend for the year ended 31 December 2016 (2015: nil).

DIRECTORS' REPORT

REVIEW

In accordance with the investment policy of the Company, a copy of which is set out on page 59, the investment strategy of the Group focuses on investing in small to medium sized trading companies based mainly in the Greater China and South East Asian region with a view to building a diversified portfolio of minority investments in such companies. To spread the investment risk of the Group, none of the Group's investments at the time when made exceeded 20% of its gross assets.

During the year under review, the Group made an investment of GBP337,120 in Velocity Mobile Limited ("Velocity"). Founded in the United Kingdom in 2014, Velocity is a technology enterprise offering mobile applications to consumers to discover and make real-time reservations and settle bills at premier restaurants. The services of Velocity are live in venues that include a myriad of Michelin Star classics in London, Los Angeles, New York and Miami. In November 2016, Velocity launched a new product, Velocity Black. Targeted at high value consumers, Velocity Black is a real-time lifestyle and payment mobile application with chat based services. Thanks to the contribution from Velocity Black, Velocity achieved strong performance in the first quarter of 2017.

ayondo Holding AG (Ayondo), an investee company of the Group involved in social trading and broking services for contract-for-differences, has been actively pursuing the reverse takeover (the "proposed RTO") of Starland Holdings Limited, a company listed on the Catalist (the sponsor-supervised board) of the Singapore Stock Exchange. In connection with the proposed RTO, Ayondo has built up significant resources in finance, risk management, information technology and internal control. However, as Ayondo is working towards becoming possibly the first fintech company to obtain a listing in Singapore, the listing process is more demanding and is taking longer than anticipated and completion of the proposed RTO is not expected until the second half of 2017. During the year under review and in anticipation of the proposed RTO, the Group exercised warrants to subscribe for additional equity interest in Ayondo, raising its investment amount from CHF320,000 to CHF480,150.

Meanwhile, in China, Oasis Education Consulting (Shenzhen) Company Limited (奧偉詩教育諮詢(深圳)有限公司, "Oasis Shenzhen"), a subsidiary of the 50% joint venture of the Group, Oasis Education, continued to achieve encouraging progress. Under the consulting and support services provided by Oasis Shenzhen, the Huizhou Kindergarten had 224 pupils enrolled by March 2017, up from 164 pupils in September 2016 and 76 pupils in December 2015. In accordance with the "Administrative Measures for the Assessment of Kindergartens in Guangdong Province", the Education Supervision Office under the Huicheng District Education Bureau carried out a rating assessment of the Huizhou Kindergarten in December 2016. As the Huizhou Kindergarten successfully met requirements at the district level in all respects, it duly passed the assessment and was award as a "First Level Kindergarten" in the Huicheng District on 6 March 2017.

During the year under review, the Group had also carried out evaluations on a number of investment proposals in the areas of, amongst others, bioscience, financial and educational services. Nevertheless, following in-depth analysis, the majority of these proposed investments did not meet the Group's investment criteria for one reason or another.

PROSPECTS

With the new investment in Velocity, the Group has made four investments in its portfolio. While its investment in ICBC Specialised Ship Leasing Fund will continue to provide a recurrent and stable dividend income, the other three investments have shown positive developments in their respective businesses:

DIRECTORS' REPORT

Huizhou Kindergarten

To be credited as a "First Level Kindergarten" by the Education Supervision Office under the Huicheng District Education Bureau after only operating for two full academic years is a testament to the performance of and a significant achievement by the teaching staff of the Huizhou Kindergarten and the consulting team at Oasis Shenzhen. This track record will put Oasis Shenzhen in a better position to source and negotiate future consulting contracts.

Ayondo

The significant resources built up in finance, risk management, information technology and internal control, coupled with a successful implementation of the proposed RTO, will place Ayondo in a strong position to pursue its growth objectives. In addition, following the recent acquisition of TradeHero's brand outside of China and the United States, Ayondo is in the process of launching a number of new revenue generating projects involving mobile trading applications. TradeHero is a gamified virtual investment network where users share real-time investment insights and trades.

Velocity

As discussed above, with the contribution from Velocity Black, Velocity achieved strong performance in the first quarter of 2017. In addition, Velocity is working on another new product, a globally connected customer relationship management system that targets at its restaurant partners, and is also planning to expand its geographic coverage to include three cities in Asia in the second half of 2017.

These investments are expected to produce rewarding returns in the longer term.

On the bigger picture, with concerns over Britain's exit from the European Union, the protective nationalist regime of the U.S. Administration under President Trump, the structural changes in the economy in China, and the refugee crisis in Europe, investment climate is expected to remain volatile and uncertain in 2017 as experienced in 2016. However, on the optimistic note, the "one belt one road" initiative by China and the proposed US\$1 trillion investment into infrastructure projects in the United States by the Trump Administration, if implemented successfully, will have tremendous positive impact on global economic growth especially in the infrastructure related areas.

Given such a mixed outlook, the Board will act carefully and continue to look for and identify appropriate investments to expand the Group's investment portfolio. In this connection, the Company is exploring various options to raise capital with a view to strengthening the Group's position to capture investment opportunities.

DIRECTORS

The directors during the year under review and up to the date of this report were:

Non-Executive Chairman

Alastair Gunn-Forbes*

Executive Directors

Henry Ying Chew Cheong

Ernest Chiu Shun She

Non-Executive Directors

Mark Chung Fong*

Martyn Stuart Wells*

* *independent*

Brief biographical notes of the directors serving at the date of this report are set out on pages 60 to 61.

DIRECTORS' REPORT

Save as disclosed in this report and in note 25 to the consolidated financial statements on page 57, none of the directors had during the year under review or at the end of the year a material interest, directly or indirectly, in any contract of significance with the Company or any of its subsidiaries.

Messrs Alastair Gunn-Forbes and Mark Chung Fong have served on the Board for more than nine years. (In accordance with Provision B.7.1 of the UK Corporate Governance Code on corporate governance published by the Financial Reporting Council in September 2014 (the "UK Corporate Governance Code 2014"), both Messrs Alastair Gunn-Forbes and Mark Chung Fong retired by rotation and were re-elected to office by separate resolutions passed at the Annual General Meeting held on 27 October 2016.) During the past nine year period, however, neither of them has had any major interest in the issued share capital of the Company, has been an employee or involved in the daily management of any of the Group companies, or has had any material relationship with any of the Group companies or any of the major shareholders or managers of any such companies other than being a member of the Board. Accordingly, and in accordance with Provision B.1.1 of the UK Corporate Governance Code 2014, the Board has determined that their independence and objectivity have not been impaired and they will therefore be able to continue to act independently in character and judgement.

At the Annual General Meeting held on 29 September 2014, shareholders approved the inclusion of the Group's non-executive directors, including Messrs Alastair Gunn-Forbes, Mark Chung Fong and Martyn Stuart Wells, as eligible participants of the Scheme. As explained in the 2014 annual report of the Company, the reason for such inclusion was to enable the Group to reward its non-executive directors for their commitments to the Company beyond the nominal annual fees that the Group could afford to pay during its early stage of development. Accordingly, and in accordance with Provision B.1.1 of the UK Corporate Governance Code 2014, given such circumstances, the Board has determined that the participation of Messrs Alastair Gunn-Forbes, Mark Chung Fong and Martyn Stuart Wells in the Scheme will not affect their ability to act independently in character and judgement.

DIRECTORS' INTERESTS

The interests of the individuals who were directors during the year under review in the issued share capital of the Company, including the interests of persons connected with a director (within the meaning of Sections 252, 253 to 255 of the United Kingdom Companies Act 2006 as if the Company were incorporated in England), the existence of which was known to, or could with reasonable diligence be ascertained by, that director, whether or not held through another party, were as follows:

	At 1 January 2016	At 31 December 2016
	<u>No. of shares</u>	<u>No. of shares</u>
Alastair Gunn-Forbes	30,000	30,000
Henry Ying Chew Cheong (Note)	3,054,873	3,054,873
Mark Chung Fong	Nil	Nil
Ernest Chiu Shun She	366,730	366,730
Martyn Stuart Wells	Nil	Nil

Note: Mr Henry Ying Chew Cheong ("Mr Cheong") owns, in addition to the beneficial interest in 3,054,873 ordinary shares of US\$0.001 each in the Company, 2 ordinary shares of US\$1 each in Grand Acumen Holdings Limited ("GAH"), representing 25% of the issued share capital of GAH. GAH beneficially owned 6,450,000 ordinary shares of US\$0.001 each in the Company at 1 January 2016 and 31 December 2016.

In addition, HC Investment Holdings Limited ("HCIH") is wholly owned by Mr Cheong. HCIH beneficially owned 10,000,000 ordinary shares of US\$0.001 each in the Company at 1 January 2016 and 31 December 2016.

DIRECTORS' REPORT

In total, Mr Cheong and his associates were the legal and beneficial owners of 19,504,873 ordinary shares of US\$0.001 each in the Company, representing 34.4% of the Company's issued share capital, at 1 January 2016 and 31 December 2016. The Company and Mr Cheong entered into a relationship agreement on 2 August 2013 (the "Relationship Agreement"). Pursuant to the Relationship Agreement, Mr Cheong has agreed to exercise his rights as a shareholder at all times, and to procure that his associates exercise their rights, so as to ensure that the Company is capable of carrying on its business independently of Mr Cheong or any control which Mr Cheong or his associates may otherwise be able to exercise over the Company. Moreover, Mr Cheong has undertaken to ensure, so far as he is able to, that all transactions, relationships and agreements between Mr Cheong or his associates and the Company or any of its subsidiaries are on arms' length terms on a normal commercial basis. Mr Cheong and the Company have also agreed, amongst other things, that he will not participate in the deliberations of the Board in relation to any proposal to enter into any commercial arrangements with Mr Cheong or his associates.

	At 1 January 2016	At 31 December 2016
	<u>No. of share options (Note)</u>	<u>No. of share options (Note)</u>
Alastair Gunn-Forbes	500,000	500,000
Henry Ying Chew Cheong	500,000	500,000
Mark Chung Fong	500,000	500,000
Ernest Chiu Shun She	500,000	500,000
Martyn Stuart Wells	500,000	500,000

Note: The share options entitle the holders to subscribe on a one for one basis ordinary shares of US\$0.001 each in the share capital of the Company at an exercise price of US\$0.122 per share. The share options vest six months from the date of grant on 1 December 2015 and are then exercisable within a period of 9.5 years.

Save as disclosed above, none of the above named directors had an interest, whether beneficial or non-beneficial, in any shares or debentures of any Group companies at the beginning or at the end of the year under review. Save as disclosed above, none of the above named directors, or members of their immediate families, held, exercised or were awarded any right to subscribe for any shares or debentures of any Group companies during the year.

The Board confirms that (i) the Company has complied with the independence provisions set out in the Relationship Agreement since it was entered into; and (ii) so far as the Company is aware, Mr Cheong and his associates have complied with the independence provisions set out in the Relationship Agreement since it was entered into and since 1 January 2016.

DIRECTORS' REMUNERATION

The remuneration of the directors for the year ended 31 December 2016 was as follows:

	Fees	Share-based	Other	Total
	<u>US\$'000</u>	<u>payment expenses</u>	<u>emoluments</u>	<u>US\$'000</u>
		<u>US\$'000</u>	<u>US\$'000</u>	
Alastair Gunn-Forbes	12.4	30.4	-	42.8
Henry Ying Chew Cheong	12.4	30.4	-	42.8
Mark Chung Fong	12.4	30.4	-	42.8
Ernest Chiu Shun She	12.4	30.4	-	42.8
Martyn Stuart Wells	12.4	30.4	-	42.8
	<u>62.0</u>	<u>152.0</u>	<u>-</u>	<u>214.0</u>

DIRECTORS' REPORT

PROVIDENT FUND AND PENSION CONTRIBUTION FOR DIRECTORS

During the year under review, there was no provident fund and pension contribution for the directors.

LETTERS OF APPOINTMENT/ SERVICE CONTRACTS

Messrs Alastair Gunn-Forbes, Mark Chung Fong and Martyn Stuart Wells, each has entered into a letter of appointment with the Company to serve as non-executive director. Each of them is entitled to a fee of £10,000 per annum. The appointment may be terminated on one month notice in writing.

Messrs Henry Ying Chew Cheong and Ernest Chiu Shun She, each has entered into a letter of appointment with the Company to serve as executive director. Each of them is entitled to a fee of £10,000 per annum. The appointment may be terminated on not less than six month notice in writing.

All directors are eligible to participate in the Group's bonus arrangements at the discretion of the Remuneration Committee and the Board. No bonus was recommended for the year ended 31 December 2016.

Save as disclosed above, there are no existing or proposed letters of appointment or service contracts between any of the directors and the Company or any of its subsidiaries which cannot be determined without payment of compensation (other than any statutory compensation) within one year.

MAJOR INTERESTS IN SHARES

At 11 April 2017, the Company was aware of the following direct or indirect interests (other than directors' interests) representing 5 % or more of the Company's issued share capital:

	<u>No. of shares</u>	<u>Percentage of issued share capital</u>
Capita IRG Trustees (Nominees) Limited (Note)	19,940,929	35.1%
Grand Acumen Holdings Limited	6,450,000	11.4%
HC Investment Holdings Limited	10,000,000	17.6%
Luis Chi Leung Tong	5,000,000	8.8%
Lynchwood Nominees Limited	12,500,000	22.0%

Note: Capita IRG Trustees (Nominees) Limited ("Capita") acts as custodian for Capita IRG Trustees Limited (the "Depositary") which has been appointed by the Company to provide the depositary interest facility in Crest. The Depositary passes all rights and entitlements, including voting rights, to the underlying depositary interest holders. As such, Capita does not constitute a controlling shareholder. Furthermore, to the best of the knowledge of the Company, no single one of the underlying depositary interest holders had depositary interests held under Capita totalling 30% or more of the Company's issued capital at 11 April 2017.

INTERNAL CONTROL, RISK MANAGEMENT AND FINANCIAL REPORTING

The Board is responsible for establishing and maintaining appropriate systems of internal control and risk management to safeguard the Group's interests and assets. The control measures that have been put in place cover key areas of operations, finance and compliance and aim to manage rather than eliminate risks that are inherent in the running of the business of the Group. Accordingly, the Group's

DIRECTORS' REPORT

systems of internal control and risk management are expected to provide reasonable but not absolute assurance against material misstatements, loss or fraud.

Amongst the control measures, the key steps that have been put in place include:

- the setting of the investment strategy and the approval of significant investment decisions of the Group by the Board to ensure consistency with the investment objective and compliance with the investment policy of the Company;
- the segregation of duties between the investment management and accounting functions of the Group;
- the adoption of written procedures in relation to the operations of the bank accounts of the Group;
- the adoption of written procedures to deal with conflicts of interests and related party transactions;
- the maintenance of proper accounting records providing with reasonable accuracy at any time information on the financial position of the Group;
- the review by the Board of the management accounts of the Group on a regular basis; and
- the engagement of external professionals to carry out company secretarial works for the Company and to assist the Group on compliance issues.

The Board considers the identification, evaluation and management of the principal risks faced by the Group under the changing environment to be an ongoing process and has kept under regular review the effectiveness of the Group's systems of internal control and risk management. The Board is satisfied that the arrangements that have been put in place represent an appropriate framework to meet the internal control and risk management requirements of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers that the principal risks and uncertainties that are relevant to the Group include:

Target market risk

Under the investment policy of the Company, the Group focuses on investing in small to medium sized trading companies based mainly in the Greater China and South East Asian region. Consequently, a sharp or prolonged downturn in the economic environment or a heightened uncertainty in the political environment in these target markets could adversely and seriously affect the underlying investments and hence the cash flows of the Group. This is clearly a risk factor beyond the Group's control. Nevertheless, in line with the investment policy of the Company, the Board will seek to invest in and maintain a diversified portfolio in order to spread the investment risk of the Group.

Investment opportunity risk

Faced with the peril of persistent economic vulnerability, most major central banks apart from the U.S. Federal Reserve continue to pursue accommodative monetary policies. Given the abundance of liquidity, the private equity space has been awash with investment capital and dry powder competing for quality deals. This has been driving up valuations and narrowing the spreads of investment returns, thereby limiting the availability of attractive investment opportunities for the Group. Under such circumstances, with the approval from shareholders, the Company broadened its investment policy in the latter part of 2014. This offers greater flexibility for the Group to make investment choices from a broader range of opportunities to achieve the Company's investment objective under the persistently challenging and competitive environment.

DIRECTORS' REPORT

Key person risk

As the Group does not engage any external investment manager, the Board is responsible for overseeing the Group's investment management activities with frontline management duties delegated to the executive directors. The Group is therefore heavily dependent on the executive directors' abilities to identify and evaluate investment targets, execute and implement investment decisions, monitor investment performance and execute and implement exit decisions. Both of the executive directors, Messrs Henry Ying Chew Cheong and Ernest Chiu Shun She, have entered into a letter of appointment with the Company with a termination clause of not less than six month notice. Moreover, Mr Cheong is also the deputy chairman and a major shareholder beneficially holding a 34.4% interest in the Company's issued share capital.

Operational risks

The Group is exposed to various operational risks that are inherent in the running of its business, including, amongst others, the failure to comply with the investment policy of the Company, the failure to prevent misstatements, loss or fraud due to inadequacies in the Group's internal operational processes, and the failure to comply with applicable rules and regulations by the Group. As mitigating measures, the Board has established and maintained systems of internal control and risk management to safeguard the Group's interests and assets, details of which are set out in the section headed "Internal Control, Risk Management and Financial Reporting" on pages 7 to 8.

Financial risks

The Group is exposed to a variety of financial risks, including market risks, credit risk and liquidity risk, which arise from its operating and investment management activities. The Group's management of such risks is coordinated at the office of Worldsec Investment (Hong Kong) Limited, the principal operating subsidiary of the Group, in close cooperation with the Board. Details of the Group's approach on financial risk management are described in note 5(b) to the consolidated financial statements on page 42.

VIABILITY STATEMENT

The directors have assessed the viability of the Company for the three years to 31 December 2019.

The directors consider that, for the purpose of this viability statement, a three year period is appropriate taking into account the Group's investment horizon under its investment strategy. Besides, there should unlikely be any significant change to most if not all of the principal risks and uncertainties facing the Group over the timeframe selected for the assessment.

In assessing the viability of the Company and its ability to meet liabilities as they fall due, the directors have taken into consideration, amongst others:

- the investment strategy of the Group;
- the current position including the existing financial status and cost structure of the Group;
- the prospects of and the industry outlook for the Group;
- the economic and political environment of the Greater China and South East Asian region, the primary target markets in which the Group focuses its investment; and
- the potential adverse impact of the principal risks and uncertainties facing the Group and the effectiveness of the mitigating measures that have been put in place, details of which are described in the section headed "Principal Risks and Uncertainties" on pages 8 to 9.

DIRECTORS' REPORT

The directors note, in particular, that the Group:

- has a liquid amount of unrestricted cash and bank balances;
- does not have any borrowings;
- does not have any commitments other than certain operating leases with modest outstanding rental payments; and
- has low operating expenses with a small but stable team under stringent cost control.

Accordingly, the directors are confident that the Company will be able to continue in operation and meet its liabilities as they fall due over the assessment period.

GOING CONCERN

After making enquiries, and taking into account the increase in the equity capital of the Company and the reactivation of the Group's business activities in the latter part of 2013, the directors have formed a judgement, at the time of approving the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016, that there was a reasonable expectation that the Group would have adequate resources to carry out its operations for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the consolidated financial statements.

CORPORATE GOVERNANCE

The Company seeks to comply with the code provisions of the UK Corporate Governance Code 2014 (a copy of which is publicly available on the webpage of the Financial Reporting Council, <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>[#]).

The Board, with a non-executive chairman and over half of its members being non-executive directors, is committed to high standard of corporate governance. All non-executive directors are considered by the Board as independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. All directors are able to take independent professional advice in furtherance of their duties, if necessary.

The Board is responsible for establishing strategic directions and setting objectives for the Company and making significant investment decisions and monitoring the performance of the Group. The management is responsible for the day to day running of the Group's operations.

The Board confirms that, throughout the accounting period from 1 January to 31 December 2016, the Group complied with the relevant provisions of the UK Corporate Governance Code 2014, apart from certain exceptions set out and explained below.

[#] An updated version of the UK Corporate Governance Code, which applies to accounting periods beginning on or after 17 June 2016, is publicly available on <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-April-2016.pdf>

Although the Board believes that a Nomination Committee (as noted in Provision B.2.1 of the UK Corporate Governance Code 2014), which makes recommendations to the Board on all new board appointments, will ensure shareholders as to the suitability of a chosen director, the Board considers that, due to its size and level of activities, it is a "small" Board in the context of the UK Corporate Governance Code 2014 and has therefore decided that it would not be necessary to establish such a committee. All responsibilities of such a committee have been reverted to the Board as a whole.

DIRECTORS' REPORT

Again, due to its size and level of activities, the Board has not appointed a senior independent director and does not consider an annual self-evaluation to be particularly meaningful. The responsibilities normally rested with a senior independent director have been reverted to the Board as a whole.

Likewise, as the Group is at an early stage of development following its reactivation of business activities in the latter part of 2013 and the scale of its operations remains relatively insubstantial, the Board has decided that it would not be necessary or cost-effective to set up an internal audit function. However, the Company has set up an Audit Committee in accordance with Provision C.3.1 of the UK Corporate Governance Code 2014.

AUDIT COMMITTEE

The Audit Committee held two meetings during the year under review and the table below gives the attendance record.

<u>Director</u>	<u>Audit Committee Meeting</u>
Mark Chung Fong	2/2
Martyn Stuart Wells	2/2

The Audit Committee is chaired by Mr Mark Chung Fong and its other current member is Mr Martyn Stuart Wells. The Audit Committee is appointed by the Board and the committee's membership is comprised of non-executive directors.

The terms of reference of the Audit Committee (copies of which are available at the Company's registered office and the Company's website, <http://www.worldsec.com>) generally follow, where applicable, those stated in the code provisions of the UK Corporate Governance Code 2014.

The Audit Committee meets not less than two times a year and its responsibilities include, amongst others, the examination and review of the Group's risk management, internal financial controls and financial and accounting policies and practices, as well as overseeing and reviewing the work of the Company's external auditor, their independence and the fees paid to them.

During the year under review, the activities undertaken by the Audit Committee in discharge of its duties and functions included (i) the review and recommendation to the Board of the reappointment of BDO Limited as the Company's external auditor; (ii) the review and recommendation to the Board for approval of the annual report of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015; and (iii) the review and recommendation to the Board for approval of the interim report of the Company and the unaudited consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2016. In recommending the reappointment of BDO Limited, the Audit Committee has taken into consideration, amongst others, BDO Limited's independence, objectivity and terms of engagement.

Subsequent to the year end, the activities that have been undertaken by the Audit Committee in relation to 2016 included (i) the review and recommendation to the Board of the annual report of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016; (ii) the review of the Group's risk management and internal financial controls; and (iii) the assessment of the effectiveness of the external audit process through feedback from the management involved in the audit and through interactions with and observations and review of the level of audit service provided.

In connection with the review of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016, the Audit Committee has identified and reviewed the significant reporting issues set out in the table below.

DIRECTORS' REPORT

<u>Significant Reporting Issue</u>	<u>Review and Assessment</u>
Impairment review of the Group's interests in respect of its 50% owned joint venture, Oasis Education – At 31 December 2016, the Group had an equity interest of US\$123,000 in and an amount of US\$257,000 due from Oasis Education. These carrying amounts were significant in the Group's context and their valuation was subject to judgments, estimates and assumptions.	The Audit Committee has (i) reviewed the operational and financial performance and the latest development of Oasis Education and its subsidiaries; and (ii) assessed the assumptions underlying the cash flow projection for Oasis Education as well as the reliability of such projection by comparing relevant historic budgets with actual results.
Impairment review of the Group's available-for-sale financial assets – At 31 December 2016, the Group had equity interests carried at costs totalling US\$1,784,000 in ICBC Specialised Ship Leasing Investment Fund, Ayondo and Velocity (together the "Available-for-Sale Financial Assets"). These carrying amounts were significant in the Group's context and their valuation was subject to judgments and assumptions.	The Audit Committee has (i) reviewed the operational and financial performance and the latest development of the Available-for-Sale Financial Assets; and (ii) discussed with the management and assessed any impairment indicators that might impact such assets.

BDO Limited was appointed as the external auditor of the Company in February 2015, since when audit services have not been tendered competitively. The Audit Committee has concluded that a competitive tender of audit services is not necessary at this time, but acknowledged that circumstances could arise where a competitive tender for audit services is desirable. The performance of BDO Limited as the Company's external auditor will be kept under annual review, and if satisfactory, BDO Limited will be recommended by the Audit Committee for reappointment. There are, however, no contractual obligations that would restrict the Audit Committee's choice of external auditor for the Company.

Any non-audit services that are to be provided by the Company's external auditor are reviewed in order to safeguard the auditor's objectivity and independence. During the year under review, the non-audit services provided by BDO Limited consisted of agreed-upon procedures in respect of the Group's interim report for the six months ended 30 June 2016. On this basis, the Board confirmed to the Audit Committee that, during the reporting period, there had not been any non-audit services that were considered to have impaired the objectivity and independence of the external auditor of the Company.

As advised by the Audit Committee and concurred with by the Board, the annual report of the Company and the audited consolidated financial statements for the year ended 31 December 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

REMUNERATION COMMITTEE

In accordance with Provision D.2.1 of the UK Corporate Governance Code 2014, the Company has set up a Remuneration Committee. The Remuneration Committee held one meeting during the year under review and the table below gives the attendance record.

DIRECTORS' REPORT

<u>Director</u>	<u>Remuneration Committee Meeting</u>
Martyn Stuart Wells	1/1
Mark Chung Fong	1/1
Alastair Gunn-Forbes	1/1

The Remuneration Committee is chaired by Mr Martyn Stuart Wells and its other current members are Messrs Alastair Gunn-Forbes and Mark Chung Fong. The Remuneration Committee is appointed by the Board and the committee's membership is comprised of non-executive directors.

The terms of reference of the Remuneration Committee (copies of which are available at the Company's registered office and the Company's website, <http://www.worldsec.com>) generally follow, where applicable, those stated in the code provisions of the UK Corporate Governance Code 2014.

The Remuneration Committee meets not less than two times a year and its responsibilities include, amongst others, the evaluation of the performance of the executive directors and senior staff, and the comparison of the Group's remuneration policy with similar organisations in the market to form the basis for the recommendations to the Board to determine the remuneration packages, which may include the grant of share options under the Scheme, for individual staff and director members.

In accordance with the Main Principle of Provision D.2 of the UK Corporate Governance Code 2014, no director should be involved in deciding his own remuneration.

During the year under review, the activities undertaken by the Remuneration Committee in discharge of its duties and functions included the review of and recommendation to the Board to retain the Group's previous remuneration arrangements. As the Group had a very small workforce, the Remuneration Committee did not consider necessary or meaningful to hold more than one meeting during the year under review.

BOARD MEETING

The Board held four meetings during the year under review and the table below gives the attendance record.

<u>Director</u>	<u>Board Meeting</u>
Alastair Gunn-Forbes	4/4
Henry Ying Chew Cheong	4/4
Ernest Chiu Shun She	4/4
Mark Chung Fong	4/4
Martyn Stuart Wells	4/4

In addition to the above board meetings, pursuant to the Company's Bye-Laws, two written resolutions were passed by all the directors during the year under review.

WORLDSEC EMPLOYEE SHARE OPTION SCHEME 1997

On 1 December 2015, the Company granted to certain eligible persons a total of 2,950,000 share options to subscribe for ordinary shares of US\$0.001 each in the share capital of the Company under the Scheme. The share options vest six months from the date of grant and are then exercisable within a period of 9.5 years.

DIRECTORS' REPORT

The following table discloses the movements of the outstanding share options under the Scheme during the year under review.

Grantee	Exercisable period	Number of options					Balance at 31 December 2016	Exercise price per share (US\$)
		Balance at 1 January 2016	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
Directors	1 June 2016 to 30 November 2016	2,500,000	-	-	-	-	2,500,000	0.122
Employees	1 June 2016 to 30 November 2016	450,000	-	-	-	-	450,000	0.122
		<u>2,950,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,950,000</u>	

Further details relating to the granting of the share options during the year under review are set out in note 23 to the consolidated financial statements on pages 55 to 56.

RELATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. Information about the Group's activities is provided in the annual report and the interim report of the Company which are sent to shareholders on a regular basis and on the website of the Company, <http://www.worldsec.com>. All shareholders are encouraged to attend the Annual General Meeting at which directors are introduced and available for questions. Enquiries are dealt with in an informative and timely manner. Directors, including non-executive directors, are also available to meet with major shareholders on request.

EXTERNAL AUDITOR

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016 have been audited by BDO Limited.

A resolution will be submitted to the next Annual General Meeting to reappoint BDO Limited as the Company's external auditor.

On behalf of the Board

Henry Ying Chew Cheong
Executive Director
28 April 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required under the Bermuda Companies Act 1981 to prepare consolidated financial statements for each financial year. The directors acknowledge responsibility for the preparation of the consolidated financial statements for the year ended 31 December 2016, which give a true and fair view of the financial position of the Group as at the end of that financial year and of the financial performance of the Group for that year and which provide the necessary information for shareholders to assess the business activities and performance of the Group during that year. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that the above requirements have been met.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for the Group's system of internal financial controls, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The directors further confirms that, to the best of their knowledge and understanding, the chairman's statements on page 1 and the directors' report on pages 2 to 14 include a fair review of the development and performance of the business and the position of the Company and its subsidiaries taken as a whole together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Henry Ying Chew Cheong
Executive Director
28 April 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WORLDSEC LIMITED
(incorporated in Bermuda with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Worldsec Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 21 to 58, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 International Financial Reporting Standards as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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 judgement, 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.

IMPAIRMENT REVIEW OF INTEREST IN A JOINT VENTURE AND AMOUNT DUE FROM A JOINT VENTURE

Refer to note 16 to the consolidated financial statements

The Group owns 50% in Oasis Education Group Limited ("Oasis Education"), which is accounted for using the equity method and considered for impairment if there is any indication that the investment may be impaired. The interest in the joint venture amounted to approximately US\$123,000 as at 31 December 2016 and the Group's share of its losses of approximately US\$5,000 for the year then ended.

Further, the Group has advanced an amount of approximately US\$257,000 to Oasis Education as at 31 December 2016, which is subject to an impairment assessment.

The impairment review of investment in, and amount due from, Oasis Education is significant to our audit due to the significance of the carrying amounts subject to impairment review comparing to the Group's net loss, and judgement applied in determining if an impairment in carrying amounts is necessary.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WORLDSEC LIMITED
(incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS (CONTINUED)

IMPAIRMENT REVIEW OF INTEREST IN A JOINT VENTURE AND AMOUNT DUE FROM A JOINT VENTURE (CONTINUED)

Our response:

Our audit procedures included:

- Understanding Oasis Education's operation and latest development;
- Assessing the financial performance of Oasis Education based on information available to us;
- Evaluating management's considerations of the impairment indicators of the investment in, and the amount due from, Oasis Education;
- Assessing the appropriateness of the management's assumption concerning the future cash flow to be generated from the operation of Oasis Education; and
- Assessing reliability of the joint venture's forecast by comparing historical budget to actual performance and challenging management on any significant variances.

IMPAIRMENT REVIEW OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

Refer to note 17 to the consolidated financial statements

The Group owns equity interests in ICBC Specialised Ship Leasing Investment Fund ("ICBC Shipping Fund"), ayondo Holding AG ("Ayondo") and Velocity Mobile Limited ("Velocity"), which are all accounted for as available-for-sale financial assets totaling approximately US\$1,784,000 as at 31 December 2016 carried at cost. The available-for-sale financial assets are measured at cost less any identified impairment loss, if any. The amount of an impairment loss, if any, is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The impairment review of the investments in ICBC Shipping Fund, Ayondo and Velocity are significant to our audit due to the significance of the carrying amount of the investments, and judgement applied in determining if an impairment in carrying amount is necessary.

Our response:

Our audit procedures included:

- Understanding the investees' operations and latest development;
- Assessing the financial performance of the investees; and
- Evaluating management's considerations of the impairment indicators of the available-for-sale financial assets based on our knowledge of the relevant industry and business.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WORLDSEC LIMITED (incorporated in Bermuda with limited liability)

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's 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.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Group (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITY 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WORLDSEC LIMITED *(incorporated in Bermuda with limited liability)*

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 the Audit Committee 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 the Audit Committee 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 the directors, 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.

WORLDSEC LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WORLDSEC LIMITED
(incorporated in Bermuda with limited liability)

REPORT ON OTHER REGULATORY REQUIREMENTS

Under the listing rules of the Financial Conduct Authority in the United Kingdom (the “Listing Rules”), we are required to review the part of the Corporate Governance Statement relating to the Company’s compliance with the provisions of the UK Corporate Governance Code specified for our review. We have nothing to report arising from our review.

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate Number P04960
Hong Kong, 28 April 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>Notes</u>	Year ended 31 December	
		<u>2016</u> US\$'000	<u>2015</u> US\$'000
Revenue	7	96	96
Other income	9	99	-
Staff costs	10	(385)	(225)
Other expenses		(319)	(462)
Share of losses of a joint venture	16	(5)	(53)
Loss before income tax expense	11	(514)	(644)
Income tax expense	12	-	-
Loss for the year		(514)	(644)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(1)	(3)
Release of foreign currency translation reserve upon dissolution of subsidiaries	24	12	-
Share of other comprehensive loss of a joint venture	16	(9)	(19)
Other comprehensive income/(loss) for the year, net of income tax		2	(22)
Total comprehensive loss for the year		(512)	(666)
Loss for the year attributable to:			
Owners of the Company		(514)	(644)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(512)	(666)
		Year ended 31 December	
	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Loss per share - basic and diluted	13	US (0.91) cent	US (1.14) cents

The accompanying notes form an integral part of these consolidated financial statements.

WORLDSEC LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>Notes</u>	<u>2016</u> US\$'000	<u>2015</u> US\$'000
Non-current assets			
Property, plant and equipment	15	21	44
Interest in a joint venture	16	123	137
Available-for-sale financial assets	17	1,784	1,125
		<u>1,928</u>	<u>1,306</u>
Current assets			
Other receivables		8	-
Deposits		22	21
Amount due from a joint venture	16	257	257
Cash and cash equivalents	19	848	1,988
		<u>1,135</u>	<u>2,266</u>
Current liabilities			
Other payables and accruals	20	125	441
Net current assets			
		<u>1,010</u>	<u>1,825</u>
Net assets			
		<u>2,938</u>	<u>3,131</u>
Capital and reserves			
Share capital	21	57	57
Reserves	22	2,881	3,074
Total equity			
		<u>2,938</u>	<u>3,131</u>

The consolidated financial statements on pages 21 to 58 were approved and authorised for issue by the Board of Directors on 28 April 2017 and signed on its behalf by:

Alastair Gunn-Forbes
Director

Henry Ying Chew Cheong
Director

The accompanying notes form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Equity attributable to owners of the Company							Total US\$'000
	Share capital US\$'000 (note 21)	Share premium US\$'000 (note 22)	Contri- buted surplus US\$'000 (note 22)	Share option reserve US\$'000 (note 22)	Foreign currency translation reserve US\$'000 (note 22)	Special reserve US\$'000 (note 22)	Accumulated losses US\$'000 (note 22)	
Balance at 1 January 2015	57	3,837	9,646	-	(8)	625	(10,394)	3,763
Loss for the year	-	-	-	-	-	-	(644)	(644)
Other comprehensive income for the year								
Exchange differences on translating foreign operations	-	-	-	-	(3)	-	-	(3)
Share of other comprehensive loss of a joint venture (note 16)	-	-	-	-	(19)	-	-	(19)
Total comprehensive loss for the year	-	-	-	-	(22)	-	(644)	(666)
Recognition of share-based payments (note 23)	-	-	-	34	-	-	-	34
Balance at 31 December 2015 and 1 January 2016	57	3,837	9,646	34	(30)	625	(11,038)	3,131
Loss for the year	-	-	-	-	-	-	(514)	(514)
Other comprehensive income for the year								
Exchange differences on translating foreign operations	-	-	-	-	(1)	-	-	(1)
Release of foreign currency translation reserve upon dissolution of subsidiaries (note 24)	-	-	-	-	12	-	-	12
Share of other comprehensive loss of a joint venture (note 16)	-	-	-	-	(9)	-	-	(9)
Total comprehensive loss for the year	-	-	-	-	2	-	(514)	(512)
Recognition of share-based payments (note 23)	-	-	-	172	-	-	-	172
Unclaimed dividends forfeited (note 20)	-	-	-	-	-	-	147	147
Transactions with owners	-	-	-	172	-	-	147	319
Balance at 31 December 2016	57	3,837	9,646	206	(28)	625	(11,405)	2,938

The accompanying notes form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Year ended 31 December	
	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000
Cash flows from operating activities		
Loss for the year	(514)	(644)
Adjustments for:		
Depreciation of property, plant and equipment	23	23
Share of losses of a joint venture	5	53
Share-based payment expenses	172	34
Loss on dissolution of subsidiaries	12	-
Other payables written back	(99)	-
Operating loss before working capital changes	(401)	(534)
(Increase)/decrease in other receivables	(8)	8
Increase in deposits	(1)	-
(Decrease)/increase in other payables and accruals	(70)	73
Net cash used in operating activities	(480)	(453)
Cash flows from investing activities		
Purchase of available-for-sale financial assets	(659)	(325)
Net cash used in investing activities	(659)	(325)
Net decrease in cash and cash equivalents	(1,139)	(778)
Cash and cash equivalents at the beginning of the year	1,988	2,769
Effects of exchange rate changes	(1)	(3)
Cash and cash equivalents at the end of the year	848	1,988

The accompanying notes form an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. GENERAL INFORMATION

Worldsec Limited (the “Company”) is a public listed company incorporated in Bermuda and its shares are listed on the Main Market of the London Stock Exchange. The address of the registered office of the Company is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda. Its principal place of business address is Unit 607, 6th Floor, FWD Financial Centre, 308 Des Voeux Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 18 to the consolidated financial statements.

The functional currency of the Company is Hong Kong Dollars (“HK\$”). The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in United States Dollars (“US\$” or “USD”).

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”) and Interpretations adopted by the European Union (“EU”) (collectively referred to as the “IFRSs”).

2. APPLICATION OF NEW AND REVISED IFRSs

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have been applied by the Group in the current year.

IFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
IFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the above new and revised IFRSs in the current year has had no material impact on the Group’s financial performance and financial position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective. Certain new or revised IFRSs have yet been endorsed by the EU.

Amendments to IFRSs	Annual Improvements 2014-2016 Cycle ^{1,2*}
IFRS 9	Financial instruments ²
IFRS 15	Revenue from Contracts with Customers ²
IFRS 16	Leases ^{3*}
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ^{2*}
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ^{2*}
Amendments to IFRS 15	Revenue From Contracts with Customers (Clarification to IFRS 15) ^{2*}
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [#]
Amendments to IAS 7	Disclosure Initiative ^{1*}
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ^{1*}
Amendments to IAS 40	Transfer of Investment Property ^{2*}
IFRIC 22	Foreign Currency Transactions and Advance Consideration ^{2*}

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

[#] The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

^{*} Not yet endorsed by the EU

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

IFRS 15 - Revenue from Contracts with Customers (Continued)

IFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to IFRS 15 - Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

IFRS 16 - Leases

IFRS 16, which upon the effective date will supersede IAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. APPLICATION OF NEW AND REVISED IFRSs (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

IFRS 16 - Leases (Continued)

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

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the accounting policies and consolidated financial statements of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs issued by the International Accounting Standards Board as adopted by the EU.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint venture: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operation: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint arrangements (Continued)

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of the joint arrangement structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint ventures' net assets except that losses in excess of the Group's interest in the joint venture are not recognised unless there is a legal and constructive obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint ventures. The investors' share in a joint venture's profits and losses resulting from such transactions is eliminated against the carrying value of the joint venture.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in the joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes their purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements over the lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Leasing

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

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

Revenue recognition

Dividend income is recognised when the right to receive payment is established.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. US\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign currency translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

Share-based payments

The Group operates equity-settled share-based compensation plans and the share options are awarded to employees and directors providing services to the Group.

All services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as an asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

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

Taxation

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

Current tax

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

Deferred tax

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

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax (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 realised, based on tax rates (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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is 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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents included cash on hand and in banks.

Financial instruments

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the assets were acquired. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and bank balance) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

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. The carrying amount of a financial asset is reduced through the use of an allowance account. When any part of a financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

For available-for-sale financial assets

For available-for-sale equity investments that are carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable, for available-for-sale investments, and the cumulative gain or loss that had been recognised in other comprehensive income is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities (including other payables and accruals) are subsequently measured at amortised cost using the 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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. 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)

Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- interest in a joint venture

If the recoverable amount (i.e. the greater of fair value less costs to disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised in profit or loss immediately.

Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 an accounting estimate 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

Key sources of estimation uncertainty

The key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Depreciation

The Group depreciates property, plant and equipment using the straight-line method over the estimated useful lives, starting from the date on which the assets are available for use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment of the Group. The carrying amount of property, plant and equipment is disclosed in note 15.

(ii) Impairment of receivables (including amount due from a joint venture)

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

(iii) Impairment of non-financial assets (including interest in a joint venture)

The Group assesses whether there are any indications of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable.

(iv) Impairment of available-for-sale financial assets

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there is objective evidence that an impairment indicator exists. The determination of whether the impairment indicator exists requires judgement. In making this judgement, management of the Group takes into account factors such as significant changes with an adverse effect that has taken place in technological, market, economic or legal environment in which the investee operates, and that indicates that the cost of the investment in the equity instrument may not be recovered.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	<u>2016</u> US\$'000	<u>2015</u> US\$'000
<u>Financial assets</u>		
Loans and receivables	1,135	2,266
Available-for-sale financial assets	<u>1,784</u>	<u>1,125</u>
	<u><u>2,919</u></u>	<u><u>3,391</u></u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>125</u>	<u>441</u>

(b) Financial risk management objectives

Management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risks (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price risk.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Market risks (Continued)

(i) *Foreign currency risk*

Certain financial assets and financial liabilities of the Group are denominated in foreign currencies other than the functional currency of the relevant group entities, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Under the Linked Exchange Rate System in Hong Kong, HK\$ is currently pegged to the USD within a narrow range, the directors therefore consider that there are no significant foreign exchange risk with respect to the USD.

The currencies giving rise to this risk were primarily Euro (“EUR”) and British Pound Sterling (“GBP”). The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the end of reporting period were as follows:

	<u>Liabilities</u>		<u>Assets</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	US\$’000	US\$’000	US\$’000	US\$’000
EUR	-	83	-	13
GBP	73	84	-	-

The following table details the Group’s sensitivity to a 10% (2015: 10%) increase and decrease in USD against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts its translation as at year end for a 10% (2015: 10%) change in the relevant foreign currencies rates. A positive number below indicates a decrease in loss for the year where USD strengthens 10% (2015: 10%) against the relevant foreign currency. For a 10% (2015: 10%) weakening of USD against the relevant foreign currencies there would be an equal and opposite impact on the loss for the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Market risks (Continued)

(i) *Foreign currency risk (Continued)*

	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000
Change in post-tax loss for the year		
EUR impact	-	7
GBP impact	<u>7</u>	<u>8</u>

(ii) *Interest rate risk*

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits at variable interest rates. Bank deposits at variable rates expose the Group to cash flow interest rate risk.

The directors consider that the exposure to cash flow interest rate risk was insignificant. Hence, no sensitivity analysis on the exposure to the Group's cash flow interest rate risk is presented.

(iii) *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least annually against performance of any similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

The directors consider that the exposure to price risk was insignificant. Hence, no sensitivity analysis on the exposure to the Group's price risk is presented.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Credit risk

The Group's maximum exposure to credit risk which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the major counterparties are banks with high credit ratings assigned by international credit-rating agencies. As at 31 December 2016, approximately 94% (2015: 98%) of the bank balances were deposited with a bank with a high credit rating. Other than concentration of credit risk on liquid funds deposited with that bank, the Group does not have any other significant concentration of credit risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by regularly monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity table

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives (Continued)

Liquidity table (Continued)

	On demand or less than 1 year	
	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000
Other payables and accruals	<u>125</u>	<u>441</u>

(c) Fair value of financial instruments

The directors consider that the carrying amounts of loans and receivables and financial liabilities recognised in the consolidated financial statements approximated their fair values.

6. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debts.

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

7. REVENUE

The Group's revenue represents dividend income from available-for-sale financial assets for the year. An analysis of the Group's revenue from principal activities is as follows:

	Year ended 31 December	
	<u>2016</u>	2015
	US\$'000	US\$'000
Dividend income from available-for-sale financial assets	<u>96</u>	<u>96</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision makers in order to allocate resources and assess performance of the segment. For the years ended 31 December 2016 and 2015, the executive directors, who were the chief operating decision makers for the purpose of resource allocation and assessment of performance, have determined that the Group had only one single business component / reportable segment as the Group was only engaged in investment holding. The executive directors allocated resources and assessed performance on an aggregated basis. Accordingly, no operating segment is presented.

The major operations and the revenue of the Group arise from Hong Kong. The Board of Directors considers that most of the non-current assets (other than the financial instruments) of the Group are located in Hong Kong.

9. OTHER INCOME

	Year ended 31 December	
	<u>2016</u>	2015
	US\$'000	US\$'000
Other payables written back	<u>99</u>	<u>-</u>

10. STAFF COSTS

The aggregate staff costs (including directors' remuneration) of the Group were as follows:

	Year ended 31 December	
	<u>2016</u>	2015
	US\$'000	US\$'000
Wages and salaries	208	188
Contributions to pension and provident fund	5	3
Share-based payment expenses (note 23)	172	34
	<u>385</u>	<u>225</u>

Compensation of key management personnel was as follows:

	Year ended 31 December	
	<u>2016</u>	2015
	US\$'000	US\$'000
Directors' fees	62	75
Share-based payment expenses	152	30
Other remuneration including contributions to pension and provident fund	-	-
	<u>214</u>	<u>105</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense has been arrived at after charging:

	Year ended 31 December	
	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000
Auditor's remuneration	40	38
Depreciation of property, plant and equipment	23	23
Foreign exchange loss	-	1
Loss on dissolution of subsidiaries (note 24)	12	-
Operating lease rental expenses in respect of office premises and warehouse	58	80
	<u>58</u>	<u>80</u>

12. INCOME TAX EXPENSE

No provision for taxation has been made as the Group did not generate any assessable profits for United Kingdom Corporation Tax, Hong Kong Profits Tax and tax in other jurisdictions.

The tax charge for 2016 and 2015 can be reconciled to the loss before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000
Loss before income tax expense	<u>(514)</u>	<u>(644)</u>
Loss before tax calculated at 16.5% (2015: 16.5%)	(85)	(106)
Tax effect of non-deductible expenses	74	74
Tax effect of non-taxable income	(32)	(16)
Tax effect of deductible temporary differences	3	3
Tax effect of share of losses of a joint venture	1	9
Tax effect of estimated tax losses not recognised	39	36
	<u>39</u>	<u>36</u>
Tax charge for the year	<u>-</u>	<u>-</u>

The tax losses of approximately US\$481,000 (2015: US\$244,000) can be carried forward indefinitely. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. No deferred tax has been recognised in the consolidated financial statements as the Group did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2016 and 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. LOSS PER SHARE

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share were as follows.

	Year ended 31 December	
	<u>2016</u>	<u>2015</u>
Loss for the year attributable to owners of the Company (US\$'000)	<u>(514)</u>	<u>(644)</u>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>56,734,580</u>	<u>56,734,580</u>
Loss per share – basic and diluted (US)	<u>(0.91) cent</u>	<u>(1.14) cents</u>

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2016 and 2015 as the exercise price of the Company's share options (note 23) was higher than the average market price for shares for the year ended 31 December 2016 and the impact of the exercise of the Company's share options outstanding (note 23) had an anti-dilutive effect on the basic loss per share presented for the year ended 31 December 2015.

14. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2015: nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US\$'000
Cost	
At 1 January 2015	69
Additions	-
At 31 December 2015 and 1 January 2016	<u>69</u>
Additions	-
At 31 December 2016	<u>69</u>
Accumulated depreciation	
At 1 January 2015	2
Depreciation	23
At 31 December 2015 and 1 January 2016	<u>25</u>
Depreciation	23
At 31 December 2016	<u>48</u>
Carrying amount	
At 31 December 2015	<u>44</u>
At 31 December 2016	<u>21</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. INTEREST IN A JOINT VENTURE

	<u>2016</u> US\$'000	<u>2015</u> US\$'000
Unlisted investment, at cost	257	257
Share of post-acquisition losses	(106)	(101)
Share of post-acquisition other comprehensive loss	(28)	(19)
Share of net assets	<u>123</u>	<u>137</u>
Amount due from a joint venture	<u>257</u>	<u>257</u>

The amount due from a joint venture was unsecured, interest-free and repayable on demand.

Details of the joint venture at 31 December 2016 were as follows:

Name	Country of incorporation and operation	Proportion of ownership interest		Paid-up registered capital	Principal activities
		Direct	Indirect		
Oasis Education Group Limited 奧偉詩教育集團有限公司 ("Oasis Education")	Hong Kong	50%	-	HK\$4,000,000	Investment holding
奧偉詩教育諮詢(深圳)有限公司	The People's Republic of China (the "PRC")	-	50%	HK\$5,000,000	Provision of education consulting and support services to kindergartens in the PRC

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Oasis Education. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**
16. INTEREST IN A JOINT VENTURE (CONTINUED)

The aggregate amounts relating to the joint venture that have been included in the consolidated financial statements of the Group as extracted from relating financial statements of the joint venture, adjusted to reflect adjustments made by the Group when applying the equity method of accounting are set out below:

	<u>2016</u> US\$'000	<u>2015</u> US\$'000
Results of the joint venture for the year		
Revenue	-	-
Other income	42	-
Expenses	(52)	(105)
Loss for the year	<u>(10)</u>	<u>(105)</u>
Other comprehensive loss for the year	<u>(18)</u>	<u>(38)</u>
Total comprehensive loss for the year	<u>(28)</u>	<u>(143)</u>
Share of losses of the joint venture for the year	<u>(5)</u>	<u>(53)</u>
Share of other comprehensive loss of the joint venture for the year	<u>(9)</u>	<u>(19)</u>
Accumulated share of results of the joint venture	<u>(106)</u>	<u>(101)</u>
Assets and liabilities of the joint venture at 31 December		
	<u>2016</u> US\$'000	<u>2015</u> US\$'000
Non-current assets	-	-
Current assets	844	835
Non-current liabilities	-	-
Current liabilities	(599)	(562)
Net assets	<u>245</u>	<u>273</u>
Included in the above amounts were:		
Cash and cash equivalents	60	22
Depreciation and amortisation	-	-
Interest income	-	-
Interest expense	-	-
Current financial liabilities (excluding trade and other payables)	-	-
Percentage of equity interest attributable to the Group	50%	50%
Share of net assets of the joint venture	<u>123</u>	<u>137</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2016</u> US\$'000	<u>2015</u> US\$'000
Unlisted equity investments, - at cost	<u>1,784</u>	<u>1,125</u>

During the year ended 31 December 2015, the Group acquired equity interest in ayondo Holding AG (“Ayondo”) for a total cash consideration of CHF320,000 (equivalent to approximately US\$325,000). During the year ended 31 December 2016, the Group acquired additional equity interest in Ayondo for a total cash consideration of CHF160,050 (equivalent to approximately US\$163,000). Ayondo is a company incorporated in Switzerland and is involved in social trading and broking services for contract-for-differences.

During the year ended 31 December 2016, the Group acquired equity interest in Velocity Mobile Limited (“Velocity”) for a total cash consideration of GBP337,120 (equivalent to approximately US\$496,000). Velocity is a company incorporated in England and Wales and offers a mobile application to consumers to discover and make real-time reservations and settle bills at premier restaurants.

As at 31 December 2016 and 2015, the Group also owned equity interest in ICBC Specialised Ship Leasing Investment Fund in an amount of US\$800,000.

These investments were designated as available-for-sale financial assets. The investments are measured at cost less impairment at each reporting date because the investments do not have quoted market prices in an active market, the variability in the range of reasonable fair value estimates for the investments is significant and therefore their fair value cannot be reliably measured. The directors had no intention to dispose of the available-for-sale financial assets at the end of the reporting period.

The directors have assessed the impacts on the recoverable amount of the financial assets and concluded that no impairment loss needed to be made.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

18. SUBSIDIARIES

Details of the subsidiaries of the Company at 31 December 2016 were as follows:

<u>Name</u>	<u>Country of incorporation and operation</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting power held</u>	<u>Principal activities</u>
Worldsec Financial Services Limited	British Virgin Islands	100%	100%	Investment holding
Worldsec Corporate Finance Limited	British Virgin Islands	100%*	100%*	Inactive
Worldsec International NV	Netherlands Antilles	100%*	100%*	Inactive
Worldsec Investment (Hong Kong) Limited	Hong Kong	100%*	100%*	Investment holding
Worldsec Investment (China) Limited	British Virgin Islands	100%*	100%*	Investment holding

* Indirectly held subsidiaries

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of financial position were as follows:

	<u>2016</u> US\$'000	<u>2015</u> US\$'000
Bank balances	847	1,987
Cash balances	<u>1</u>	<u>1</u>
	<u>848</u>	<u>1,988</u>

Bank balances bore interest at the then prevailing market rates ranging from 0.001% to 0.01% (2015: 0.001% to 0.01%) per annum and had original maturities of three months or less.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. OTHER PAYABLES AND ACCRUALS

	<u>2016</u> US\$'000	<u>2015</u> US\$'000
Other payables (note)	-	308
Accruals	<u>125</u>	<u>133</u>
	<u>125</u>	<u>441</u>

Note:

During the year ended 31 December 2016, dividends declared by the Company which were unclaimed over a period of twelve years from the date of declaration totalling approximately US\$147,000 (2015: nil) were forfeited and transferred to accumulated losses in accordance with the Bye-Laws of the Company.

21. SHARE CAPITAL

	Number of shares	Total value US\$'000
Authorised:		
Ordinary shares of US\$0.001 each		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	<u>60,000,000,000</u>	<u>60,000</u>
Called up, issued and fully paid:		
Ordinary shares of US\$0.001 each		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	<u>56,734,580</u>	<u>57</u>

22. RESERVES

- (a) The share premium account represents the premium arising from the issue of shares of the Company at a premium.
- (b) The contributed surplus represents the amount arising from the reduction in the nominal value of the authorised and issued shares of the Company and the reduction in the share premium account pursuant to an ordinary resolution passed on 23 July 2003.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

22. RESERVES (CONTINUED)

- (c) Share option reserve comprises the fair value of the Company's share options granted which have yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the consolidated financial statements. The amount will either be transferred to the issued capital account and the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.
- (d) Exchange differences relating to the translation of the net assets of the Group's foreign operations (including a joint venture) from their functional currencies to the Group's presentation currency were recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve will be reclassified to profit or loss on the disposal of the foreign operations.
- (e) The special reserve represents the amount arising from the difference between the nominal value of the issued share capital of each subsidiary and the nominal value of the issued share capital of the Company along with the surplus arising in a subsidiary on group reorganisation completed on 26 February 2007.
- (f) Accumulated losses represent accumulated net gains and losses recognised in the profit or loss of the Group.

23. SHARE-BASED PAYMENTS

The Company operates an equity-settled share-based remuneration scheme for the employees and directors.

On 1 December 2015, the Company granted to certain eligible persons a total of 2,950,000 share options to subscribe for ordinary shares of US\$0.001 each in the share capital of the Company under the Worldsec Employee Share Option Scheme 1997 (the "Scheme") which was revised on 24 September 2014. The options vest six months from the date of grant and are then exercisable within a period of 9.5 years.

The following table discloses the movements of the outstanding share options under the Scheme during the years ended 31 December 2016 and 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**
23. SHARE-BASED PAYMENTS (CONTINUED)

Grantee	Exercisable period	Number of options					Balance at 31 December 2016	Exercise price per share (US\$)
		Balance at 1 January 2016	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
Directors	1 June 2016 to 30 November 2025	2,500,000	-	-	-	-	2,500,000	0.122
Employees	1 June 2016 to 30 November 2025	450,000	-	-	-	-	450,000	0.122
		<u>2,950,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,950,000</u>	

Grantee	Exercisable period	Number of options					Balance at 31 December 2015	Exercise price per share (US\$)
		Balance at 1 January 2015	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year		
Directors	1 June 2016 to 30 November 2025	-	2,500,000	-	-	-	2,500,000	0.122
Employees	1 June 2016 to 30 November 2025	-	450,000	-	-	-	450,000	0.122
		<u>-</u>	<u>2,950,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,950,000</u>	

The fair value of options granted during the year ended 31 December 2015 was approximately US\$206,000 and was determined at the grant date using the Black-Scholes Option Pricing Model.

Significant inputs into the calculation included the weighted average share price of US\$0.136, expected dividend yield of 0.000% and a volatility rate of 56.850%. The volatility assumption was based on the historical share price volatility during the year ended 31 December 2015. Risk-free annual interest rate was determined at 1.762%.

The share-based payment expenses of approximately US\$172,000 were charged to the profit or loss during the year ended 31 December 2016 (2015: US\$34,000).

The options outstanding as at 31 December 2016 had a weighted average remaining contractual life of 8.5 years (2015: 9.5 years) and a weighted average exercise price of US\$0.122 (2015: US\$0.122).

Of the total number of options outstanding at the end of the year, all (2015: nil) had vested and were exercisable at the end of the year.

No option was exercised during the years ended 31 December 2016 and 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

24. DISSOLUTION OF SUBSIDIARIES

On 7 December 2016, Worldsec International (Netherlands) B.V. and Worldsec International (PH) B.V., the then subsidiaries of the Company, were dissolved. The net assets of these then subsidiaries at the date of dissolution were as follows:

	<u>2016</u> US\$'000
Net assets of the subsidiaries under dissolution	-
Foreign currency translation reserve released	12
Loss on dissolution of subsidiaries	(12)
	<u>-</u>
Net inflow of cash and cash equivalents in respect of the dissolution of subsidiaries	<u>-</u>

25. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with a related party during the years ended 31 December 2016 and 2015:

<u>Name of related company</u>	<u>Nature of transaction</u>	<u>2016</u> US\$'000	<u>2015</u> US\$'000
WAG Worldsec Corporate Finance Limited (<i>note</i>)	Accounting fee	<u>-</u>	<u>5</u>

Note: Mr. Henry Ying Chew Cheong, a director of the Company, had beneficial interest (approximately 34%) in the related company until 30 June 2016.

There was no outstanding balance with the related party as at 31 December 2015.

Compensation of key management personnel

Key management personnel of the Company are the directors of the Company only. The remuneration of directors is set out on the consolidated statement of profit or loss and other comprehensive income and with additional disclosure in note 10 to the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

26. OPERATING LEASE COMMITMENTS

Operating leases – lessee

At the reporting date, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and warehouse as follows:

	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000
Not later than one year	44	58
Later than one year and not later than five years	-	44
	<u>44</u>	<u>102</u>

The leases run for an initial period of 2 to 3 years (2015: 2 to 3 years), with an option to renew the office premises lease upon expiry when all terms are renegotiated.

27. CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 December 2016 (2015: nil).

INVESTMENT POLICY

The Company will invest in small to medium sized trading companies, both start-up/early stage growth and established, being companies with a turnover typically up to US\$20 million, based mainly in the Greater China and South East Asian region, and thereby create a portfolio of minority investments in such companies.

The Company's investment objective is to achieve attractive investment returns through capital appreciation on a medium to long term horizon. The Directors consider between 2 to 4 years to be medium term and long term to be over 4 years. The Directors intend to build an investment portfolio of small to medium sized companies based mainly in the Greater China and South East Asian region, where economic growth is expected to remain strong. The Company may also take advantage of opportunities to invest in companies in other jurisdictions, such as the United Kingdom, which have close trading links with Greater China and South East Asia. Investments will normally be in equity or preferred equity but if appropriate convertible loans or preference shares may be utilised.

The Company has no intention to employ gearing, but reserves the right to gear the Company to a maximum level of 25 per cent. of the last published net asset value of the Group should circumstances arise where, in the opinion of the Directors, the use of debt would be to the advantage of the Company and the Shareholders as a whole.

The investment portfolio will consist primarily of unlisted companies but the Directors will also consider investing in undervalued listed companies, if and when such an opportunity arises. Where suitable opportunities are identified, investment in companies considering a stock market listing at the pre-initial public offering stage will be considered.

No more than 20 per cent. of the gross assets of the Group will be invested in any single investment. The Directors consider that opportunities will arise to invest in investee companies by the issue of new Ordinary Shares at a discount of no more than 10 per cent. of the mid market price at the time of agreement of their issue in exchange for new equity, preferred equity or convertible instrument in the investee company.

Initial target sectors are financial services, consumer retail distribution, natural resources and infrastructure but the Company will seek to take advantage of opportunities in other sectors if these arise.

The Company will invest in at least five different investee companies, thereby reducing the potential impact of poor performance by any individual investment.

The Company does not intend to take majority interests in any investee company, save in circumstances where the Company exercises any rights granted under legal agreements governing its investment. Each investment by the Company will be made on terms individually negotiated with each investee company, and the Company will seek to be able to exercise control over the affairs of any investee company in the event of a default by the investee company or its management of their respective obligations under the legal agreements governing each investment. Where appropriate, the Company will seek representation on the board of companies in which it invests. Where board representation is secured in an investee company, remuneration for such appointment will be paid to the benefit of the Company thereby enhancing returns on the investment. There will be no intention to be involved in the day to day management of the investee company but the skills and connections of the board representative will be applied in assisting the development of the investee company, with the intention of enhancing shareholder value. The Company will arrange no cross funding between investee companies and neither will any common treasury function operate for any investee company; each investee company will operate independently of each other investee company.

Where the Company has cash awaiting investment, it will seek to maximise the return on such sums through investment in floating rate notes or similar instruments with banks or other financial institutions with an investment grade rating or investment in equity securities issued by companies which have paid dividends for each of the previous three years.

BIOGRAPHICAL NOTES OF THE DIRECTORS

The Board of Directors has ultimate responsibility for the Group's affairs.

Brief biographical notes of the directors are set out below:

Alastair Gunn-Forbes - Non-Executive Chairman - aged 72

Mr Gunn-Forbes has been associated with Asian regional stock markets since 1973 when he was a fund manager at Brown Shipley Ltd. Subsequently, he was a director of W.I Carr, Sons & Co. (Overseas) Ltd until 1985, since when he has held directorships with other Asian securities firms in the United Kingdom prior to joining the Group in 1993. Mr Gunn-Forbes is the Chairman of Opera Holdings, a recruitment company and also the Chairman of FutureBiogas, a green energy company.

Henry Ying Chew Cheong - Executive Director and Deputy Chairman - aged 69

Mr Cheong holds a Bachelor of Science (Mathematics) degree from Chelsea College, University of London and a Master of Science (Operational Research and Management) degree from Imperial College, University of London.

Mr Cheong has over 40 years of experience in the securities industry. Mr Cheong and The Mitsubishi Bank in Japan (now known as The Bank of Tokyo-Mitsubishi UFJ Ltd) founded the Worldsec Group in 1991. In late 2002, Worldsec Group sold certain securities businesses to UOB Kay Hian and following that Mr Cheong became the Chief Executive Officer of UOB Asia (Hong Kong) Ltd until early 2005. Prior to the formation of the Worldsec Group, Mr Cheong was a director of James Capel (Far East) Ltd for five years with overall responsibility for Far East Sales. His earlier professional experience includes 11 years with Vickers da Costa Limited in Hong Kong latterly as Managing Director.

Mr Cheong is an Independent Non-Executive Director of Cheung Kong Property Holdings Limited, Cheung Kong Infrastructure Holdings Limited, CNNC International Limited, Greenland Hong Kong Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, New World Department Store China Limited, Skyworth Digital Holdings Limited and TOM Group Limited, all being listed companies in Hong Kong. Mr Cheong is also an Independent Director of BTS Group Holdings Public Company Limited, being listed in Thailand. Mr Cheong was an Independent Non-executive Director of Cheung Kong (Holdings) Limited, CK Hutchison Holdings Limited (both resigned on 3 June 2015) and Kirin Group Holdings Ltd (formerly known as "Creative Energy Solutions Holdings Limited") (resigned on 9 May 2016) all being listed in Hong Kong.

Mr Cheong was a member of the Advisory Committee of the Securities and Futures Commission and also a member of the Securities and Futures Appeals Tribunal in Hong Kong (from 2009-2015). Mr Cheong was previously a member of Disciplinary Panel A of Hong Kong Institute of Certified Public Accountants (from 2005-2011), a member of the Corporate Advisory Council of the Hong Kong Securities Institute (from 2002-2009), a member of the Advisory Committee (from 1993-1999) to the Securities and Futures Commission ("SFC"), a member of the Board of Director of the Hong Kong Future Exchange Limited (from 1994-2000), a member of GEM Listing Committee and Main Board Listing Committee of Hong Kong Exchange and Clearing Limited ("HKEX") (from May 2002-May 2006), a member of Derivatives Market Consultative Panel of HKEX (from April 2000-May 2006), a member of the Process Review Panel for the SFC (from November 2000-October 2006) and a member of the Committee on Real Estate Investment Trust of the SFC (from September 2003-August 2006).

BIOGRAPHICAL NOTES OF THE DIRECTORS

Ernest Chiu Shun She - *Executive Director – aged 56*

Mr She is an investment banker with extensive experience in the field of corporate finance having covered a broad and diverse range of financial advisory and fund raising activities in the Asian regional equity markets and having held executive management positions and directorships at various investment banks and financial institutions including, among others, Worldsec Corporate Finance Limited and UOB Asia (Hong Kong) Limited.

Since rejoining the Group to assist in the reactivation of its business operations in 2013, Mr She has been an Executive Director of the Company working on private equity investments.

Mr She has a deep-rooted and long-standing connection with the Worldsec Group of companies being one of the co-founding team members at the time when the entities were established in the early 1990s. For more than a decade that followed and until the disposal by the Group of certain securities businesses to UOB Kay Hian Holdings Limited in 2002, Mr She held senior management positions at Worldsec Corporate Finance Limited and Worldsec International Limited with the main responsibility of developing and overseeing the Group's corporate finance activities.

Prior to his tenure at the Worldsec Group of companies, Mr She was an Investment Analyst and an Associate Director at James Capel (Far East) Limited where he was primarily responsible for equity research in the real estate sector.

Mr She graduated from the University of Toronto with a Bachelor of Applied Science degree in Industrial Engineering and obtained from the Imperial College of Science and Technology a Master of Science degree in Management Science specialising in Operational Research. Mr She is a Chartered Financial Analyst.

From 2004 to 2010, Mr She served as an Independent Non-Executive Director and the Chairman of the Audit Committee of New Island Printing Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mark Chung Fong - *Non-Executive Director - aged 65*

Mr Fong was an Executive Director for China development of Grant Thornton International Ltd, a corporation incorporated in England and had retired from Grant Thornton effective from 1 January 2014. He has more than 40 years' experience in the accounting profession. Mr Fong obtained a bachelor's degree in science from the University College, London in August 1972 and a Master's degree in science from the University of Surrey in December 1973. He is a Fellow of the Institute of Chartered Accountants in England and Wales since January 1983 and a Fellow of HKICPA since March 1986. He was the President of the Hong Kong Institute of Certified Public Accountants in 2007. He has been appointed as the Chairman of the Audit Committee of HKICPA and has also served on the Council of the Institute of Chartered Accountants in England and Wales since 2016..

Martyn Stuart Wells - *Non-Executive Director – aged 72*

Mr Wells was formerly an Executive Director of Citicorp International Limited and has over 30 years' experience in the securities industry. In 1969 he joined Vickers da Costa, international stockbrokers. He was involved in the fund management industry for 20 years and participated in the launch of several country funds investing in the Asian region, serving as a director or as a member of the investment advisory councils of several of those funds. He lived in Hong Kong for almost 28 years and since 2000 has resided in England.