

GRAND GROUP INVESTMENT PLC

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

GRAND GROUP INVESTMENT PLC

CHAIRMAN'S STATEMENT

2016 was an eventful and challenging year. I refer you to the announcement of 30 September 2016 for a detailed explanation of the events leading to the delay in issuing both the 2015 audited financials and the 2016 interim statements.

As notified on 30 September 2016, the company disposed of its two investments: Victory and JXT. These disposals triggered paragraph 5.6 (sub-paragraph 2) of the AIM Note for Investing Companies, and as such the company became treated as an AIM Rule 15 cash shell. In accordance with AIM Rule 15, the company has until 30 September 2017, approximately 3 months from now, either to implement the current investing policy or to make an acquisition which would be considered a reverse takeover under the AIM Rules. If the company is unable to do so it will be suspended again, this time pursuant to AIM Rule 40.

The company started 2017 with a virtually clean slate, having sold its investments. As of 2016 year end, proceeds from the sales of Victory and JXT investments have been coming in on time, and cash had grown to RMB 140.8 million. As of the end of April, funds continued to arrive on time and total (unaudited) cash was RMB 221.2 million – approximately £25 million. No new investments have yet been made with the proceeds.

The group has much to do in 2017 - notably finishing collecting the proceeds from the investment exits, but as importantly developing the pipeline of investment opportunities and investing by the September 30 deadline.

Outlook

As the US Federal Reserve continues to look to raise interest rates, there has been a significant impact on the Chinese investment market, causing many asset prices to return to more rational levels. This provides a great opportunity for Grand. The sales of Victory and JXT have bolstered Grand's cash reserves for future investments. Now that Grand has regained listed status on AIM, it is in a better position to make those investments.

James Newman
Non-Executive Chairman

GRAND GROUP INVESTMENT PLC

CORPORATE GOVERNANCE REPORT

As an AIM-listed company, Grand Group Investment PLC (“Grand Group”) does not comply with the UK Corporate Governance Code published by the Financial Reporting Council. However, the directors do place a high degree of importance on ensuring that high standards of corporate governance are maintained. The following sections note the governance procedures applied by Grand Group.

Board Responsibilities

Following Stephen Roberts and Ying Ying Gu resignations from Non-Executive Director and Executive Director respectively during 2016, the Board currently comprises two independent Non-Executive Directors (“NED”) and three Executive Directors. The Directors expect to be kept fully informed of the Group’s performance, and other matters that are relevant to the business of the Group and that should be brought to the attention of the Directors. The Directors have access to the financial and legal advisers.

The Board has a breadth of experience relevant to the Group, and the Directors believe that any changes to the Board’s composition can be managed without undue disruption. The Board believes that the mix of skills, experience, ages and length of service are appropriate to the requirements of the Group for the time being.

Audit Committee

The Audit Committee of the Group, comprising J. Mark Hemmann and James Newman, is chaired by J. Mark Hemmann. The Audit Committee is responsible for ensuring that the Group’s financial performance is properly monitored, controlled and reported. The Audit Committee is responsible for the scope and effectiveness of the external audit and compliance by the Group with statutory and regulatory requirements.

Auditor objectivity and independence is safeguarded through limiting non-audit services that fall within defined categories. Non-audit work is approved by the Audit Committee if the committee concludes that it is in the interests of the Group to purchase non-audit work from the external Auditors (rather than another supplier). Any future non-audit work to be performed by Moore Stephens LLP will be monitored and approved by the Audit Committee.

Share Dealing

The Group has adopted a share dealing code for Directors’ dealings. The Directors will comply with Rule 21 of the AIM Rules for Companies relating to Directors’ dealings and will take all reasonable steps to ensure compliance by the Group’s applicable employees as well.

GRAND GROUP INVESTMENT PLC

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Takeover Code

As a company incorporated in the Cayman Islands, the Group will not be subject to the Takeover Code. As a result, certain protections that are afforded to Shareholders under the Takeover Code, for example in relation to a takeover of a company or certain stake-holding activities by Shareholders, do not apply to the Group.

However, certain protections have been incorporated into the Group's Articles which, to an extent, mirror the provisions of Rule 9 of the Takeover Code (the "Relevant Code Provisions"). The Articles provide that if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30% or more of the voting rights of the Group, the acquirer and, depending on the circumstances, the concert parties, will be required (except with the agreement of the Group in a general meeting by ordinary resolution of independent Shareholders) to make a cash offer for the outstanding shares in the Group at a price not less than the highest price paid by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30% and 50% of the voting rights in the Group if the effect of such acquisition were to increase the person's percentage of voting rights. The main difference between these provisions and the Relevant Code Provisions is that the Takeover Panel does not have any jurisdiction to enforce these provisions.

Independent Auditors' Report to the Shareholders of Grand Group Investment Plc

Opinion

We have audited the consolidated financial statements of Grand Group Investment Plc (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31st December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31st December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

This report is made solely to the company’s members, as a body, in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in British Cayman Islands and Auditing Practices Board’s (APB’s) Ethical Standards and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 management.
- Conclude on the appropriateness of management's 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this independent auditor's report is Mark Ayres.

Moore Stephens LLP
150 Aldersgate Street
London, EC1A 4AB

GRAND GROUP INVESTMENT PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

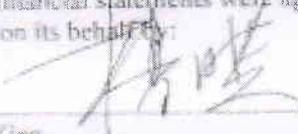
	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Unrealised loss on unquoted financial assets	8	-	(256,560)
Gain on disposal of unquoted financial assets		21,760	-
Investment income		-	19,800
Other income		500	-
Administrative expenses		(4,130)	(9,585)
Financial income/ (expenses)		186	(13,138)
Profit/(Loss) before tax		18,316	(259,483)
Taxation	10	(4,579)	64,140
Profit/(Loss) after tax		13,737	(195,343)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		13,737	(195,343)
Attributable to:			
Equity holders of the parent		13,737	(195,343)
Non-controlling interests		-	-
		RMB	RMB
Earnings per share	12		
Basic		0.40	(5.86)
Diluted		0.39	(5.86)

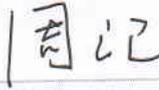
The accompanying notes on pages 10 to 23 form an integral part of these financial statements.

GRAND GROUP INVESTMENT PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Assets			
<i>Non-current asset:</i>			
Unquoted financial assets at fair value through profit or loss	8	-	243,440
<i>Current assets:</i>			
Other receivable	8	175,210	10
Cash and cash equivalents	13	140,844	66,632
		<u>316,054</u>	<u>66,642</u>
Total assets		<u>316,054</u>	<u>310,082</u>
Equity and liabilities			
<i>Shareholders' Equity:</i>			
Share capital	15	14	14
Share premium		66,936	66,936
Contributed capital		196,000	196,000
Warrants reserve	17	13,283	13,283
Retained earnings		23,360	9,632
Equity attributable to owners of the Company		<u>299,602</u>	<u>285,865</u>
Non-controlling interest		10	10
Total equity		<u>299,612</u>	<u>285,875</u>
<i>Non-current liability:</i>			
Deferred tax liability	11	-	6,860
<i>Current liabilities:</i>			
Other payable and accruals		15,451	4,290
Amounts due to shareholders	14	991	13,048
		<u>16,442</u>	<u>17,347</u>
Total liabilities		<u>16,442</u>	<u>24,207</u>
Total equity and liabilities		<u>316,054</u>	<u>310,082</u>

These financial statements were approved by the Board of Directors for issue on 26 June 2017 and signed on its behalf by:


Yang Xiao
Executive director


Zhou Jiang
Executive director

The accompanying notes on pages 10 to 23 form an integral part of these financial statements.

GRAND GROUP INVESTMENT PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Share capital RMB'000	Share Premium RMB'000	Contributed capital RMB'000	Warrants reserve RMB'000	Retained earnings RMB'000	Sub- Total RMB'000	Non- controlling Interest RMB'000	Total Equity RMB'000
At 31 December 2014	10	-	196,000	-	204,975	400,985	-	400,985
Issued share capital	4	66,936	-	-	-	66,940	-	66,940
Issued warrants	-	-	-	13,283	-	13,283	-	13,283
Total comprehensive loss for the year	-	-	-	-	(195,343)	(195,343)	-	(195,343)
Non- controlling interest	-	-	-	-	-	-	10	10
At 31 December 2015	14	66,936	196,000	13,283	9,632	285,865	10	285,875
Total comprehensive profit for the year	-	-	-	-	13,737	13,737	-	13,737
At 31 December 2016	14	66,936	196,000	13,283	23,369	299,602	10	299,612

The accompanying notes on pages 10 to 23 form an integral part of these financial statements.

GRAND GROUP INVESTMENT PLC
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2016

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
<i>Cashflows from operating activities</i>			
Profit /(Loss) before tax		18,316	(259,483)
Adjustments:			
Unrealised loss on unquoted financial assets	8	-	256,560
Finance income		(21,760)	(19,800)
Warrant expenses		-	13,283
Increase in other payables and accruals		(287)	2,981
Net cash outflow from operating activities		(3,731)	(6,459)
<i>Cash flows from investing activity</i>			
Dividend received from unquoted financial assets at fair value through profit or loss		-	19,800
Cash received from disposal of financial assets	8	90,000	-
Acquisition of unquoted financial assets at fair value through profit or loss	8	-	(20,000)
Net cash inflow / (outflow) from investing activity		90,000	(200)
<i>Cash flows from financing activities</i>			
Cash proceeds from issue of shares		-	66,940
Amounts (repay) / from shareholders		(12,057)	6,340
Net cash (outflow) / inflow from financing activities		(12,057)	73,281
Net increase in cash and cash equivalents		74,212	66,622
Cash and cash equivalents at the beginning of year		66,632	10
Cash and cash equivalents at the end of year		140,844	66,632

The accompanying notes on pages 10 to 23 form an integral part of these financial statements.

**GRAND GROUP INVESTMENT PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. GENERAL INFORMATION

Grand Group Investment Plc (“Grand Group” or the “Company”) was incorporated and domiciled in the British Cayman Islands on 4 March 2014 and its registered office is 89 Nexus Way, Camana Bay, KY1-9007, British Cayman Islands. The principal place of business is Room 2023, South Building, Lihu Technology Innovation Center, No.11, Wuhu Road, Wuxi City, Jiangsu Province, People’s Republic of China.

The Company’s shares were listed on the AIM, a market operated by the London Stock Exchange on 27 January 2015.

The company is a value-added and technology innovation private equity investment vehicle, which principally focuses on investing in small & medium sized enterprises in the People’s Republic of China.

2. RECENT ACCOUNTING PRONOUNCEMENTS

(a) New interpretations and revised standards effective for the year ended 31 December 2016

The Group has adopted the new interpretations and revised standards effective for the year ended 31 December 2016. The adoption of these interpretations and revised standards had no impact on the disclosures and presentation of the financial statements during the year.

(b) Standards and interpretations in issue but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group’s financial statements, which the Group reasonably expects to be applicable at a further date, are listed below. The Group does not intend to adopt those standards until they become effective.

		Effective for accounting period on or after:
IFRS 7 (amended)	Financial Instruments: Disclosure	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements.

GRAND GROUP INVESTMENT PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES

a) Basis of Preparation

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”), which collective term includes all applicable individual IFRS, International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”).

The financial information has been prepared on the going concern basis and under the historical cost convention, except for the revaluation of certain financial assets, which have been measured at fair value.

The financial information is presented in Renminbi (“RMB”), rounded to the nearest thousand, unless otherwise stated.

b) Basis of consolidation

The consolidated financial statements comprise the results of the Company and its subsidiaries altogether (the “Group”) for the year ended 31 December 2016. Subsidiaries are all entities over which the Company exercises control or owns greater than 50 per cent of the voting rights during the year. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation.

c) Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred and included in operating expenses before finance costs.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree’s financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

d) Foreign currency translation

(i) Functional and presentation currency

The financial statements of the Group are presented in the currency of the primary environment in which the Company operates (its functional currency). The Directors have considered the currency to which the underlying investments are exposed. On balance, the Directors believe RMB best represents the functional currency of the Company. Therefore, the books and records are maintained in RMB and for the purpose of the financial statements the results and financial position of the Group are presented in RMB, which is also the presentation currency of the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

GRAND GROUP INVESTMENT PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES (CONT'D)

e) Financial Instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group 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.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Unquoted financial assets at fair value through profit or loss

Classification

The Group classifies its unquoted equity interests as financial assets at fair value through profit or loss. These financial assets are designated by the Directors as at fair value through profit or loss at inception.

Financial assets designated as at fair value through profit or loss at inception are those that are managed as part of an investment portfolio and their performance evaluated on a fair value basis in accordance with the Group's investment strategy.

Recognition/derecognition

Purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the investment.

A fair value through profit or loss asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when rights are realised, expire or are surrendered and the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership. Fair value through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group has transacted an unconditional disposal of the assets.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed through profit or loss. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value in accordance with IFRS13 'Fair value measurement'. For determining a suitable valuation technique the company applies International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the period in which they arise.

Impairment of financial assets

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on financial assets is recognised when there is objective evidence that the Group will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

GRAND GROUP INVESTMENT PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES (CONT'D)

e) Financial Instruments (Cont'd)

Financial liabilities

The Group's financial liabilities include amounts due to shareholders and other payable and accruals. Financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument. All financial liabilities are recognised initially at their fair value, net of transaction costs, and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

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

Equity instruments

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

f) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks and other short term (having maturity within 3 months at inception) highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

g) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably and on the following basis:

- Dividend income is recognised when the Group's right to receive payment is established.

h) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

i) Earnings per share

Basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares during the period plus the dilutive effect of dilutive potential ordinary shares outstanding during the year.

GRAND GROUP INVESTMENT PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial information are in the following areas:

Valuation of unquoted investments

In estimating the fair value for an investment, the Group applies a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable market-data. Carrying values are dealt with in Note 8.

5. FINANCIAL RISK MANAGEMENT

a) Categories of financial instruments

The carrying amounts of the Group's financial assets and liabilities as at the end of each reporting year are as follows:

	2016	2015
	RMB'000	RMB'000
Financial asset		
Cash and cash equivalents	140,844	66,632
Other receivables	175,210	10
Investments	-	243,440
	<u>316,054</u>	<u>310,082</u>
Financial liabilities		
Other payables and accruals	15,451	4,299
Amounts due to shareholders	991	13,048
	<u>16,442</u>	<u>17,347</u>

GRAND GROUP INVESTMENT PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

5. FINANCIAL RISK MANAGEMENT (CONT'D)

c) Financial risk management objectives and policies (Cont'd)

iii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2016, the Group's exposure to credit risk is mainly from the collectability of other receivable from the original shareholder of the investments the Group disposed in 2016. As of the report date, the debtor's repayments complied with the agreements and management consider that the debtor have satisfactory credit quality. Besides, the Group's cash balances were placed with reputable banks.

iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities.

	Within 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2016				
Other payables and accruals	15,451	-	-	15,451
Amounts due to shareholders	991	-	-	991
	<u>16,442</u>	<u>-</u>	<u>-</u>	<u>16,442</u>

	Within 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2015				
Other payables and accruals	4,299	-	-	4,299
Amounts due to shareholders	13,048	-	-	13,048
	<u>17,347</u>	<u>-</u>	<u>-</u>	<u>17,347</u>

The Group's financial liabilities are primarily comprised of expected tax payables to PRC local tax authority.

6. SEGMENT REPORTING

The Group has adopted IFRS 8, "Operating Segments". IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Board of Directors to assess performance and determine the allocation of resources. The Board of Directors are of the opinion that under IFRS 8 the Group has only one operating segment, being the equity investment located in PRC. The Board of Directors assess the performance of the operating segment using financial information which is measured and presented in a manner consistent with that in the Financial Statements. Segmental reporting will be reviewed and considered in light of the development of the Group's businesses over the next reporting period.

GRAND GROUP INVESTMENT PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

7. INVESTMENT IN SUBSIDIARIES

Details of the Group's subsidiaries at 31 December 2016 are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting power held</u>	<u>Principal activity</u>
Directly held				
Great International Wealth & Wisdom Holding Ltd	Hong Kong	100%	100%	Investment holding
Indirectly held				
Grand (Wuxi) Investment Management Co Ltd	PRC	100%	100%	Investment holding
Wuxi Gaoruibode Management Consulting Co., Ltd	PRC	99%	99%	Dormant

As announced on 30 September 2016, the Group disposed of all the investments: Victory and JXT, for detail, please refer to Note 8.

8. UNQUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	RMB'000	RMB'000
At 1 January	243,440	480,000
Additions	-	20,000
Fair value change through profit or loss	-	(256,560)
Disposal	(243,440)	-
At 31 December	-	243,440

The Group is outside the scope of IAS 28 "Investments in associates" on the basis it is a private equity investment vehicle. The Group has therefore elected to measure its investment at fair value through profit or loss in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

On 30 September 2016, the Company announced that it has contracted for the sale of its entire holdings in each of Wuxi Victory Media and Culture Co., ("Victory") and Wuxi Jin Xun Tong Technology Limited ("JXT") on the following terms:

In respect of Victory, the sale of the Group's 33 per cent shareholding for a total consideration of RMB 235.2 million, to be settled in cash by instalments, with RMB 20.0 million paid within 10 working days of signature of the agreement, followed by ten monthly instalments of RMB 20.0 million with a final payment of RMB 15.2 million payable before 30 September 2017. This represents a premium of RMB 39.2 million to the Company's original April 2014 investment of RMB 196 million.

As at 31 December 2016 installments had been received in a timely fashion and RMB 175.2 million was outstanding.

In respect of JXT, the sale of its 15 per cent shareholding was for a total consideration of RMB 30.0 million, settled in cash by two equal instalments of RMB 15.0 million, the first within 30 days of sale agreement, with the second instalment paid before 31 December 2016. The consideration of RMB 30.0 million represents a premium of RMB 10.0 million to the Company's original April 2015 investment of RMB 20.0 million.

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9. STAFF COSTS AND KEY MANAGEMENT EMOLUMENTS

	31 December 2016 RMB'000	31 December 2015 RMB'000
(a) Staff costs		
Wages and salaries	481	1,502
Social security costs	13	41
	<u>494</u>	<u>1,543</u>
(b) Key management emoluments		
Remuneration	2,305	2,862
	<u>2,799</u>	<u>2,862</u>

The remuneration of the key management were as follows:

	2016 RMB'000	2015 RMB'000
Executive Directors		
Xiao Yang	500	500
Jiang Zhou	450	450
Ying Ying Gu	146	500
Chuang Li	500	500
Non Executive Directors		
James Newman	360	384
J. Mark Hemmann	270	240
Stephen Roberts	79	288
	<u>2,305</u>	<u>2,862</u>

10. TAXATION

(a) Recognised in the statement of comprehensive income

	31 December 2016 RMB'000	31 December 2015 RMB'000
Corporation tax		
Current year charge	4,579	-
Deferred Enterprise Income Tax credit (see note 11)	-	(64,140)
Income Tax expense / (credit) attributable to the Group	<u>4,579</u>	<u>(64,140)</u>

Under current British Cayman Island law, the Company is not obligated to pay any taxes in the British Cayman Islands on either income, profits or capital gains.

According to the PRC Enterprise Income Tax Law and its Detailed Implementing Rules, a foreign company established out of China where management is located inside China will be regarded as a Tax Resident Enterprise in China and subject to tax in China. Management is defined as the management and control on the overall production/business operation, personnel, books and records, and assets of the Company.

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10. TAXATION(CONT'D)

(b) Reconciliation of taxation

Tax expense for the year can be reconciled to the profit / (loss) per the consolidated statement of comprehensive income as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Profit / (Loss) before tax	<u>18,316</u>	<u>(259,483)</u>
Tax at the EIT rate of 25% (2015: 25%)	4,579	(64,871)
Tax effect of non-deductible expenses	<u>-</u>	<u>731</u>
Tax charge for the year	<u>4,579</u>	<u>(64,140)</u>

11. DEFERRED TAX LIABILITY

Under PRC Enterprise Income Tax Law unrealised gains on investment fair value reflected through profit or loss are not taxable in China. However, if Grand Group Investment Plc would be regarded as a Tax Resident Enterprise in China, it will have PRC tax exposure on the gains realised at transfer of shares in the future. The 2015 deferred tax liability is based on the tax rate and tax base that are consistent with the manner of recovery or settlement of the asset i.e. through sale, and has been determined based on a PRC corporate income tax rate of 25%.

	RMB'000
At 31 December 2014	71,000
Credit to statement of comprehensive income	<u>(64,140)</u>
At 31 December 2015	6,860
Reclassified to current income tax payable on sale of investments	<u>(6,860)</u>
At 31 December 2016	<u>-</u>

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12. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to owners of the Parent by the weighted average number of ordinary shares outstanding the year.

The calculation of the basic profit per share is based on the following data:

	31 December 2016	31 December 2015
	RMB'000	RMB'000
Profit / (Loss)		
Profit / (Loss) attributable to owners of the Group	<u>13,737</u>	<u>(195,343)</u>
		Number of shares
Shares		
<u>Basic</u>		
Weighted average number of ordinary shares in issue at the end of the year	<u>33,952,631</u>	<u>33,314,909</u>
	RMB	RMB
Earnings per share	0.40	(5.86)
		Number of shares
<u>Diluted</u>		
Weighted average number of ordinary shares in issue at the end of the year	33,952,631	33,314,909
Effect of dilutive potential ordinary shares – warrants (note 17)	1,697,631	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>35,650,262</u>	<u>33,314,909</u>
	RMB	RMB
Diluted earnings per share	0.39	(5.86)

There is no difference between the basic and diluted earnings per share for 2015, as the warrants were anti-dilutive in 2015.

13. CASH AND CASH EQUIVALENTS

	2016	2015
	RMB'000	RMB'000
Cash at bank equivalents	<u>140,844</u>	<u>66,632</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The China government has imposed foreign exchange controls on Renminbi that currency flows in and out of the China are restricted.

14. AMOUNTS DUE TO SHAREHOLDERS

	2016	2015
	RMB'000	RMB'000
Shareholders' loan	<u>991</u>	<u>13,048</u>

The shareholders' loan as at 31 December 2016 is unsecured, interest free and repayable on demand.

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15. SHARE CAPITAL

	Number of shares	Nominal value Equivalent to	
		GBP	RMB
Authorised			
Ordinary shares of GBP 0.00004 each (note i)	625,000,000	25,000	250,000
Issued and fully paid			
At 31 December 2014	25,000,000	1,000	10,000
Issue of shares upon placing (note ii)	8,952,631	358	3,580
At 31 December 2015 and 31 December 2016	33,952,631	1,358	13,580

Note:

- i) The Company was incorporated in Cayman Islands on 4 March 2014 and was authorised to issue 25,000 shares of £1.00 (approximately RMB 10) each.

On 4 September 2014, it was resolved to subdivide the Company's share capital by a ratio of 1:25,000. The resulting authorised and issued share capital amounts to 625,000,000 shares and 25,000,000 shares respectively.

The issued shares have nominal value of each share of £0.00004 and are fully paid at par. There are no restrictions on the distribution of dividends and the repayment of capital.

- ii) On 27 January 2015, a total of 8,952,631 ordinary shares of £0.00004 each were issued by way of placing with institutional and other investors at a placing price of £0.825 per placing share for cash consideration £7.1 million (before expenses) (equivalent to RMB 70 million) on the AIM market of the London Stock Exchange. The excess of the placing price over the par value of the shares issued was credited to the share premium account.

Funds received were deposited in the bank account of Grand Wuxi Limited, the Company's wholly owned subsidiary. WOFE status was granted to this entity in May 2015, with effective ownership being transferred to the Company on 9 February 2015 through its new 100% interest in Great International Wealth and Wisdom, registered in Hong Kong.

16. CONTRIBUTED CAPITAL

	2016 RMB'000	2015 RMB'000
Contributed capital	196,000	196,000

The capital reserve arose as a result of capital contributions made by the shareholders of the Company in transferring effective control and beneficial ownership of their interests in Victory under the VIE Agreements in 2014.

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17. WARRANT RESERVE

On 21 January 2015, the Company granted 1,697,631 warrants. Pursuant to the instrument, the warrant holder was entitled to subscribe for 1,697,631 Ordinary shares as is equal to 5%, of the fully diluted share capital of the Company on admission at an exercise price of £0.00004, until the fifth anniversary of the Company's admission to trading on AIM. None of the above warrants have been exercised as at 31 December 2016.

Details of the warrant movements in the year are as follows:

	Exercise price	No. of warrant	RMB'000
At the beginning of 2016	£0.00004	1,697,631	13,283
Granted		-	-
At the end of 2016		<u>1,697,631</u>	<u>13,283</u>

The charge for the year ended 31 December 2015 of RMB13,283,000 has been charged to profit and loss in the Statement of Comprehensive Income with a corresponding credit to Warrant Reserve at 31 December 2015. No other changes occurred during 2016.

Valuation

Upon admission of the Company's shares to the AIM, the warrant holder could convert those warrants into the ordinary shares at once by paying the exercise price only, which would be disposable at the current trading price. As there was no other vesting condition, the valuation of the warrants was not subject to any adjustments and was considered the same as the market price of the underlying convertible shares at the date of admission to the AIM.

18. CAPITAL MANAGEMENT

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

The capital structure of the Group as at 31 December 2016 consisted of shareholders' loans of RMB 991,000 (Note 14) and equity attributable to the equity holders of the Company, comprising paid in capital of RMB66.950M, contributed capital of RMB196M, warrants reserve of RMB13.283M and retained earnings of RMB23.369M (disclosed in the statement of changes in equity).

The Group reviews the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the repayment of existing debt.

The Group monitors capital using the net debt-to-capital ratio, details of which as at 31 December 2016 and 31 December 2015 were as follows:

	2016 RMB'000	2015 RMB'000
Amounts due to shareholders	991	13,048
Less: bank balances and cash	(140,844)	(66,632)
Net debt	(139,853)	(53,586)
Equity	299,602	285,865

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19. RELATED PARTY TRANSACTIONS

The remuneration of the Directors and Officers, the key management personnel of the Group, is set out in aggregate in note 9b.

20. LEGAL REPRESENTATIVE

Every business established in China, whether domestic or foreign, is required to have a legal representative. He/she is the main principal of the Company and is the employee with the legal power to represent - and enter into binding agreements- on behalf of the Company in accordance with the law or articles of association of the Company. The legal representative is authorised to perform all acts regarding the general administration of a Company according to the Company's aims and objectives, which includes:

- Acting to conserve the company's assets;
- Executing powers of attorney on the company's behalf;
- Authorizing legal representation of and litigation by the company; and
- And executing any legal transactions that are within the nature and scope of that company's business.

In China, every company is required to have a "chop", or company seal, which will be in the custody of the legal representative. Control of the chop is important in order to minimise risks. The legal representative's chop is required on numerous company documents and is regarded as a signature. The legal representative can, by using the chop, bind the company. If a legal representative is to be changed, such a change has to be chopped and approved by the outgoing legal representative. The Company's legal representative in China is Mr. Xiaoyong Wu.

21. EVENTS AFTER REPORTING PERIOD

As of the report day, no material subsequent events noted.