CFHL

Capital Finance Holdings Limited

首都金融控股有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8239)

ANNUAL REPORT 2016

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This report, for which the directors of Capital Finance Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company (the "Director(s)"), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.

BUILDING

EXCEPTIONAL VALUE

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CORPORATE INFORMATION

BOARD

Executive Directors
Mr. Zhang Wei *(Chairman and Chief Executive Officer)*
Ms. Li Wei *(Chief Operating Officer)*

Independent Non-Executive Directors
Mr. Chen Yihua
Mr. Du Hui
Ms. Sze Sau Wan

BOARD COMMITTEES

Audit Committee
Ms. Sze Sau Wan *(Chairman)*
Mr. Chen Yihua
Mr. Du Hui

Remuneration Committee
Mr. Du Hui *(Chairman)*
Mr. Chen Yihua
Ms. Sze Sau Wan

Nomination Committee
Mr. Chen Yihua *(Chairman)*
Mr. Zhang Wei
Mr. Du Hui
Ms. Sze Sau Wan

COMPLIANCE OFFICER

Ms. Li Wei

COMPANY SECRETARY

Ms. Kwok Ka Huen

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2613A, 26/F.
Miramar Tower
132 Nathan Road, Kowloon
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
The Bank of East Asia, Limited

AUDITOR

Moore Stephens CPA Limited
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Tsimshatsui, Kowloon
Hong Kong

COMPANY WEBSITE

http://www.capitalfinance.hk

STOCK CODE

8239

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Capital Finance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. The financial year end date of the Company has been changed from 31 March to 31 December starting from the financial period 2015. Accordingly, the comparative figures for last financial period covered a nine-month period from 1 April 2015 to 31 December 2015 and therefore, they may not be entirely comparable.

During the year 2016, global events such as the Brexit referendum and the US presidential election have exerted uncertainties on the global economy, and their less than predictable outcomes are expected to create additional uncertainties to the future economic recovery and growth globally. In the People's Republic of China ("PRC"), the growth of the economy continued to slow down. In order to maintain market liquidity and broad money supply at a reasonable and sufficient level, the People's Bank of China ("PBOC") continued to implement loose monetary policy in year 2016.

Overall, 2016 has been a challenging year for the PRC short-term financing industry. According to the statistics published by the PRC Pawn Loan Industry Data Monitoring System (全國典當行業監管信息系統), operating revenue and operating profit of the pawn loan industry for the year 2016 nationwide has decreased by approximately 24% and 41.8% respectively as compared with last year. Despite the unfavorable business environment and intensified market competition, the Group has strived to maintain operating revenue at a stable level through effective implementation of its sustainable development strategy and comprehensive risk control system.

Although the Company has made a remarkable success in maintaining its sound operating performance, the continuous exacerbation of market conditions and uncertainties in the global and local economies are nonetheless expected to exert a downward pressure on the Group's performance in the future. On the strategic development front, in view of the implementation of new regulatory acts as announced by the State Council of the PRC regarding to peer-to-peer lending industry and the deterioration in the expected return from the development and sales of software business, the Group had disposed of this business segment on 31 March 2016. The proceeds from the disposal will enable the Group to better utilise its resources to focus on its business with more growth potential.

Looking ahead to 2017, the global business environment is expected to be complex and continued to create challenging operating conditions for businesses. In the PRC, we expect that the industry competition in short-term financing services business will remain intense, while the regulatory environment continues to be challenging. Faced with these uncertainties, the Group still remain cautiously optimistic about its business prospect. The Group will continue to leverage on its competitive advantage, solidity and further develop and expand the scope of its short-term financing services. Apart from strengthening the present Beijing market, the Group will further expand its business in Shenyang, Lhasa, Hong Kong and others cities. At the same time, the Group will prudently explore new potential projects and new business opportunities in order to provide new and sustainable drivers for the Group's overall performance.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to express my sincere gratitude and appreciation to my fellow Directors for their support and wise counsel, and to thank all of our staff for their dedication, enthusiasm and hard work. I would also like to thank all of our customers, shareholders, business partners, and social communities for their unwavering confidence and continuous support over the years.

Mr. Zhang Wei
Chairman

Hong Kong, 13 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The financial year end date of the Company was changed from 31 March to 31 December starting from the financial year 2015. It should be noted that the 2016 financial information presented herein which covered the twelve months from 1 January 2016 to 31 December 2016 are being compared with the financial period which covered the nine months from 1 April 2015 to 31 December 2015. The difference in duration of the two financial periods should be considered when making year-on-year comparisons.

During the year ended 31 December 2016, the Group is principally engaged in short-term financing services in the PRC and Hong Kong. The Group was also engaged in (i) business of development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC which was discontinued during the year ended 31 December 2016; (ii) property investments in Hong Kong; and (iii) business of coal trading between the PRC and Indonesia which were discontinued in the last financial period from 1 April 2015 to 31 December 2015. Details are disclosed in Note 11 to the consolidated financial statements.

The Group recorded total revenue for the year ended 31 December 2016 of approximately Hong Kong dollar ("HK$") 111,927,000 (nine months ended 31 December 2015: approximately HK$103,395,000) from continuing operation representing a slight increase of approximately HK$8,532,000 as compared with last period.

The administrative and other expenses for the year ended 31 December 2016 from continuing operation has increased from approximately HK$43,778,000 for the nine months ended 31 December 2015 to approximately HK$52,845,000.

The loss attributable to the owners of the Company for the year ended 31 December 2016 was approximately HK$254,406,000 (nine months ended 31 December 2015: profit of approximately HK$19,000,000) was mainly attributable to the effect of non-cash impairment losses on goodwill and intangible assets, which amounted to approximately HK$151,657,000 and HK$149,000,000 respectively (nine months ended 31 December 2015: Nil) in relation to the short-term financing services cash generating unit.

The non-cash impairment losses arose mainly as a result of the downturn and keen competition of the PRC short-term financing industry which are expected to have a negative impact on the Group's future expected revenue and growth rate of the short-term financing business.

CONTINUING OPERATION

Short-term Financing Services

During the year ended 31 December 2016, the revenue of short-term financing services was approximately HK$111,927,000 (nine months ended 31 December 2015: approximately HK$103,395,000). The operating results of the short-term financing services recorded a loss before income tax of approximately HK$218,695,000 (nine months ended 31 December 2015: profit before income tax of approximately HK$77,280,000). The substantial operating loss for the year ended 31 December 2016 when compared with the operating profit for the nine months ended 31 December 2015 was mainly attributable to non-cash impairment losses on goodwill and intangible assets discussed above.

CONTINUING OPERATION *(Continued)*

Normalised reportable operating results

Should the non-cash impairment losses be excluded from the actual operating results to a normalised operating results under the best estimate by management, the operating loss/profit would be adjusted upwards by approximately HK$298,847,000 and HK$1,797,000 respectively to operating profits before tax of approximately HK$80,152,000 and HK$79,077,000 respectively for the year ended 31 December 2016 and nine months ended 31 December 2015 respectively.

	Short-term financing services	
	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
The operating (loss) profit	(218,695)	77,280
Add back: Impairment loss on goodwill	151,657	–
Impairment loss on intangible assets	149,000	–
Provision for impairment loss on loans to customers	–	1,797
Less: Reversal of impairment loss on loans to customers	(1,810)	–
Underlying earnings before tax	80,152	79,077

DISCONTINUED OPERATION

Development and Sales of Software

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto-serve Software Company Limited ("Beijing Auto") and entire issued share capital of Vibrant Youth Limited ("Vibrant Youth") (collectively referred to as the "Auto-serve Group") to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation. Accordingly, the development and sales of software operation was classified as a discontinued operation. Details of the disposal are set out in the Company's announcements dated 24 March 2016 and 31 March 2016. The disposal was completed on 31 March 2016.

During the year ended 31 December 2016, the Auto-serve Group recorded a revenue of approximately HK$4,730,000 (nine months ended 31 December 2015: approximately HK$17,510,000) and profit before income tax of approximately HK$1,648,000 (nine months ended 31 December 2015: loss before income tax of approximately HK$29,074,000). The increase in profit was mainly due to the recognition of gain on disposal of Auto-serve Group of approximately HK$2,033,000 during the year ended 31 December 2016 while the loss resulted for the nine months ended 31 December 2015 was mainly due to a non-cash impairment loss on goodwill of approximately HK$33,878,000 was recorded for the nine months ended 31 December 2015.

PROSPECTS

Looking ahead to 2017, the global business environment is expected to be complex and continued to create challenging operating conditions for businesses. In the PRC, we expect that the industry competition in short-term financing services business will remain intense, while the regulatory environment continues to be challenging. Faced with these uncertainties, the Group still remain cautiously optimistic about its business prospect. The Group will continue to leverage on its competitive advantage, solidity and further develop and expand the scope of its short-term financing services. Apart from strengthening the present Beijing market, the Group will further expand its business in Shenyang, Lhasa, Hong Kong and others cities. At the same time, the Group will prudently explore new potential projects and new business opportunities in order to provide new and sustainable drivers for the Group's overall performance.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had total bank borrowings of approximately HK$11,834,000 denominated in Renminbi ("RMB") (31 December 2015: approximately HK$4,775,000 denominated in RMB) and other debts comprising promissory notes and liability component of convertible bonds of approximately HK$538,103,000 (31 December 2015: approximately HK$510,810,000). All the bank borrowings were obtained on secured basis. The Group will try to obtain future financing, and whenever possible and appropriate, raise fund via equity funding activities in order to further reduce the financing cost.

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$154,012,000 (31 December 2015: approximately HK$119,091,000) which were mainly denominated in HK$ and RMB. To manage liquidity risk, management monitors forecasts of the Group's liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

Save as the capital commitment of approximately HK$330,000 (31 December 2015: Nil) for addition of property, plant and equipment as disclosed in note 33 to the consolidated financial statements, the Group has no other material capital commitments as at 31 December 2016.

As at 31 December 2016, the gearing ratio for the Group was approximately negative 16.36 due to the Company's negative equity position (31 December 2015: approximately positive 1.93), calculated based on the total debts (comprising bank borrowings and other debts) of approximately HK$549,937,000 over shareholder's equity of approximately negative HK$33,623,000. The debt ratio was approximately 1.03 (31 December 2015: approximately 0.68), calculated as total liabilities over total assets of the Group.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

CAPITAL STRUCTURE

The capital structure of the Group during the year ended 31 December 2016 is summarised as follows:

(i) *Bank Borrowings*

As at 31 December 2016, the bank borrowings denominated in RMB of approximately HK$11,834,000 (31 December 2015: approximately HK$4,775,000) bears a fixed interest rate of 6.0% (31 December 2015: 6.0%) per annum and is secured by a corporate guarantee given by an independent third party at a fee charged.

(ii) *Promissory Notes*

As at 31 December 2016, the Company had promissory notes issued as part of consideration for the acquisition of the Prima Finance Group outstanding. During the year ended 31 December 2016, an 8% promissory note in the principal amount of HK$15,000,000 issued on 6 February 2015 was early redeemed by the Company through use of the proceeds from the disposal of Star Coal Group. As at 31 December 2016, the Company had outstanding promissory notes in the principal amount of HK$20,000,000 issued on 6 February 2015. Summary of the promissory notes is as follows. Further details are set out in Note 23 to the consolidated financial statements.

Date of issue	Principal amount (HK$)	Interest rate per annum	Principal repayment due date	Redeemed principal amount (HK$)	Outstanding principal amount (HK$)
6 February 2015	35,000,000	8%	6 February 2020	15,000,000	20,000,000

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE *(Continued)*

(iii) Convertible Bonds

As at 31 December 2016, the Company had 2 series of non-interest bearing convertible bonds issued as part of consideration of the acquisition of the Prima Finance Group outstanding. Summary of the convertible bonds is as follows. Further details are set out in Note 24 to the consolidated financial statements.

Date of issue	Principal amount (HK$)	Maturity Date	Conversion Price per share	Amount converted into shares during the period (HK$)	Balance (HK$)	Number of Shares to be issued upon full conversion
25 June 2014	387,200,000	24 June 2019	HK$0.35	–	387,200,000	1,106,285,714
6 February 2015	236,000,000	5 February 2020	HK$0.35	–	236,000,000	674,285,714

USE OF PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The net proceeds from issue of new shares under the subscription agreement dated 12 June 2015 were approximately HK$11,870,000. Up to 31 December 2016, the Group has utilized the net proceeds as follows:

Date and particulars of the subscription	Net proceeds raised (approximately) (HK$)	Intended use of proceeds	Actual use of proceeds (approximately)
Subscription of 29,270,000 new shares under general mandate on 12 June 2015 at a subscription price of HK$0.41 per share	11,870,000	(i) Payment of interest which due on 25 June 2015 for the promissory note in principal amount of HK$4,000,000; and	(i) HK$320,000 had been used for the settlement of interest of the promissory note; and
		(ii) as general working capital of the Group.	(ii) HK$11,550,000 had been used as general working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS AND DISPOSALS OF SUBSIDIARIES

Issue of Earn Out Consideration Shares for Auto-serve Group

References are made to the announcements of the Company dated 13 January 2015, 23 January 2015, and 13 March 2015 (collectively, the "Announcements") in relation to, among others, the acquisition of the Auto-serve Group, which involves the issue of consideration shares under general mandate. Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

On 2 March 2016, the Company received the auditors' certificate confirming that the Actual Aggregated Profit for the year ended 31 December 2015 is approximately RMB5,287,000, and the Adjusted 2015 Earn Out Consideration Shares to be approximately 26,512,000 shares of the Company. As disclosed in the Announcements, subject to the Actual Aggregated Profit of the Auto-serve Group for the year ended 31 December 2015, the Company should pay Vendor C and Vendor D (or their nominee(s)) the Earn Out Consideration Shares pursuant to the Agreement (as amended and supplemented by the Supplemental Agreement).

The Adjusted 2015 Earn Out Consideration Shares would be allotted and issued to the Vendor C and Vendor D (or their nominee(s)) within 10 Business Days from the issue of the audited financial statements of Beijing Auto and audited consolidated financial statements of Vibrant Youth for the year ended 31 December 2015.

On 16 March 2016, an aggregate of 26,512,494 Adjusted 2015 Earn Out Consideration Shares were allotted and issued.

Further details are set out in the announcement of the Company dated 2 March 2016.

Disposal of Auto-serve Group

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto and entire issued share capital of Vibrant Youth at a consideration of HK$26,208,000 to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation. Accordingly, the Group's development and sales of software operation was classified as a discontinued operation. The disposal was completed on 31 March 2016.

Details of the disposal are set out in the announcements of the Company dated 24 March 2016 and 31 March 2016.

Save as disclosed above, the Group did not have any other significant investments and disposals of subsidiaries during the year ended 31 December 2016.

CHARGE OF GROUP ASSETS

As at 31 December 2016 and 2015, the Group did not have any assets under charged.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 31 December 2016, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currency, i.e. RMB, used by the respective group entities.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2016, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 31 December 2016, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

ADVANCE TO AN ENTITY

On 29 December 2015, the Group entered into an entrusted loan agreement with 北京銀行股份有限公司 (Bank of Beijing Co., Ltd.*) (the "Lending Bank") and 北京建興泰建設科技有限責任公司 (Beijing Jianxingtai Construction and Technology Co., Ltd.*) (the "Borrower") pursuant to which the Group entrusted the Lending Bank with an amount of RMB76,000,000 (equivalent to approximately HK$90,721,000) for the purpose of lending the same to the Borrower for a period of 12 months at an interest rate of 17.4% per annum with interest payable on a monthly basis and the principal amount at the end of the loan period (the "Transaction"). On 26 August 2016, the total outstanding principal amount of RMB71,088,000 (equivalent to approximately HK$82,791,000) was repaid in full by the Borrower. As at 31 December 2016, no further advance was granted to the Borrower under the entrusted loan agreement. (As at 31 December 2015: RMB42,000,000 (equivalent to approximately HK$50,135,000) was drawn by the Borrower.)

Details of the Transaction are set out in the announcement of the Company dated 29 December 2015.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liability (31 December 2015: Nil).

* *English name is for identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

On 9 January 2017, convertible bonds at a conversion price of HK$0.35 per share with principal value of HK$42,000,000 have been converted into 120,000,000 new ordinary shares of the Company.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2016, the Group employed a total of 102 employees (31 December 2015: 229). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees. Staff costs, excluding Directors' emoluments, for the year ended 31 December 2016 amounted to approximately HK$24,367,000 (31 December 2015: approximately HK$19,869,000).

The Company adopted the Share Option Scheme where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the Share Option Scheme during the year ended 31 December 2016.

SHARE OPTION

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the year ended 31 December 2016.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

This report was approved by the Company's Board of Directors and aims to provide a balanced representation of the Group's effort on the corporate social responsibility in the Marketplace, Workplace, Community and Environment which cover the Group's operations for the financial year ended 31 December 2016.

Reporting Framework

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 20 of the GEM Listing Rules.

Environmental, Social and Governance Working Group

To demonstrate our commitment to transparency and accountability, the Company has established an ESG working group, which has clear terms of reference that set out the powers delegated to it by the Board.

Corporate Social Responsibility ("CSR") Vision, Policy and Strategy

The Group adopted the CSR Policy in order to commit to the highest standards of corporate governance, and aims to integrate CSR into the Group's business strategy and management approach.

CSR is viewed as a business philosophy that creates shared sustainable value with its stakeholders in the economic, social and environmental dimensions. The Group's CSR Vision and CSR Policy guide the Group's business and operational decisions to take into account its responsibility to the CSR cornerstones with pragmatic objectives providing guidance on the application of these principles in its daily operations. The Group's CSR Policy describes our long-term approach to specific issues in the four cornerstones: Marketplace, Workplace, Community and Environment, which is instrumental in enabling our business to operate in a sustainable manner. Within each of the cornerstones, core principles and pragmatic objectives provide guidance on practicing CSR in our daily operations.

MARKETPLACE

The Group aims at achieving the status of the most sustainable short-term financing company, for which, it strives to cultivate in a justifiable and environment-friendly manner. To further the cause of sustainability, the Group has instigated web-based services and customer services hotline in the People's Republic of China (the "PRC"). Such initiations have been effective in boosting the working efficiency, heightening service experiences and developing a harmonious association with the patrons. As evident, the Group enacts a crucial role in stimulating sustainable practices in the marketplace.

Supply Chain Management

The Group has recognized the significance of suppliers in affecting the sustainability of all the business operations. Not only the suppliers play a crucial role in influencing the overall performance but also imprint the Group's reputation among the societies where the Group operates. Responsible behavior, equality and sensitivity towards dynamic needs of stakeholders are the top entities that are addressed when conducting the business. For this purpose, it is ensured that all the supply chain partners are treated in a fair and just manner during the related business activities.

MARKETPLACE *(Continued)*

Product Responsibility

All the employees, customers and associated professionals are ensured privacy pertaining to their personal data. The Personal Data (Privacy) Ordinance and guidelines that are announced by the Office of the Privacy Commissioner for Personal Data in Hong Kong and the provisions of protecting person privacy stipulated in the related laws and regulations in the PRC are closely followed by the Group. Moreover, the laws and practices laid out in the PRC and Hong Kong are strictly pursued by the Group's operation team.

Anti-corruption

Apart from ensuring a sustainable growth, the Group has shown an immense dedication at promoting integrity and honesty in the marketplace. The integral and ethical business conduct is maintained and encouraged by complying with the anti-corruption rules and regulations. The Group adopted the Code of Conduct by introducing the internal guideline for anti-bribery and anti-corruption.

WORKPLACE

The credit to the Group's success and tremendous progression in the marketplace goes to the workforce, who has offered high efficiency, quality and commitment to the Group. To develop a conducive work environment, the Group aims at building a cross-cultural workforce, developing the competencies of employees, recognizing, motivating and rewarding talent and ensuring the well-being and safety of all individuals. The Group adopted the Code of Conduct by introducing the internal guideline on employee's Code of Conduct, such as anti-bribery, anti-corruption and whistleblowing.

Employment

The personal data ordinance, employment ordinance, minimum wages ordinance, non-discrimination policies and other ordinances related to occupational health and safety of the employees are followed by the Group.

For recruitment and selection, the Group follows its internal policy for recruitment. This policy encourages the recruitment of those candidates who have the desired competencies and attitude to execute a job; and are equipped with adequate qualifications, experience and merits. The policy is non-discriminatory, wherein the gender, religious affiliation, ethnicity, age and race of the candidate are not considered when recruiting; only the talent is given the top priority. Also, the labor contracts are timely developed and a strong labor relationship is maintained and promoted in accordance with the law. Recruitment is an essential process that caters to the recognition of talent, however, retaining that talent is also equally integral for attaining higher rate of growth and success. In this regard, the Group has established a policy on employee's remunerations and benefits, which emphasizes on retaining the potential employees through motivation in terms of bonus, incentives, share options and rewards.

As at 31 December 2016, the Group is equipped with 102 employees (51 males and 51 females). While 94 of these employees are permanent and working full time, 8 are temporarily recruited. Also, 90 are located in Beijing and the rest in Hong Kong. Considering the age factor, the majority of employees, 47 are born in 80's, 25 are 70's, 15 are 90's, 12 are 50's and 3 are 60's.

While the turnover for male employees is 17.09%, for females, it is 7.69%. The employees are born in 60's have a turnover of 0.85%; for 70's, the turnover is 1.71%; for 80's, it is 16.24%; and the ones born in 90's are having a turnover of 5.98%.

WORKPLACE *(Continued)*

Health and Safety

The Group is highly committed towards promoting a healthy and safe environment to all the employees as it facilitates a sustainable corporate culture. Being healthy not only corresponds to personal benefits but also increases the productivity of individuals, thus increasing the overall efficiency. For this purpose, the employees are offered accessibility to daylight and enhanced technology solutions.

As per the Employees' Compensation Ordinance under the legislation of Hong Kong, the permanent employees are offered with insurance. While the general staff is provided with accident and medical insurance, the officers and the directors are offered liability insurance. Furthermore, the Group performs in accordance with the Mandatory Provident Fund Schemes Ordinance in Hong Kong.

For ensuring employee safety, certain internal policies are developed and implemented. The measures included in those security systems ranges from office cleanliness in a consistent and timely fashion, regular inspection of electricity, fire safety, and water cleanliness and security etc. Further, the following measures are taken by the Group:

1. For avoiding and preventing harmful repercussions of fire incidence, the Group has installed fire-fighting equipment in the office premises and taken measures to confirm a smooth flow of fire channels. The employees in PRC are also trained regarding the protective measures in case of fire.
2. In terms of water safety, the Group procures pure water for drinking purposes.
3. Masks are distributed to the employees located in Beijing in winter, when the haze is at its best.
4. Each year, physical examination of staff members in Beijing is executed under the arrangement of the Group for preventing the precedence of infectious and occupational diseases.

Development and Training

The employees, i.e., the talents of the Group, are rendered as the most valuable asset with which the business grows and flourishes in terms of both, monetary and reputation. At the Group, the employees are valued and given importance by not only varnishing their skills for business growth but also for their career growth. The employees are subjected to continuous and effective trainings that promote knowledge acquisition and knowledge transfer. Moreover, suitable performance evaluations are adopted for monitoring the development of all the employees. Comprehensive performance evaluation is effective in assessing the productivity and work efficiency of individuals that further assists in identifying the weaknesses and strengths. A regular transparent review process is conducted for reviewing the employees' performance, attitude and abilities. The employees with higher performance are also rewarded with bonus incentives.

WORKPLACE *(Continued)*

The Group has its internal policy on employee's training that delves into the varied aspects of employee development and training activities. This policy is segregated into 11 segments and covers a broad range of activities concerned with human resource development and training systems, performance evaluations, expenses, training and trainee management, obligations, general provisions and responsibilities. The trainings are not only commenced during the employment of the individuals but initiated before the job, while considering the specific needs of the staff members. The type of training can either be internal lectures or field trips, which further covers the essential areas of technical knowledge distribution, workplace ethics, customer relationship management and risk management. Apart from these generic trainings, managerial skills trainings are organized to improve the competencies of employees appointed at management level. Also, team-up activities are organized, wherein the employees are encouraged to share their skills, thus creating an ambience of team work and unity.

Labor Standards

It is essential to note that the Group is committed towards the growth and well-being of its employees or workforce. All the laws and regulations pertaining to the prevention of child and forced labor are strictly followed.

COMMUNITY

The Group has realized the significance of a sustainable community in facilitating the growth and development of all the business operations. It is the responsibility of the Group to contribute to the well-being of the community in which it operates. For this purpose, charitable events are organized where the employees are promoted to contribute personally. Such event increases the employee engagement and commitment towards the Group and also raises their level of interaction among themselves and with the community.

As an example, donation events were organized for the under-privileged people residing in the country-side areas. A higher participation of the employees was witnessed during the preparation and execution of this event, where over 200 pieces of donation (clothing, toys, and books etc.) were received. These donations were then distributed to the regions plagued with poverty.

ENVIRONMENT

The nature of business carried out by the Group has little to no destructive effects on the environment. Yet, the Group is devoted to conserving and protecting the environment, for which, several activities and measurements are undertaken. Moreover, the Group has realized its role as a responsible enterprise and aims at recognizing the effect of its operations on the environment while facilitating its financial growth. For instance, to reduce paper usage the Group utilizes web-based financial and hotline services when interacting with the customers. Also, for minimizing carbon footprint across the office, the Group promotes the use of e-statement for reducing paperwork, and saves energy by switching off electrical appliances when idle.

Further, the Group performs its business operations in accordance with the environmental laws and abides by the applicable legislation. Adequate measurements are undertaken to spread environmental awareness among the employees, re-use and recycle, and dispose of the waste materials adequately. Considering the energy conservation, the Group takes effort to reduce energy consumption and emissions. In response to the PRC government's call, the employees gave their full support and participation in curbing down the higher levels of energy usage, cutting down carbon emissions and reducing waste products by using environmental protection materials and optimizing the business procedures. As a consequence, it was observed that in 2016, no non-compliance incidents or grievances were reported that might have affected the environment.

EXECUTIVE DIRECTORS

Mr. Zhang Wei ("Mr. Zhang"), aged 48, is the chairman, chief executive officer, executive director, authorised representative of the Company under Rule 5.24 of the GEM Listing Rules and a member of the nomination committee of the Company since 1 December 2015. Mr. Zhang currently is a director of Prima Finance Holdings Limited ("Prima Finance") and the chairman and general manager of Beijing Wanchi Technology Company Limited* ("Beijing Wanchi"), both of which are subsidiaries of the Company which were acquired by the Group in June 2014. Mr. Zhang joined Beijing Wanchi in November 2012 and was appointed as a director of Prima Finance in November 2012. Mr. Zhang has taken up the management role as the chairman/director and general manager of a number of subsidiaries of the Company. Mr. Zhang holds a diploma in banking management from Harbin University of Finance and studied the subject of law and graduated from the People's Republic of China Communist Party Beijing City Committee Party School*. Mr. Zhang has over 24 years of experience in the financial management field. Prior to joining Prima Finance and Beijing Wanchi in 2012, he held various managerial positions in banking and investment management corporations.

Ms. Li Wei ("Ms. Li"), aged 40, is the executive director, chief operating officer, compliance officer and the authorised representative of the Company under the Hong Kong Companies Ordinance. Ms. Li currently has directorship and holds other positions in a number of subsidiaries of the Company. Ms. Li holds a bachelor's degree in enterprise management from Tianjin Normal University and a master's degree in management from Tianjin University. Ms. Li has more than 15 years of experience in human resources management gained from several multinational corporations and a well-known Chinese based consultancy corporation and operational and risk management in financial sector. Her extensive experience in money lending business in the Greater China market would be a great asset for the Group to develop and expand the Group's business.

* *English name is for identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Yihua ("Mr. Chen"), aged 43, is the independent non-executive Director, chairman of the nomination committee and a member of the remuneration committee and audit committee of the Company. Mr. Chen holds a bachelor's degree in machinery manufacturing engineering from Tianjin University, the PRC. Mr. Chen has 16 years of experience in management in international express logistic industry. Mr. Chen is also familiar with import and export business in machinery and equipment. Mr. Chen held managerial position in different multinational companies, such as China National Overseas Engineering Corporation and FedEx Express-DTW Co. Ltd. Mr. Chen is currently the senior director of infrastructure and process engineering of DHL-Sinotrans International Air Courier Ltd.

Mr. Du Hui ("Mr. Du"), aged 43, is the independent non-executive Director. Mr. Du is also a chairman of the remuneration committee, and a member of the audit committee and nomination committee of the Company. Mr. Du has over 13 years of experience in financial management in the PRC. Mr. Du has been the sales controller of Beijing Lanxum Technology Company Limited ("Beijing Lanxum"), a company listed on the Chinext of Shenzhen Stock Exchange (stock code: SHE:300010), since December 2010. Prior to that, Mr. Du had been a financial controller in Beijing Lanxum from 2002 to November 2010. Mr. Du graduated in 1998 from Sun Yat-sen University with a bachelor's degree of laws and graduated in 2002 from Renmin University of China, with an undergraduate degree in Accounting.

Ms. Sze Sau Wan ("Ms. Sze"), aged 54, is the independent non-executive Director, chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company. Ms. Sze graduated from the Chinese University of Hong Kong, with a bachelor's degree in accountancy and obtained a master's degree of business administration from the University of Macau. Ms. Sze has over 29 years of experience in accounting, auditing and financial reporting. Ms. Sze worked at an international accounting firm and is currently a sole proprietor of an audit firm. Ms. Sze is a practicing member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Ms. Yu Tak Wai, Winnie ("Ms. Yu"), aged 39, is the chief financial officer of the Company. Ms. Yu is a certified public accountant of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and a member of the Association of Chartered Certified Accountants. Ms. Yu holds a bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University and has more than 17 years of experience in accounting and finance, internal and external audit, change management as well as training and risk management in Hong Kong, the PRC, United States and Japan. Ms. Yu was also one of the review panelists for the Best Corporate Governance Disclosure Awards 2010 presented by the HKICPA. Ms. Yu served as an executive director of Newtree Group Holdings Limited (stock code: 1323) from July 2014 to February 2016. Prior to joining the Company, Ms. Yu has been the chief financial officer of Rising Power Group Holdings Limited, now known as Sky Forever Supply Chain Management Group Limited (stock code: 8047), the head of Hong Kong office of an accounting firm based in Japan which is a subsidiary of a company listed on the Stock Exchange, an internal audit manager of a company listed on the Stock Exchange and an audit manager of an international audit firm.

CORPORATE GOVERNANCE REPORT

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets.

Throughout the year ended 31 December 2016, the Company had complied with all the code provisions set out in the Appendix 15 Corporate Governance Code and Corporate Governance Report (the "CG Code") of the GEM Listing Rules with the exception of the following deviation:

CODE PROVISION A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhang Wei was appointed as Chairman and chief executive officer of the Company (the "CEO") on 1 December 2015. Given the size and that the Company's and the Group's current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the Chairman and the CEO if the situation warrants it.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

THE BOARD

As at 31 December 2016, the Board comprised five Directors, including two executive Directors, namely Mr. Zhang Wei as Chairman and Chief Executive Officer and Ms. Li Wei as Chief Operating Officer; and three independent non-executive Directors, namely Mr. Chen Yihua, Mr. Du Hui and Ms. Sze Sau Wan.

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance shareholders' value.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performance and results;
- oversee the risk management and internal control systems on an ongoing basis;
- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or reappointment of Board members and auditors;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- recommendation to shareholders on final dividend and the declaration of any interim dividends.

THE BOARD *(Continued)*

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor and disclose with reasonable accuracy the financial position of the Group. The Board updates Shareholders on the operations and financial position of the Group through quarterly, interim and annual results announcements as well as the publication of timely reports and announcements of other matters as prescribed by the relevant laws, rules and regulations.

Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company.

All Directors, including independent non-executive Directors assume the responsibilities to the Shareholders for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company and its shareholders. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

The non-executive Directors (including the independent non-executive Directors), advise the Company on strategic and critical matters. The Board considers that each non-executive Director brings his/her own senior level of experience and expertise to the constructive functioning of the Board. To this end, regular informal meetings are held between the executive Directors and non-executive Directors. The Chairman should hold meetings with the non-executive Directors at least annually without presence of the executive Directors to evaluate the functioning of the Board.

All independent non-executive Directors are appointed for a specific term of service until 30 June 2017. They are subject to the retirement by rotation and re-election of Directors in the Bye-laws, which requires one-third of the Directors in office to retire from office by rotation but eligible for offering themselves to be re-elected at each annual general meeting.

The executive Directors are delegated with responsibility to oversee and monitor the operation of specific business areas and to implement the strategies and policies set by the Board.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Director has made written annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. Upon review, the Board concluded that all the independent non-executive Directors are independent within the meaning of the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Zhang Wei acknowledged the distinct roles of the Chairman and the CEO. His respective responsibilities are clearly defined and segregated to ensure a balance of power and authority, and reinforce his independence and accountability. The Chairman provides leadership for the decision of the Board regarding the daily operations and administration of the Company are delegated to the management, led by the CEO. Acting as the principal manager, CEO develops operating plans and strategies to the Board and ensuring the effective implementation of the strategies and policies adopted and prioritised by the Board supported with effective and competence management built and maintained by him. The CEO maintained to keep all Directors timely and appropriately informed of all major changes and business development.

THE BOARD COMMITTEES

(1) Remuneration Committee (the "RC")

The RC reviews and makes recommendations to the Board on the remunerations of Directors and senior management. To minimise any conflict of interest, any member who is interested in any given proposed motion is required to abstain from voting on such motion. The RC was set up on 20 March 2006 with written terms of references to oversee the remuneration policy and structure for all Directors and senior management. The RC is formed by a majority of independent non-executive Directors and chaired by an independent non-executive Director. During the year ended 31 December 2016, the members of the RC are as follows:

Independent non-executive Directors:
Mr. Du Hui *(Chairman)*
Mr. Chen Yihua
Ms. Sze Sau Wan

Executive Director:
Mr. Wong Wai Sing (retired on 29 April 2016)

The RC held three meetings and passed two resolutions during the year ended 31 December 2016. The Company Secretary acts as the secretary to the RC. The roles and functions of the RC are to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The RC also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives. The RC is provided with sufficient resources by the Company to discharge its duties. No individual Director is involved in deciding his or her own remuneration.

The remuneration packages of each Directors, senior management and newly appointed Director, were discussed, reviewed and recommended to the Board during the year ended 31 December 2016. Details of Directors' emoluments are set out in Note 9 to the consolidated financial statements in this annual report.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2016 was within the following band:

In the band of	Number of individual
Nil to HK$1,000,000	1

The Company has adopted a share option scheme since 2012 (details of which are set out in Note 31 of the consolidated financial statements in this annual report). The purpose of the said share option scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

THE BOARD COMMITTEES *(Continued)*

(2) Nomination Committee (the "NC")

The NC was set up on 1 February 2012 with written terms of reference to review the structure, size and composition (including but not limited to the gender, skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The NC is chaired by an independent non-executive Director. The NC comprises a majority of independent non-executive Directors. During the year ended 31 December 2016, the members of the NC are as follows:

Independent non-executive Directors:
Mr. Chen Yihua *(Chairman)*
Mr. Du Hui
Ms. Sze Sau Wan

Executive Directors:
Mr. Zhang Wei
Mr. Wong Wai Sing (retired on 29 April 2016)

The NC held four meetings during the year ended 31 December 2016 to make recommendations to the Board on the appointment and re-appointment of Directors and senior management and the re-election of Directors at the general meeting; to review the structure, size, composition and diversity of the Board members and to assess the independence of the independent non-executive Directors. The Company Secretary acts as the secretary to the NC. The roles and functions of the NC include to identify individuals suitably qualified to become Board members, select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors, review the Policy (as defined below) and the progress on achieving the objectives set for implementing the Policy, make recommendations to the Board on the appointment or re-appointment of Directors, and succession planning for Directors, in particular the chairman of the Board and the chief executive officer.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. The board diversity policy (the "Policy") adopted aims to set out the approach to achieve diversity on the Board. A summary of the Policy is set out below:

Measurable Objectives and Implementation

The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Monitoring and Reporting

The NC will report annually, in this annual report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

Review of this Policy

The NC will review this Policy, as appropriate, to ensure the effectiveness of the Policy. The NC will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

THE BOARD COMMITTEES *(Continued)*

(3) Audit Committee (the "AC")

The AC of the Company comprises all independent non-executive Directors and is chaired by an independent non-executive Director who is an accountant with related financial management expertise. During the year ended 31 December 2016, the members of the AC are as follows:

Independent non-executive Directors:
Ms. Sze Sau Wan *(Chairman)*
Mr. Chen Yihua
Mr. Du Hui

The AC held five meetings during the year ended 31 December 2016 to review the quarterly, interim and annual reports before submission to the Board, to review the corporate governance, internal control and risk management issues and to make recommendations to the Board on the appointment of external auditor (if appropriate) of the Company and the engagement of a consultancy firm for provision of the Group's internal audit function. The Company Secretary acts as the secretary to the AC. The AC performs, amongst others, the following roles and functions:

- ensure that co-operation is given by the Company's management to the external auditor where applicable;
- review the Group's quarterly, interim and annual results announcements and reports and the financial statements prior to their recommendations to the Board for approval;
- review the effectiveness of Group's financial reporting process, risk management and internal control systems; and
- review of transactions with connected persons (if any).

Review of risk management and internal control systems

The AC is delegated by the Board with the responsibility to provide independent oversight of the Group's financial reporting and internal control systems, and the adequacy of the external and internal audits. The AC reviewed the effectiveness of the Group's risk management and internal control systems by reviewing the reports (including the internal audit workplan) issued by the independent external assurance provider, and the internal control self-assessment from management.

The AC reviewed and concurred with the management's confirmation that for the year ended 31 December 2016: (i) the Group's risk management and internal control systems were effective and adequate; and (ii) the Group had complied satisfactorily with the requirements of the CG Code in respect of risk management and internal control systems.

Review of accounting, financial reporting and internal audit functions

The AC reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes, on the Group's accounting, financial reporting and internal audit functions.

BOARD COMPOSITION AND BOARD AND COMMITTEE MEETINGS

Practices and Conduct of Meetings

The Board meets regularly at least four times each year and more frequently as the needs of the business demand. Apart from the Board meetings, the Board would from time to time devote separate sessions to consider and review the Group's strategy and business activities.

The Board and committees meeting schedule and the agenda of each meeting were made available to Directors in advance.

Notices of regular Board meetings were served to all Directors at least 14 days before the meetings. For all other Board and Committees' meetings, reasonable notices were given.

Papers for Board meetings or Committees' meetings together with all relevant information are sent to all Directors or Committee members at least 3 days before each meeting to enable them to make informed decisions with adequate data. The Board and each Director also have direct and independent access to the management whenever necessary.

According to the current Board practice, any material transactions involving a conflict of interest with a substantial Shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Bye-laws also contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Composition

As at 31 December 2016, the Board comprises two executive Directors, and three independent non-executive Directors. The Company has met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year ended 31 December 2016.

Biographical details of the Directors are shown on pages 18 to 19 and set out on the websites of the Company. The List of Directors and their Role and Function was published both on the websites of the Company and the Stock Exchange. The Board is currently supported by the AC, RC and NC to oversee specific areas of the Company's affairs. Each of these Committees has been established with written terms of reference, which were approved by the Board, setting out the Committee's major duties and responsibilities. These terms of reference were published both on the websites of the Company and the Stock Exchange.

BOARD COMPOSITION, AND BOARD AND COMMITTEE MEETINGS *(Continued)*

Meetings Held and Attendance

The composition of the Board and the Committees, and the individual attendance records of each Director at the Board and Committees' meetings during the year ended 31 December 2016 are set out below:

	Meetings attended/Meetings held				
Name of Directors	Board meetings	AC meetings	RC meetings	NC meetings	Annual general meeting
Executive Directors					
Mr. Zhang Wei *(Chairman and CEO)*	13/14	N/A	N/A	4/4	1/1
Ms. Li Wei *(Chief Operating Officer) (note 1)*	6/6	N/A	N/A	N/A	N/A
Mr. Wong Wai Sing *(note 2)*	0/5	N/A	N/A	0/1	0/1
Mr. Han Jianli *(note 3)*	7/8	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Chen Yihua	13/14	5/5	3/3	4/4	1/1
Mr. Du Hui	14/14	5/5	3/3	4/4	1/1
Ms. Sze Sau Wan	12/14	5/5	3/3	4/4	1/1
Total number of meetings held	14	5	3	4	1

Notes:

1. Ms. Li Wei, chief operating officer of the Company, was appointed as executive Director on 1 July 2016.

2. Mr. Wong Wai Sing retired as executive Director on 29 April 2016.

3. Mr. Han Jianli resigned as executive Director on 1 July 2016.

INDUCTION AND CONTINUOUS DEVELOPMENT

Each newly appointed Director receives a comprehensive induction package (the "Package") designed to enhance his/her knowledge and understanding of the Group's culture and operations. The Package usually includes a briefing or an introduction to the Group's structure, businesses strategies, recent developments and governance practices.

In order to keep Directors remain informed and refresh their relevant knowledge and skills (Note), the Company has funded suitable trainings and encouraged Directors to participate in continuous professional developments. The Directors have confirmed that they have received the training as follows:–

Name of Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums
Mr. Zhang Wei	✔	
Ms. Li Wei (Appointed on 1 July 2016)	✔	✔
Mr. Wong Wai Sing (Retired on 29 April 2016)		✔
Mr. Han Jianli (Resigned on 1 July 2016)	✔	
Mr. Chen Yihua	✔	
Mr. Du Hui	✔	
Ms. Sze Sau Wan	✔	✔

Note: Training set out above refers to training relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities.

The Directors acknowledge the need for continuous professional development so that they can continue contributing to the Company, and the Company provides support whenever relevant and necessary.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, interim and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

The above statements, which should be read in conjunction with the independent auditor's report set out from pages 45 to 49 of this annual report, are made with a view to distinguishing for Shareholders how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2016, the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are prudent and reasonable in accordance with applicable accounting standards.

The quarterly, interim and annual results and reports were published within the time limits as required under the GEM Listing Rules after the end of the relevant periods to provide stakeholders with transparent and timely financial information.

AUDITOR'S REMUNERATION

During the year ended 31 December 2016, the remuneration, reviewed and approved by the AC on the audit and non-audit scope, paid or payable to the auditor in respect of audit and non-audit services provided by the auditor of the Group, Moore Stephens CPA Limited (for the period from 1 April 2015 to 31 December 2015: Mazars CPA Limited), were as follows:

Nature of services	Year Ended 31 December 2016 Amount HK$'000	1 April 2015 – 31 December 2015 Amount HK$'000
Audit services	**680**	**1,516**
Non-audit services (note)	**120**	**570**

Note: Non-audit services provided by Moore Stephens CPA Limited during the year ended 31 December 2016 represented agreed-upon procedures reports on the Group's interim results.

CORPORATE GOVERNANCE FUNCTION

The written terms of reference of the corporate governance functions was adopted by the Company on 1 February 2012 and the Board is collectively responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors and senior managements;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in corporate governance reports; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective risk management and internal control systems to safeguard the interests of shareholders and the Group's assets. The Board also acknowledges its responsibility for overseeing the Group's risk management, financing reporting, and internal control systems on an ongoing basis and reviewing their effectiveness at least annually through the AC. The AC assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

To this end, appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Besides, management continues to allocate resources for the risk management and internal control systems to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Board, through the AC, has delegated the internal audit function to an independent external assurance provider, who has conducted a review on the adequacy and effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016. The review, conducted annually, covers all material controls, including financial, operational and compliance controls. The Board considers that the Group's risk management and internal control systems are effective and adequate.

The Board, through the AC, leads and provides direction to management by laying down strategies and overseeing their implementation by management, monitors the Group's operational and financial performance, and ensure that sound internal control and risk management systems are in place.

The Board reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes, on the Group's accounting, financial reporting and internal audit functions.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

The Board, through delegation of its authority to an ESG working group, is also responsible for reviewing the Company's corporate social responsibility strategy, principles and policies; setting guidance, direction and overseeing practices and procedures; and monitoring progress on the Company's corporate social responsibility and related activities.

The following highlights the key risk management measures under the Group's "Three Lines of Defence" model for 2016.

1st line of defence — Risk management

- Management conducted an annual Internal Control Self-Assessment for 2016. Division heads confirmed that appropriate internal control policies and procedures have been established and complied with.
- Various policies, procedures and guidelines have been adopted with defined authority for effective segregation of duties, controls and risk management, and they are subject to regular review.
- The Group's anti-bribery and anti-corruption guidelines were adopted to set out minimum standards in recognizing circumstances which may lead to or give the appearance of involving corruption or unethical business conduct, to help avoid conduct which is clearly prohibited, and to encourage everyone in the Group to seek appropriate guidance promptly when needed.
- The Group's whistleblowing policy was adopted to facilitate internal reporting of any malpractice and unethical conduct within the Group without fear of reprisal and victimisation.

2nd line of defence — Risk oversight

- The Group's Enterprise Risk Management ("ERM") Policy was developed to outline the principles, governance, roles and responsibilities, and approach within a coherent risk management framework that addresses and prioritises risks that are material and relevant to the Group's corporate goals.
- The Group's ERM Framework was refined to help management assess and manage risks arising from and associated with new business activities and environments, including emerging risks. An integrated risk assessment approach was adopted to address risks across various subsidiaries of the Group, to assess those risks on an integrated group-wide basis.

3rd line of defence — Independent assurance

- The external assurance provider takes up the internal audit function, who is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control systems and reporting the review results regularly to the Board through the AC.

The Group's Enterprise Risk Management Policy was approved by the Board as an effective and adequate approach to be applied across the Group to manage the risks associated with its business and operations. This policy is designed to enhance enterprise risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

(i) promote consistent risk identification, measurement, reporting and mitigation;
(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;
(iii) develop and communicate policies on enterprise risk management and controls aligned with the business strategy; and
(iv) enhance reporting to provide transparency of risks across the Group.

For internal audit, a risk-based approach is adopted. The annual work plan of external assurance provider for internal audit covers major activities and processes of the Group's operations, businesses and service units. The results of these audit activities are communicated to the AC and key members of senior management of the Group. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the AC and senior management of the Group (as the case may be) periodically. The external assurance provider for internal audit provides independent assurance to the Board, the AC and the senior management of the Group on the adequacy and effectiveness of internal controls for the Group.

The Company has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the management of the Group to assess the effectiveness of internal control systems at least annually and to personally certify, through the Internal Control Self-Assessment for 2016, that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Company and its business practices in the future.

The Company regulates the handling and dissemination of inside information as set out in the Code of Conduct to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to approval by the Board in accordance with the Bye-laws. The Company Secretary is responsible for ensuring the Board procedures and policy are followed and Board activities are effectively conducted. The Company Secretary is also responsible for maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. Draft and final versions of minutes are disseminated to Directors for comment and filed for record purposes respectively within a reasonable time after each meeting. The Directors have full and timely access to the board papers and minutes of the Board and committees of the Company. Ms. Kwok Ka Huen ("Ms. Kwok"), delegated by an external service provider, was appointed as a joint company secretary of the Company on 13 October 2015 and was re-designated as the company secretary of the Company with effect from 1 January 2016. Ms. Kwok confirmed that she has complied with all the qualifications, experience, and professional training requirements of the GEM Listing Rules. During the year ended 31 December 2016, Ms. Kwok has taken no less than 15 hours of relevant professional training. Ms. Kwok's primary corporate contact is Ms. Yu Tak Wai, Winnie, the Chief Financial Officer of the Company.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

The latest version of the amended and restated Bye-laws has been published both on the websites of the Company and the Stock Exchange since 9 March 2012 and did not made any amendments to the Bye-laws during the year ended 31 December 2016.

INVESTOR RELATIONS

The Board recognises the importance of maintaining on-going communication with the Shareholders. The Company promotes communications with the Shareholders through several communication channels including publication of notices, circulars and announcements of key developments, and interim and annual reports as prescribed under the GEM Listing Rules which can also be accessed via the "Investor Relations" of the Company's website.

The aims of the Company are to improve its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from the Shareholders.

The Shareholders are encouraged to attend all general meetings of the Company. The notices of the special general meetings and annual general meeting of the Company were circulated to all the Shareholders in accordance with the requirements of the GEM Listing Rules and the Bye-laws. It is a standard practice to have the non-executive Directors available to answer questions relating to their roles, tenure, and the committees of the Board. The results of voting by poll are published on the websites of the Stock Exchange and the Company after the meetings.

Any comments and suggestions to the Board can be addressed to our Hong Kong office or the Company Secretary by mail to Unit 2613A, 26th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong or email at general@capitalfinance.hk.

SHAREHOLDERS' RIGHTS

In accordance with the Company's bye-law 58 of the Bye-laws, the Shareholders holding at the date of deposit of the requisition not less than one-tenth of the issued share capital of the Company carrying the right of voting at special general meetings of the Company shall at all times have the right, by written requisition to the Company at the head office and principal place of business in Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda.

A Shareholders' communication policy was adopted by the Company to maintain an on-going dialogue with the Shareholders and encourage them to communicate actively with the Company. The Board has reviewed the said policy from time to time to ensure its effectiveness.

REPORT OF THE DIRECTORS

The Directors herein submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

An analysis of the performance of the Group for the year ended 31 December 2016 by operating segment is set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2016 and the financial performance of the Company and the Group at that date are set out in the consolidated financial statements on pages 50 to 135.

BUSINESS REVIEW AND COMMENTARY

Financial Results

The financial results and business review of the Group for the year ended 31 December 2016 are set out in the annual report and particular on the section of "Management Discussion and Analysis" from pages 7 to 13.

Environmental measure and performance

Since the Group's main business is short-term financing services in the People's Republic of China (the "PRC") and Hong Kong; it does not bring about serious adverse effects on the environment. Nevertheless, the management acknowledges that being a responsible enterprise, the Group still has to take into account the impact of its business operation on the environment while enjoying financial growth.

As such, the Group has formulated its environmental measure with a focus on ensuring full compliance with applicable legislation and requirements by promoting environmental awareness among staff, disposing waste in an environmentally responsible way, and reusing and recycling materials.

In order to reduce carbon footprint across the office, the Group during the year ended 31 December 2016 encouraged employees to utilise e-statement or scanning to reduce our use of paper, switch off computers and office equipment, electrical appliance and air-conditioners when they are not in use.

For details, please refer to the section of "Environmental, Social and Governance Report" from pages 14 to 17 of this annual report.

Compliance with laws and regulations

In relation to the human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, ordinance relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc. The operation team of the Group in the PRC and Hong Kong also complied with the laws and regulations in the PRC and Hong Kong.

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Compliance with laws and regulations (Continued)

During the year ended 31 December 2016, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

For details, please refer to the section of "Environmental, Social and Governance Report" from pages 14 to 17 of this annual report.

Key relationships

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. We enjoy good relationships with suppliers and customers with mutual trust. Currently, the Group has adopted web-based services and customer services hotline with the aim of forming effective communication channels with our customers. By gathering customer feedbacks, the Group is able to enhance and improve the services offered to the customers, strengthen customer loyalty, and enhance market penetration and expansion. During the year ended 31 December 2016, there was no material and significant dispute between the Group and its suppliers/customers.

Employees are the valuable assets of the Group. The Group strives to motivate its employees with a clear career path and improvement of their skills by providing on-the-job training to our staff members. The systematic training programs cover areas such as managerial skills, technical knowledge, risk management, customer services, workplace ethics and other areas relevant to the industries. The Group has recorded 715 training attendances and 1405 training hours during the year ended 31 December 2016. In addition, the Group puts efforts into providing staff with a harmonious, positive and inspiring working environment. The Group always adheres to its people-oriented concept, values and maintains their employees' legitimate rights and interests.

By providing employees with a good working environment, competitive salary and adequate trainings, employees' productivities and their performances are greatly improved.

For details, please refer to the section of "Environmental, Social and Governance Report" from pages 14 to 17 of this annual report.

Key risks and uncertainties

The main risks for the Group include interest rate risk, foreign exchange risk, credit risk and liquidity risk. Details of the main risks and risk management measures are set out in Notes 35-36 to the consolidated financial statements.

For the year ended 31 December 2016, the Group's business and earnings growth were mainly affected by the fluctuations and uncertainties in the macroeconomic situation and the amendments of laws and regulations in the PRC. Due to the economic slowdown in the PRC, the government continues to lower the lending interest rates and amend the laws and regulations. Apart from strengthening the present Beijing market, the Group will further expand its business in Shenyang, Lhasa, Hong Kong and others cities, therefore, the macroeconomic conditions of PRC and Hong Kong, such as the GDP growth rate, the unemployment rate and the request for credit facilities may create further uncertainties on the business development of the Group. Certain mitigating measures will be performed periodically and performances will be monitored from time to time.

REPORT OF THE DIRECTORS

DIVIDEND

The Directors do not recommend for payment of a final dividend for the year ended 31 December 2016 (nine months ended 31 December 2015: Nil).

FIVE-YEAR/PERIOD FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years/period is set out on page 136 of this annual report.

INVESTMENT PROPERTY

The Group has disposed the investment property during the nine months ended 31 December 2015. Details of the disposal are set out in Note 30 to the consolidated financial statements.

Save as disclosed above, the Group did not dispose of any investment property during the year ended 31 December 2016 and nine months period ended 31 December 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 27 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity on pages 54 to 55 of this annual report and in Note 28 to the consolidated financial statements, respectively.

The Company had no distributable reserve as at 31 December 2016 (31 December 2015: Nil).

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

MAJOR CUSTOMERS AND SUPPLIERS

The sales to the Group's five largest customers and purchases from the only supplier accounted for approximately 36.9% and 100% of the total sales and purchases for the year ended 31 December 2016, respectively.

The Group's largest customer and supplier accounted for approximately 11.2% and 100% of the total sales and purchases for the year ended 31 December 2016, respectively.

None of the Directors, their associates or the shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has a beneficial interest in these major customers or supplier.

CONTINUING CONNECTED TRANSACTIONS

Pawnbrokers Structured Agreements

During the year ended 31 December 2016, the Group had the following continuing connected transactions which are subject to the reporting requirements under Chapter 20 of the GEM Listing Rules.

The Pawnbrokers Structured Agreements (collectively the Pawnbrokers Equity Pledge Agreements, the Pawnbrokers Exclusive Option Agreements, the Pawnbrokers Exclusive Service Agreements and the Pawnbrokers Proxy Agreements) were entered into in order to enable the Group to manage the business of the Pawnbokers, comprising Beijing City Jinfu Pawning Company Limited ("Beijing Jinfu"), Beijing Jinlu Pawning Company Limited ("Beijing Jinlu"), Beijing City Jinshou Pawning Company Limited ("Beijing Jinshou") and Beijing City Jinxi Pawning Company Limited ("Beijing Jinxi") in the PRC, under which all the business, financial and operating activities of Pawnbokers are managed by Beijing Wanchi and all economic benefits and risks arising from the business, financial and operating activities of the Pawnbokers are transferred to Beijing Wanchi by means of operation and management fees payable by Pawnbokers to Wanchi.

(1) The Pawnbrokers Exclusive Service Agreements

Beijing Wanchi and each of the Pawnbrokers have entered into the Pawnbrokers Exclusive Service Agreements, pursuant to which, each of the Pawnbrokers agreed to engage Beijing Wanchi on an exclusive basis to provide operation and management services in connection with the business of the relevant Pawnbroker in the PRC. Each of the Pawnbrokers agreed, subject to compliance with the PRC laws and regulations, to pay to Beijing Wanchi the fees equivalent to the total profits before income tax as audited in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") after deducting all relevant costs and reasonable expenses in connection with the business operation of the relevant Pawnbroker. Beijing Wanchi has the right to decide whether the Pawnbroker concerned should continue operations and the Pawnbroker concerned should unconditionally agree to the decision made by Beijing Wanchi for such purpose.

The Pawnbrokers Exclusive Service Agreements have a term of 10 years beginning from their effective date (i.e. 1 August 2013) and shall be renewed automatically for another 10 years upon every expiration of the term unless terminated by Beijing Wanchi with a 30-day written notice to the other parties or all the equity interests in or assets of the Pawnbrokers are transferred to Beijing Wanchi and/or its nominee(s).

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(2) The Pawnbrokers Exclusive Option Agreements

Beijing Wanchi, Zhong Jinfu (Beijing) Investment Management Company Limited ("ZJF Investment"), Yun Shui Yue Investment Management (Beijing) Company Limited ("YSY Investment"), Mr. Dai Di, Mr. Dai Hao and Ms. Jin Yu (collectively, the "Dai Family") and each of the Pawnbrokers have entered into the Pawnbrokers Exclusive Option Agreements, pursuant to which, ZJF Investment and YSY Investment irrevocably and unconditionally granted to Beijing Wanchi the exclusive rights to acquire or to nominate persons to acquire all or part of the equity interests in and/or assets of the relevant Pawnbroker at the minimum consideration as permitted by the PRC laws and regulations. Pursuant to the Pawnbrokers Exclusive Option Agreements, each of the Pawnbrokers may not, without the prior written consent of Beijing Wanchi, declare or distribute any dividends to its shareholders. The Pawnbrokers Exclusive Option Agreements became effective on 1 August 2013 and will expire on the date on which all the equity interests or assets of the Pawnbrokers are transferred to Beijing Wanchi and/or its nominee(s) pursuant to the Pawnbrokers Exclusive Option Agreements.

(3) The Pawnbrokers Proxy Agreements

Beijing Wanchi, ZJF Investment, YSY Investment, the Dai Family and each of the Pawnbrokers have entered into the Pawnbrokers Proxy Agreements, pursuant to which, Beijing Wanchi or its nominee(s) is irrevocably and unconditionally authorised to exercise shareholders' rights in the relevant Pawnbroker.

Beijing Wanchi or its nominee(s) may exercise such shareholders' rights without the prior consultation with ZJF Investment, YSY Investment or the Dai Family. Further, ZJF Investment, YSY Investment or the Dai Family shall not exercise such shareholders' rights without the prior written consent of Beijing Wanchi.

The Pawnbrokers Proxy Agreements became effective on 1 August 2013 and will expire on the date on which all the equity interests in or assets of the Pawnbrokers are transferred to Beijing Wanchi and/or its nominee(s).

(4) The Pawnbrokers Equity Pledge Agreements

Beijing Wanchi, ZJF Investment, YSY Investment, the Dai Family and each of the Pawnbrokers have entered into the Pawnbrokers Equity Pledge Agreements, pursuant to which, the first priority security interests (the "Pledged Pawnbrokers Equity Interests") over the equity interests in the Pawnbrokers were granted to Beijing Wanchi for guaranteeing the performance of the Pawnbrokers Exclusive Service Agreements, the Pawnbrokers Exclusive Option Agreements and the Pawnbrokers Proxy Agreements.

The Pawnbrokers Equity Pledge Agreements provide that none of the Pledged Pawnbrokers Equity Interests may be transferred or be pledged without prior written consent of Beijing Wanchi.

The Pawnbrokers Equity Pledge Agreements became effective on 1 August 2013 and shall be terminated pursuant to its terms and conditions.

Details of Pawnbrokers Structured Agreements were disclosed in the circular of the Company dated 30 May 2014.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(4) *The Pawnbrokers Equity Pledge Agreements* (Continued)

Each of the Pawnbrokers and Beijing Wanchi (the Company's wholly-owned subsidiary) and/or, as the case may be, ZJF Investment, YSY Investment and the Dai Family (a substantial shareholder of the Company) have entered into the respective Pawnbrokers Structured Agreements. The Dai Family is a connected person of the Company. In addition, as disclosed in the circular of the Company dated 30 May 2014, the directors, chief executives or substantial shareholders of the Pawnbrokers (each of them are treated as the Company's wholly-owned subsidiaries) and their respective associates are connected persons of the Company.

In view of the fact that both ZJF Investment and YSY Investment are wholly-owned by the Dai Family. ZJF Investment and YSY Investment are also substantial shareholders of the Pawnbrokers. The transactions conducted under the Structured Agreements are continuing connected transaction as defined in Chapter 20 of the GEM Listing Rules.

During the year ended 31 December 2016, Beijing Wanchi was entitled to operation and management fees from the Pawnbrokers in a manner as prescribed in the Pawnbrokers Exclusive Services Agreement on 23 December 2013. The operation and management fees payable by Pawnbrokers to Beijing Wanchi are equivalent to the total profits before income tax as audited in accordance with the HKFRSs after deducting all relevant costs and reasonable expenses in connection with the business operation of the relevant Pawnbroker for the period from the acquisition completion date on 25 June 2014 to the year ended 31 December 2016. No dividend or other distribution had been made by the Pawnbrokers to its registered shareholders for the year ended 31 December 2016.

The independent non-executive Directors have reviewed the Pawnbrokers Structured Agreements and confirmed that: (1) the transactions carried out during the year ended 31 December 2016 have been entered into in accordance with the relevant provisions of the Pawnbrokers Structured Agreements and have been operated so that the total before-tax profit of the Pawnbrokers (after deducting all relevant costs and reasonable expenses in connection with their business operations) have been retained by the Group; (2) no dividends or other distributions have been made by the Pawnbrokers to its registered shareholders which are not otherwise subsequently assigned or transferred to the Group. There was no new contract or renewed contract (on the same terms as the existing Pawnbrokers Structured Agreement) entered into during the year ended 31 December 2016.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(4) The Pawnbrokers Equity Pledge Agreements *(Continued)*

The Company's auditor was engaged to report on the continuing connected transactions entered into by the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. Based on the results of the work performed, the auditor has issued a limited assurance report containing an unqualified conclusions in respect of the continuing connected transactions in accordance with Chapter 20 of the GEM Listing Rules in confirming that:

a. nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Company's board of directors;

b. nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the relevant provisions of the Pawnbrokers Structured Agreements and have been operated so that the total before-tax profit of the Pawnbrokers (as defined in the Company's circular dated 30 May 2014) (after deducting all relevant costs and reasonable expenses in connection with their business operations) have been retained by the Group; and

c. nothing has come to their attention that causes them to believe that dividends or other distributions have been made by the Pawnbrokers to its registered shareholders which are not otherwise subsequently assigned or transferred to the Group.

The Company confirmed that the disclosure requirements for the continuing connected transactions have been complied in accordance with Chapter 20 of the GEM Listing Rules.

EQUITY-LINKED AGREEMENTS

Other than (i) the pawnbrokers structured agreements as disclosed above and (ii) the share option scheme of the Company set out in Note 31 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisting during the year ended 31 December 2016.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2016 and up to the date of this annual report were:

Executive Directors	Independent Non-executive Directors
Mr. Zhang Wei *(Chairman)*	Mr. Chen Yihua
Ms. Li Wei (appointed on 1 July 2016)	Mr. Du Hui
Mr. Wong Wai Sing (Retired on 29 April 2016)	Ms. Sze Sau Wan
Mr. Han Jianli (Resigned on 1 July 2016)	

In accordance with bye-law 84(1) of the Bye-laws, Mr. Zhang Wei and Ms. Sze Sau Wan shall retire from the Board by rotation at the forthcoming annual general meeting of the Company (the "AGM"). Mr. Zhang Wei and Ms. Sze Sau Wan, being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance with bye-law 83(2) of the Bye-laws, Ms. Li Wei, will hold office until the forthcoming AGM and, being eligible, offer herself, for re-election at the forthcoming AGM.

The Directors' biographical details are set out on pages 18 to 19.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals of the Group are set out in Note 9 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Mr. Chen Yihua, Mr. Du Hui and Ms. Sze Sau Wan, the existing independent non-executive Directors, have each entered into an appointment letter with the Company for a term up to 30 June 2017 subject to retirement by rotation and re-election at the general meeting in accordance with the Bye-laws and may be terminated by not less than one month prior notice in writing served by either party to the other in accordance with the provisions set out in the respective appointment letters.

Mr. Zhang Wei, the existing executive Director, has entered into an appointment letter with the Company for a term of three years commencing on 1 December 2016 till 30 November 2019, subject to retirement by rotation and re-election at the general meeting in accordance with the Bye-laws and may be terminated by not less than one month prior notice in writing served by either party to the other in accordance with the provisions set out in the appointment letter.

Ms. Li Wei, the existing executive Director, has entered into an appointment letter with the Company for an initial term of one year commencing on 1 July 2016 till 30 June 2017, subject to retirement by rotation and re-election at the forthcoming general meeting in accordance with the Bye-laws and may be terminated by not less than one month prior notice in writing served by either party to the other in accordance with the provisions set out in the appointment letter.

None of the Directors of the Company who are proposed for re-election at the AGM has an appointment letter with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name of Directors	Capacity	Number of ordinary Shares held	Approximate percentage of shareholding in the Company
Ms. Li Wei	Beneficial owner	1,932,000	0.16

Note: Ms. Li Wei is an executive Director and chief operating officer of the Company.

Save for those disclosed above, as at 31 December 2016, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the share option scheme adopted on 2 August 2012 (the "Share Option Scheme") are set out in Note 31 to the consolidated financial statements.

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the year ended 31 December 2016. As at the date of this report, a maximum of 23,050,219 shares, representing approximately 2% of the existing issued share capital of the Company, is available for issuance under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders of the Company pursuant to Section 336 of the SFO showed that, as at 31 December 2016, the following persons had interests in more than 5% of the Company's issued share capital:

Long positions in the Shares

Name of substantial shareholder	Number of shares interested			
	Direct interests	Deemed interests	Total interests	Percentage of the issued share capital of the Company *(Note 5)*
Exuberant Global Limited (note 1)	1,384,571,429	–	1,384,571,429	117.23
Mr. Dai Di (note 1)	–	1,384,571,429	1,384,571,429	117.23
Time Prestige Holdings Limited (note 2)	161,142,857	–	161,142,857	13.64
Mr. Dai Hao (notes 2 and 3)	–	563,999,999	563,999,999	47.75
Bustling Capital Limited (note 3)	402,857,142	–	402,857,142	34.10
Ms. Jin Yu (notes 2 and 3)	–	563,999,999	563,999,999	47.75
Silver Palm Limited (note 4)	71,428,571	–	71,428,571	6.04
Mr. Wang Jia Sheng (note 4)	–	71,428,571	71,428,571	6.04

Notes:

1. The 1,384,571,429 Shares held by Exuberant Global Limited ("Exuberant Global") represent (i) 174,200,000 Shares and (ii) 1,210,371,429 Shares to be issued upon full conversion of the convertible bonds. Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 1,384,571,429 Shares held by Exuberant Global.

2. The 161,142,857 Shares held by Time Prestige Holdings Limited ("Time Prestige") represent (i) 26,800,000 Shares and (ii) 134,342,857 Shares to be issued upon full conversion of the convertible bonds. Time Prestige is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 161,142,857 Shares. In addition, by virtue of being the spouse of Ms. Jin Yu, Mr. Dai Hao is also deemed to be interested in 402,857,142 Shares held by Bustling Capital Limited ("Bustling Capital").

3. The 402,857,142 Shares held by Bustling Capital represent (i) 67,000,000 Shares and (ii) 335,857,142 Shares to be issued upon full conversion of the convertible bonds. Bustling Capital is wholly and beneficially owned by Ms. Jin Yu. Accordingly, Ms. Jin Yu is deemed to be interested in the 402,857,142 Shares. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin Yu is also deemed to be interested in the 161,142,857 Shares held by Time Prestige.

4. Silver Palm Limited ("Silver Palm") is wholly and beneficially owned by Mr. Wang Jia Sheng ("Mr. Wang"). Accordingly, Mr. Wang is deemed to be interested in the 71,428,571 Shares held by Silver Palm.

5. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 December 2016 (i.e. 1,181,118,056 Shares).

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above, the directors of the Company are not aware of any person (other than the directors of the Company whose interests are set out in the section headed "Director's and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above) who, as at 31 December 2016, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken during the year ended 31 December 2016 are provided under Note 34 to the audited consolidated financial statements. These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as aforesaid, no contracts of significance, to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended 31 December 2016.

DIRECTORS' INDEMNITIES AND INSURANCE

As permitted by the bye-laws of the Company, a director of the Company shall be indemnified and secured harmless out of assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred by the director of the Company.

Such permitted indemnity provision has been in force since the adoption of the amended and restated bye-laws of the Company on 5 March 2012 and is currently in force at the time of approval of this report. The Company has also taken out and maintained directors' and officers' liability insurance throughout the year ended 31 December 2016, which provides appropriate cover for certain legal actions brought against its directors and officers.

INTERESTS IN COMPETING BUSINESS

As at 31 December 2016, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had engaged in any business that compete or may compete either directly or indirectly with the business of the Group, or have any other conflict of interests with the Group.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2016 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 20 to 32.

RETIREMENT BENEFIT PLANS

Other than operating the statutory mandatory provident fund scheme for Hong Kong employees and participating in social insurance for its employees in the PRC in accordance with the relevant PRC regulations, the Group has not operated any other retirement benefits schemes for the Group's employees.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the GEM Listing Rules throughout the year ended 31 December 2016.

AUDITOR

BDO Limited resigned as the auditor of the Company on 22 September 2014 and Mazars CPA Limited was appointed as the auditor of the Company on 22 September 2014. On 29 April 2016, Mazars CPA Limited retired as the auditor of the Company from the conclusion of the AGM and did not seek for re-appointment. Moore Stephens CPA Limited was appointed as the auditor of the Company with effect from the conclusion of the AGM held on 29 April 2016. Save as aforesaid, there has been no change in auditors of the Company in any of the preceding three years.

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by Moore Stephens CPA Limited who shall retire at the forthcoming AGM.

On behalf of the Board
Zhang Wei
Chairman
Hong Kong, 13 March 2017

INDEPENDENT AUDITOR'S REPORT

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大華馬施雲
會計師事務所有限公司

To the Members of
Capital Finance Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Capital Finance Holdings Limited (the "Company") (the "Consolidated Financial Statements") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 135, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of 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 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 financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements as at and for the year ended 31 December 2016. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Intangible assets and goodwill impairment assessment (please refer to notes 16 and 17 in the Consolidated Financial Statements)	
As at 31 December 2016, the Group had intangible assets and goodwill of approximately HK$149,000,000 and HK$151,657,000, respectively (before impairment losses recognised for the year ended 31 December 2016) relating to the Group's acquisition of Prima Finance Holdings Limited and its subsidiaries in 2014 that had been engaged in short-term financing business in the PRC (referred to as "Short-term Financing"). The Group tests the amount of goodwill for impairment at least annually. The management of the Company have performed the annual impairment testing for the cash-generating of the Short-term Financing business (the "CGU"). Due to unfavorable operating environment and keen competition in the short-term financing industry, the directors of the Company have re-estimated the cash flows that can be generated from the business and recognised impairment losses on intangible assets and goodwill of approximately HK$149,000,000 and HK$151,657,000, respectively, for the year ended 31 December 2016. The recoverable amount of the CGU was determined based on the fair value less costs of disposal of the CGU using the income approach. The estimate of the recoverable amount is complex and subjective and require the management of the Company to exercise significant judgment regarding the methodology and assumptions being used.	We obtained the cash flow forecast of the CGU approved by the directors of the Company. And we have performed the followings: – We discussed with the management of the Company and independent valuer engaged by the Group (the "Valuer") regarding the reasonableness of the valuation methodology being adopted by the Group to determine the fair value less costs of disposal of the CGU; – We discussed with the management of the Company and the Valuer and challenged the reasonableness of key assumptions (i.e. growth rate of revenue and discount rate) being used based on our knowledge of the business and the industry; – We checked the input data to the relevant supporting evidence to the extent that they are available; – We performed mathematical recalculation; and – We compared the recoverable amount determined by the directors of the Company with the carrying amount of the CGU.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of loans to customers (please Refer to note 20 in the Consolidated Financial Statements)	
The Group had loans to customers with the aggregate carrying amount of approximately HK$376,056,000 net of the aggregate impairment allowances of approximately HK$5,320,000 as at 31 December 2016. The management of the Company assessed the recoverability of each of the individual significant loans to customers as at 31 December 2016 and believed that the Group had recognised sufficient impairment allowances based on their assessment. The assessment is subjective and requires significant management judgement to take into account the credit quality of each of the individual significant customers and fair value of the collaterals, if available.	Our procedures in relation to management's assessment of the recoverability of the loans to customers included: – We performed tests of control regarding the procedures on credit quality control of the customers and valuation of collaterals (if any); – We obtained the list of the loans to customers made by the Group as at 31 December 2016 and assessed the recoverability of the individual significant loans with reference to credit-quality information of the customers available to us, subsequent settlements and the fair value of collaterals (if any); and – We checked, on a sample basis, subsequent settlements.

OTHER MATTER

The consolidated financial statements of the Company for the period from 1 April 2015 to 31 December 2015, were audited by another auditor who expressed an unmodified opinion on those statements on 11 March 2016.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information in the Company's 2016 annual report other than the Consolidated Financial Statements and our auditor's report thereon (the "Other Information").

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 the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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. We report our opinion 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

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

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

– 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.

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

– 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 Audit Committee, 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.

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 13 March 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 (Restated) HK$'000
Continuing operation			
Revenue	7	**111,927**	103,395
Other income, and other gains and losses, net	7	**7,715**	5,410
Administrative and other expenses		**(52,845)**	(43,778)
Fair value gain on contingent consideration – consideration shares	29	**1,141**	25,574
Loss on early redemption of promissory notes	23	**(249)**	(735)
Impairment loss on goodwill	17	**(151,657)**	–
Impairment loss on intangible assets	16	**(149,000)**	–
Reversal of (Provision for) impairment loss on loans to customers	20	**1,810**	(1,797)
Finance costs	8	**(43,644)**	(32,463)
(Loss) Profit before income tax from continuing operation	8	**(274,802)**	55,606
Income tax credit (expense)	10	**21,374**	(12,734)
(Loss) Profit for the year/period from continuing operation		**(253,428)**	42,872
Discontinued operations			
Profit (Loss) for the year/period from discontinued operations	11	**1,654**	(22,271)
(Loss) Profit for the year/period		**(251,774)**	20,601
Attributable to:			
Owners of the Company	12	**(254,406)**	19,000
Non-controlling interests		**2,632**	1,601
		(251,774)	20,601
(Loss) Earnings per share attributable to owners of the Company	14		
From continuing and discontinued operations			
Basic (Hong Kong cents)		**(21.64)**	1.66
Diluted (Hong Kong cents)		**(21.64)**	1.65
From continuing operation			
Basic (Hong Kong cents)		**(21.78)**	3.62
Diluted (Hong Kong cents)		**(21.78)**	2.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
(Loss) Profit for the year/period	**(251,774)**	20,601
Other comprehensive loss for the year/period:		
Item that will be reclassified to profit or loss:		
– Reclassification adjustment of exchange reserve on disposal of interests in foreign operations	**3,654**	53
– Exchange differences on translation of financial statements of foreign operations	**(51,467)**	(47,290)
Total other comprehensive loss for the year/period, net of tax	**(47,813)**	(47,237)
Total comprehensive loss for the year/period	**(299,587)**	(26,636)
Attributable to:		
Owners of the Company	**(301,209)**	(27,361)
Non-controlling interests	**1,622**	725
	(299,587)	(26,636)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	**1,763**	3,734
Intangible assets	16	**–**	177,289
Goodwill	17	**–**	181,968
Available-for-sale financial assets	19	**7,815**	8,356
Deferred tax assets	26	**2,833**	3,879
Total non-current assets		**12,411**	375,226
Current assets			
Loans to customers	20	**376,056**	383,048
Trade receivables	21	**167**	1,442
Prepayment, deposits and other receivable		**6,019**	13,179
Cash and cash equivalents	22	**154,012**	119,091
Total current assets		**536,254**	516,760
Current liabilities			
Accrued expenses, other payables and deposits received		**15,087**	16,746
Tax payable		**2,085**	5,285
Interest-bearing borrowings	25	**11,834**	4,775
Total current liabilities		**29,006**	26,806
Net current assets		**507,248**	489,954
Total assets less current liabilities		**519,659**	865,180

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Promissory notes	23	**19,779**	34,360
Convertible bonds – liability component	24	**518,324**	476,450
Contingent consideration – consideration shares	29	**–**	27,382
Deferred tax liabilities	26	**–**	44,067
Total non-current liabilities		**538,103**	582,259
Net (liabilities) assets		**(18,444)**	282,921
Capital and reserves			
Issued capital	27	**11,812**	11,547
Reserves		**(45,435)**	256,039
Equity attributable to owners of the Company		**(33,623)**	267,586
Non-controlling interests	18	**15,179**	15,335
(Capital deficiency) total equity		**(18,444)**	282,921

These financial statements were approved and authorised for issue by the Board of Directors on 13 March 2017 and were signed on its behalf by

Zhang Wei
Director

Li Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 April 2015 to 31 December 2015

	Reserves											
	Issued capital HK$'000 (Note 27)	Share premium HK$'000 (Note 28(i))	Contributed surplus HK$'000 (Note 28(ii))	Capital reserve HK$'000 (Note 28(ii))	Exchange reserve (debit) HK$'000 (Note 28(iii))	Convertible bonds reserve HK$'000 (Note 28(iv))	Other reserve HK$'000 (Note 28(v))	Statutory reserve HK$'000 (Note 28(vi))	Accumulated losses HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2015	10,311	454,681	131,109	120,794	5,524	798,828	–	8,994	(1,281,093)	249,148	20,098	269,246
Profit for the period	–	–	–	–	–	–	–	–	19,000	19,000	1,601	20,601
Other comprehensive loss												
Item that will be reclassified to profit or loss												
Reclassification adjustment of exchange reserve on disposal of interests in foreign operations	–	–	–	–	53	–	–	–	–	53	–	53
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(46,414)	–	–	–	–	(46,414)	(876)	(47,290)
Total other comprehensive loss for the period	–	–	–	–	(46,361)	–	–	–	–	(46,361)	(876)	(47,237)
Total comprehensive loss for the period	–	–	–	–	(46,361)	–	–	–	19,000	(27,361)	725	(26,636)
Transfer to statutory reserve	–	–	–	–	–	–	–	4,942	(4,942)	–	–	–
Transactions with owners												
Recognition of the final settlement value of contingent shares upon fulfilment of guaranteed profit (Note 29)	–	–	–	–	–	–	9,544	–	–	9,544	–	9,544
Conversion of convertible bonds (Note 27(i))	943	68,180	–	–	–	(44,738)	–	–	–	24,385	–	24,385
Subscription of new shares (Note 27(ii))	293	11,577	–	–	–	–	–	–	–	11,870	–	11,870
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(2,106)	(2,106)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(3,382)	(3,382)
Total transactions with owners	1,236	79,757	–	–	–	(44,738)	9,544	–	–	45,799	(5,488)	40,311
As at 31 December 2015	11,547	534,438	131,109	120,794	(40,837)	754,090	9,544	13,936	(1,267,035)	267,586	15,335	282,921

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Reserves											
	Issued capital HK$'000 (Note 27)	Share premium HK$'000 (Note 28(i))	Contributed surplus HK$'000 (Note 28(ii))	Capital reserve HK$'000 (Note 28(ii))	Exchange reserve (debit) HK$'000 (Note 28(iii))	Convertible bonds reserve HK$'000 (Note 28(iv))	Other reserve HK$'000 (Note 28(v))	Statutory reserve HK$'000 (Note 28(vi))	Accumulated losses HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2016	11,547	534,438	131,109	120,794	(40,837)	754,090	9,544	13,936	(1,267,035)	267,586	15,335	282,921
Loss for the year	–	–	–	–	–	–	–	–	(254,406)	(254,406)	2,632	(251,774)
Other comprehensive loss												
Item that will be reclassified to profit or loss												
Reclassification adjustment of exchange reserve on disposal of interests in foreign operations	–	–	–	–	3,654	–	–	–	–	3,654	–	3,654
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(50,457)	–	–	–	–	(50,457)	(1,010)	(51,467)
Total other comprehensive loss for the year	–	–	–	–	(46,803)	–	–	–	–	(46,803)	(1,010)	(47,813)
Total comprehensive loss for the year	–	–	–	–	(46,803)	–	–	–	(254,406)	(301,209)	1,622	(299,587)
Transfer to statutory reserve	–	–	–	–	–	–	–	2,848	(2,848)	–	–	–
Transactions with owners												
Issuance of new shares upon fulfilment of guaranteed profit (Note 27(iii))	265	9,279	–	–	–	–	(9,544)	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,778)	(1,778)
Total transactions with owners	265	9,279	–	–	–	–	(9,544)	–	–	–	(1,778)	(1,778)
As at 31 December 2016	11,812	543,717	131,109	120,794	(87,640)	754,090	–	16,784	(1,524,289)	(33,623)	15,179	(18,444)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
Operating activities			
(Loss) Profit before income tax			
– Continuing operation		(274,802)	55,606
– Discontinued operations	11	1,648	(21,847)
Waive of interest expenses on promissory note	23	(1,600)	–
Interest income		(1,259)	(575)
Interest expense		44,469	34,039
Loss on disposal of property, plant and equipment		15	15
Gain on disposal of subsidiaries	30	(2,033)	(6,018)
Fair value gain on contingent consideration			
– consideration shares	29	(1,141)	(25,574)
Loss on early redemption of promissory notes	23	249	735
Impairment loss on goodwill	17	151,657	33,878
Impairment loss on intangible assets	16	149,000	–
Impairment loss on trade receivables	21	–	593
(Reversal of) Provision for impairment loss on loans to customers	20	(1,810)	1,797
Amortisation		370	913
Depreciation		1,275	1,152
Exchange differences		1,007	(1,830)
Operating cash flows before changes in working capital		67,045	72,884
Changes in working capital:			
Loans to customers		(16,833)	20,252
Trade receivables		(2,512)	(29,913)
Prepayments, deposits and other receivables		1,262	(3,679)
Trade payables		–	27,501
Accrued expenses, other payables and deposits received		2,886	3,509
Amount due to a shareholder		–	(50,000)
Cash generated from operations		51,848	40,554
Interest received		1,259	575
Income taxes paid		(18,856)	(17,677)
Interest paid		(825)	(1,360)
Net cash from operating activities		33,426	22,092

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
Investing activities			
Proceeds from disposal of the Auto-serve Group, net of cash disposed of	30(a)	**20,992**	–
Proceeds from disposal of the Foremost Star Group, net of cash disposed of	30(b)	–	51,719
Proceeds from disposal of the Star Coal Group, net of cash disposed of	30(c)	–	53,296
Addition to intangible assets		–	(1,088)
Purchases of property, plant and equipment	15	**(772)**	(1,852)
Proceeds from disposal of property, plant and equipment		–	120
Investment in available-for-sale financial assets	19	–	(4,085)
Net cash from investing activities		**20,220**	98,110
Financing activities			
Proceeds from issuance of new shares placements, net of issue costs		–	11,870
Proceeds from interest-bearing borrowings		**15,307**	4,948
Repayments of interest-bearing borrowings		**(7,595)**	(42,442)
Repayment of principal of promissory notes	23	**(15,000)**	(19,000)
Interest on interest-bearing borrowings		–	(216)
Interest on promissory notes		–	(320)
Dividends paid to non-controlling interests		**(1,778)**	(2,106)
Net cash used in financing activities		**(9,066)**	(47,266)
Net increase in cash and cash equivalents		**44,580**	72,936
Cash and cash equivalents at beginning of the year/period		**119,091**	48,721
Effect of foreign exchange rate changes, net		**(9,659)**	(2,566)
Cash and cash equivalents at end of the year/period		**154,012**	119,091
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	22	**154,012**	119,091

1. CORPORATE INFORMATION

Capital Finance Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 30 November 2009, and its shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business has been changed from Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong to Unit 2613A, 26th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong with effect from 13 February 2017.

During the year ended 31 December 2016, the Company is principally engaged in investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of short-term financing services in the People's Republic of China (the "PRC") and Hong Kong ("Short-term Financing Services"). The Group was also engaged in development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC ("Development and Sales of Software") which was discontinued during the year ended 31 December 2016. During the prior financial period nine months ended 31 December 2015, the Group has engaged in (i) Short-term Financing Services; and (ii) Development and Sales of Software. The Group had also engaged in (i) property investments in Hong Kong; and (ii) coal trading between the PRC and Indonesia which were discontinued in the period from 1 April 2015 to 31 December 2015.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is same as the functional currency of the Company, and rounded to the nearest thousands unless otherwise stated.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the period ended 31 December 2015 except for the adoption of certain new/revised HKFRSs that are relevant to the Group and effective from the current period as set out in Note 4.

A summary of the principal accounting policies adopted by the Group is set out in Note 4.

3. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company ("Directors") have given careful consideration to the following facts and circumstances:

(i) the Group incurred a consolidated loss for the year of approximately HK$251,774,000 for the year ended 31 December 2016; and

(ii) the Group recorded net liabilities of approximately HK$18,444,000 as at 31 December 2016.

These conditions indicate the existence of uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group not able to continue as a going concern as the Directors are satisfied that the Group will have sufficient internal financial resources in order to maintain the Group as a going concern, especially taking into account of certain convertible bonds with aggregate principal amount of HK$42,000,000 being converted into ordinary shares of the Company on 9 January 2017 (Note 38) which would result in the reduction of the Group's non-current liabilities by approximately HK$33.5 million.

4. PRINCIPAL ACCOUNTING POLICIES

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impact of these amendments are described below.

a) *Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The Company is not an investment entity. Also, given that the Company is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

b) *Amendments to HKAS 1 Disclosure Initiative*

The amendments clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material (even if the HKFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasize that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

c) *Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue-based amortisation is not an appropriate basis for amortisation of an intangible asset. The amendments states that such a presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

With regard to the Group's property, plant and equipment and intangible assets, the Group did not use revenue-based depreciation and amortisation method, and hence the amendments have no impact on the Group's financial position and financial performance. Rather, the Group has been using the straight-line method for amortisation and depreciation for its intangible assets and property, plant and equipment.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

d) *Annual Improvements to HKFRSs 2012-2014 Cycle*

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarized below.

Firstly, the amendments to HKFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply.

Secondly, the amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Thirdly, the amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The Group did not have any defined benefit scheme.

The application of these amendments has had no effect on the Group's consolidated financial statements.

New and revised HKFRSs that are not mandatorily effective for the current year

The Group has not applied any of the following new and revised HKFRSs that have been issued but are not yet mandatorily effective:

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

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs that are not mandatorily effective for the current year *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs that are not mandatorily effective for the current year *(Continued)*

HKFRS 9 Financial Instruments (Continued)

The Group anticipates that the application of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets (e.g. the impairment on loans to customers) based on expected loss model and financial liabilities designated as fair value through profit or loss. Currently the Group is in the midst of assessing the financial impact of the application of HKFRS 9 and a reasonable estimate of that effect will be available once a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers and the clarifications to HKFRS 15

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

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

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group does not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements in future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs that are not mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

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

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

The total operating lease commitments of the Group in respect of leased premises as at 31 December 2015 and 2016 are set out in Note 32. The Group expects that the adoption of HKFRS 16 is unlikely to result in significant impact on the Group' s result but it is expected that certain portion of these lease commitments will required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs that are not mandatorily effective for the current year *(Continued)*

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments and hence the Directors do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The Directors anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs that are not mandatorily effective for the current year *(Continued)*

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to make disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide a number of guidance to help entities assess and estimate whether sufficient taxable profits will be available against which it can utilise a deductible temporary difference. The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Change of financial period end date

The Company changed its financial year end date from 31 March to 31 December in the last financial period in order to align with the financial year end date of the operating subsidiaries established in the PRC.

Accordingly, the current annual financial period covered a twelve-month period from 1 January 2016 to 31 December 2016 and the comparative period (except for the consolidated statement of financial position and related notes) covered a nine-month period from 1 April 2015 to 31 December 2015 and therefore, they may not be entirely comparable.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for certain financial instruments which were stated at fair value as explained in the accounting policies set out below.

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing these 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.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement and the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation (Continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represents present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to its fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest that represents present ownership interest in the subsidiary is the amount of the interest at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interest even if this results in the non-controlling interest having a deficit balance.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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: power over the investee, exposure, or rights, to variable returns from the investee, and 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.

In the Company's statement of financial position which is presented within these notes (Note 39), interests in subsidiaries are stated at cost less impairment loss, if any. The carrying amount of the interests is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill on acquisition of subsidiary is recognised as a separate asset and it is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial period. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Discontinued operations

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment includes its purchase price and any directly attributable to the costs of bringing the asset to its working condition and location for its intended use.

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 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	5 years or over the lease terms, whichever is shorter
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	4 to 10 years

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Master framework purchase agreements (the "LOIs")

The LOIs are accounted for as intangible assets with indefinite useful lives and are not amortised. They are stated at cost less any accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are not amortised and stated at cost less any accumulated impairment losses while intangible assets acquired in a business combination with definite useful lives are amortised over the estimated useful lives and stated at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. 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

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and held for trading. They arise principally through the provision of goods and services to customers (trade debtors), loans to customers and also incorporate other types of contractual monetary assets (such as bank balances, deposits and other receivables). They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any accumulated impairment loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. 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;

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

When an available-for-sale financial asset that is recognised at fair value at subsequent reporting dates is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for- sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accrued expenses, other payables and deposits received, amounts due to a shareholder, a non-controlling owner of a subsidiary and a related company, interest-bearing borrowings and promissory notes are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period respectively. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability respectively, or where appropriate, a shorter period.

(v) Convertible bonds

The component parts of the convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished on conversion or redemption.

The conversion option classified as equity is determined by deducting the amount of liability component from the fair value of the compound instrument as a whole on initial recognition. That is recognised and included in the equity, net of income tax effects (if any), and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to issued capital, share premium account or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

(v) Convertible bonds *(Continued)*

Transaction costs that related to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

(vi) Equity instruments

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

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when, and only when, the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits at banks with original maturity less than three months, and for the purpose of consolidated statement of cash flows, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities and rental income. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(i) Sale of goods

Revenue associated with the sale of goods are recognised when the goods have been delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

(ii) Interest income

Interest income (as the case may be, including the administration fees that are an integral part of the effective interest) from entrusted loans, pawn loans, micro credit loans and other financial assets which yield interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Financial consultancy income

Financial consultancy income is recognised when the services are rendered.

(iv) Service income

Service income is recognised when the services are rendered.

Foreign currencies

Transactions entered into by each of the group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") 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 reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies (Continued)

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the period, 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 reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling 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 exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange 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 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

Impairment of non-current assets excluding goodwill

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-current assets excluding goodwill (Continued)

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions have been complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Leases

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

As lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the relevant lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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.

As lessee

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Employee benefits

(i) Short term benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the relevant local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

The Group has no further payment obligations once the contribution has been made.

Income tax

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. 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 measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Income tax (Continued)

Deferred tax on investment properties are measured using the tax rates that would apply with a presumption that investment properties are sold at their carrying amounts at the reporting date unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

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 holding company.

(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 holding company, 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply: *(Continued)*

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(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 holding company of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel service to the Group or to the holding company of the Group.

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.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in these consolidated financial statements, are identified from the financial information provided regularly to the executive directors for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of these consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

(a) Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The management will increase the depreciation charges where useful lives are less than previously estimated useful lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of intangible assets with indefinite useful lives

Determining whether intangible assets with indefinite useful lives of the Group are impaired requires an estimation of recoverable amount of the cash-generating units to which intangible assets with indefinite useful lives have been allocated, which is the higher of the related fair value less costs of disposal and value in use. The calculations require the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the recoverable amounts.

(c) Impairment of goodwill

The management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amounts of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the management to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the recoverable amounts.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty (Continued)

(d) Impairment of loans to customers

The management reviews the Group's portfolio of loans to customers to assess impairment periodically. In determining whether an impairment loss should be recorded in profit or loss, the management makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans to customers unless the decrease can be identified with an individual loan in that portfolio which the impairment loss would be assessed individually. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. decline in collateral value or payment delinquency or default), or local economic conditions that correlate with defaults on assets in the group. The management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Group's impairment allowance takes into account the collateral valuation and the management's judgment on the marketability of the pawned and collateral properties and micro credit customers' capability of payment at the estimated valuation and the actual valuation may differ from the estimation.

(e) Income tax

The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards, as appropriate. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on results and financial position of the Group.

(f) Intangible assets and amortisation

The management determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful lives of intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Intangible assets are not amortised when their useful lives are assessed to be indefinite. The conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment. The Group may need to amortise intangible assets in future periods or recognise impairment losses on intangible assets if events and circumstances indicate that the useful life is not indefinite. Intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements made in applying accounting policies (Continued)

(g) Contingent consideration – consideration shares

The fair value of the Group's contingent consideration – consideration shares have been determined taking into account the forecasted profits of the acquired entities for the future periods and the share price of the Company at measurement date. The valuation requires the Group to make estimates about future period's profits of the acquired entities with reference to their business plan to be implemented and future market conditions, and hence they are subject to uncertainty.

(h) Subsidiaries governed under structured agreements

When preparing these consolidated financial statements, the management applied HKFRS 10 to determine whether the Group has "control" over the entities considered to be subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, has the power to direct the relevant activities of the entity, and has the ability to affect those returns through its power over the entity. Key factors used in determining control and whether the entities are subsidiaries include whether the Group has power over the entities either through voting rights or structured agreements and whether it has the rights to obtain the majority of benefits or is exposed to the majority of ownership risks.

When the above factors are met, the management determines that the Group has control over the entities and include them as subsidiaries in the Group's consolidated financial statements. For the entities where the Group holds no equity interest but are subject to structured agreements, significant judgments are necessary as to whether these contracts give the Group the ability to exercise control over those entities, including consideration of the PRC legal and regulatory requirements, foreign exchange control, or other influences, such as, force majeure etc.

As disclosed in the Company's circular dated 30 May 2014 (the "Circular – VSA"), under the current practice, foreign investor are not allowed to invest by means of equity investment in any pawn loan companies in the PRC or micro-financing companies in Beijing, as such the Company's indirect wholly owned subsidiary,北京萬馳科技有限公司 (Beijing Wanchi Technology Company Limited*, "Beijing Wanchi"), has entered into a series of structured agreements (the "Structured Agreements") with 北京市金福典當有限責任公司 (Beijing City Jinfu Pawning Company Limited*, "Beijing Jinfu"), 北京金祿典當有限責任公司 (Beijing Jinlu Pawning Company Limited*, "Beijing Jinlu"), 北京市金壽典當有限責任公司 (Beijing City Jinshou Pawning Company Limited*, "Beijing Jinshou"), 北京市金禧典當有限責任公司 (Beijing City Jinxi Pawning Company Limited*, "Beijing Jinxi"), 北京中金福小額貸款有限責任公司 (Beijing Zhongjinfu Micro-financing Company Limited*, "Beijing Micro-financing") and their respective owners, which enables the Group to:

– have power to direct the relevant activities of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing;

– exercise the entire owners' voting rights of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi and 79% owners' voting rights of Beijing Micro-financing during the general meetings of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing respectively;

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements made in applying accounting policies (Continued)

(h) Subsidiaries governed under structured agreements *(Continued)*

– receive and be exposed to substantially all of the economic interest returns generated by Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi and 79% of the economic interest returns generated by Beijing Micro-financing through service fees in consideration for the management and consulting services provided by Beijing Wanchi at Beijing Wanchi's discretion;

– have an irrevocable option to purchase the entire equity interest in Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi and 79% equity interest in Beijing Micro-financing with consideration each at a normal price of RMB1 when and to the extent permitted under the PRC laws; and

– obtain pledges over the entire equity interest of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi and 79% equity interest of Beijing Micro-financing from their respective owners.

The Group does not have any equity interest in Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing. However, as a result of the Structured Agreements, the Group has rights to variable returns from its involvement with Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing and has the ability to affect these returns (e.g. in form of service fees charged) through its power over Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing and is considered to control Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing. Consequently, the Group regards Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing as indirect subsidiaries under HKFRSs.

Nevertheless, the Structured Agreements may not be as effective as legal ownership in providing the Group with control over the consolidated entities and business, and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the consolidated entities and business. Having considered the changes in the relevant PRC laws and regulations since the execution of the Structured Arrangements, the Directors believe that the Structured Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

6. SEGMENT INFORMATION

The Directors have been identified as the chief operating decision makers to evaluate the performance of the operating segments and to allocate resources to those segments.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

(a) The short-term financing services segment comprises pawn loan business, micro-financing business, entrusted loan business and financial consultancy business in the PRC and Hong Kong;

6. SEGMENT INFORMATION *(Continued)*

(b) Development and sales of software segment comprises development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC. The Group completed the disposal of development and sales of software business on 31 March 2016. Accordingly, the development and sales of software segment was classified as a discontinued operation, details of which are set out in Note 11(c);

(c) The coal trading segment comprised the business of coal trading between the PRC and Indonesia. The Group completed the disposal of coal trading business on 31 December 2015. Accordingly, the coal trading segment was classified as a discontinued operation, details of which are set out in Note 11(b); and

(d) The property investments segment comprised investment in various properties for rental income purposes. The Group completed the disposal of property investments business on 10 July 2015. Accordingly, the property investments segment was classified as a discontinued operation, details of which are set out in Note 11(a).

In determining the Group's geographical segments, revenue and results are based on the location in which the customers are located; assets and capital expenditure are attributed to the segments based on the locations of the assets.

Reportable Segments

(i) Business segments

For the year ended 31 December 2016, executive directors have determined that the Group has only one single business component/ reportable segment (excluded all those classified as discontinued operations as detailed in note 11) as the Group is only engaged in the Short-term Financing services, which is the basis to allocate resources and assess performance.

(ii) Geographical segments

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets"):

	Revenue from external customers		**Specified non-current assets**	
	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015 (Restated)	**As at 31 December 2016**	As at 31 December 2015 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operation				
Hong Kong	**–**	4,200	**484**	859
PRC	**111,927**	99,195	**1,279**	323,156
	111,927	103,395	**1,763**	324,015

6. SEGMENT INFORMATION *(Continued)*

Reportable Segments (Continued)

(iii) Information about major customers

Revenue from external customers contributed to 10% or more of the Group's revenue is as follows:

The customer base in short-term financing services segment is diversified and two (period ended 31 December 2015: one) customers contributed to 10% or more of the Group's revenue for the year ended 31 December 2016 in the amounts of approximately HK$13,061,000 and HK$11,892,000 respectively (period ended 31 December 2015: approximately HK$15,507,000).

Other than as disclosed above, no other revenue from a single customer of the Group accounted for 10% or more of total revenue of the Group for the year/period presented.

7. REVENUE, OTHER INCOME, AND OTHER GAINS AND LOSSES, NET

The Group's revenue represents the short-term financing services income, net of direct financing costs. An analysis of the Group's revenue, other income, and other gains and losses, net for the continuing operation is as follows:

	Note	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 (Restated) HK$'000
Continuing operation			
Revenue			
Interest income from loans to customers		**83,055**	59,230
Financial consultancy income		**29,697**	45,525
Interest expense on funds for loans to customers	8	**(825)**	(1,360)
Short-term financing services income, net		**111,927**	103,395
Other income, and other gains and losses, net			
Bank interest income		**1,255**	540
Waive of interest expenses on promissory note	23	**1,600**	–
Loss on disposal of property, plant and equipment		**(15)**	(15)
Sundry income		**4,208**	1,371
Government grants		**667**	3,514
		7,715	5,410

8. (LOSS) PROFIT BEFORE INCOME TAX

The Group's (loss) profit before income tax for both continuing and discontinued operations is arrived at after charging (crediting) the following:

	Note	Year ended 31December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 (Restated) HK$'000
Finance costs			
Continuing operation			
Effective interest expenses on			
– convertible bonds	24	**41,874**	29,326
– promissory notes	23	**1,770**	3,137
Interest expense on funds for loans to customers		**825**	1,360
		44,469	33,823
Less: interest expense included in revenue	7	**(825)**	(1,360)
		43,644	32,463
Discontinued operations			
Interest on bank borrowings wholly repayable within five years	11(b)	**–**	216
		43,644	32,679
Other items			
Continuing operation			
Staff costs (excluding directors' emoluments)	9(a)		
Salaries and wages		**16,128**	13,554
Pension scheme contributions		**6,063**	1,562
		22,191	15,116
Auditor's remuneration			
– Audit services		**841**	1,516
– Non-audit services		**120**	570
Depreciation of property, plant and equipment		**1,152**	856
Minimum lease payments under operating leases for land and buildings		**8,549**	6,064
Discontinued operations			
Staff costs (excluding directors' emoluments)	9(a)		
Salaries and wages		**1,201**	3,077
Pension scheme contributions		**975**	1,676
		2,176	4,753
Cost of inventories sold	11(b)	**–**	27,522
Amortisation of intangible assets		**370**	913
Depreciation of property, plant and equipment		**123**	296
Minimum lease payments under operating leases for land and buildings		**184**	554

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) *Directors' and chief executive's emoluments*

The aggregate amounts of emoluments received and receivable by the Directors and chief executive of the Company in connection with the management of the affairs of the Company and its subsidiaries are as follows:

Year ended 31 December 2016

Name of Directors	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Pension scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive directors					
Mr. Zhang Wei	960	761	54	–	1,775
Ms. Li Wei (appointed on 1 July 2016)	420	352	29	–	801
Mr. Han Jianli (resigned on 1 July 2016)	132	–	–	–	132
Mr. Wong Wai Sing (retired on 29 April 2016)	63	–	3	–	66
Independent non-executive directors					
Mr. Chen Yihua	200	–	–	–	200
Mr. Du Hui	180	–	–	–	180
Ms. Sze Sau Wan	144	–	–	–	144
	2,099	1,113	86	–	3,298

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' and chief executive's emoluments (Continued)

Period from 1 April 2015 to 31 December 2015

Name of Directors	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Pension scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000
Executive directors					
Mr. Han Jianli	198	–	–	–	198
Mr. Wong Wai Sing	158	–	8	–	166
Mr. Zhang Wei (appointed on 1 December 2015)	80	–	–	415	495
Independent non-executive directors					
Mr. Kwok Kam Tim (resigned on 4 September 2015)	85	–	–	–	85
Mr. Chen Yihua	150	–	–	–	150
Mr. Du Hui	135	–	–	–	135
Ms. Sze Sau Wan (appointed on 4 September 2015)	39	–	–	–	39
	845	–	8	415	1,268

Note: Mr. Zhang Wei is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2016 (period ended 31 December 2015: Nil). In addition, no emolument was paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (period ended 31 December 2015: Nil).

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) *Five highest paid individuals*

The five highest paid individuals in the Group during the year ended 31 December 2016, two (period ended 31 December 2015: one) individuals are Directors whose emoluments are set out in Note 9(a) above. The remuneration of the remaining three (period ended 31 December 2015: four) non-director individuals are as follows:

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
Basic salaries and other allowances	**1,759**	2,457
Pension scheme contributions	**48**	76
	1,807	2,533

The remuneration of the non-director, highest paid individuals fell within the following band:

	Number of individuals	
	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015
Nil to HK$1,000,000	**3**	4

There was no arrangement under which a non-director, highest paid individual waived or agreed to waive any remuneration during the year ended 31 December 2016 (period ended 31 December 2015: Nil). In addition, no emolument was paid by the Group to the non-director, highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (period ended 31 December 2015: Nil).

10. INCOME TAX (CREDIT) EXPENSE

(a) The amount of income tax (credit) expense in the consolidated income statement represents:

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 (Restated) HK$'000
Continuing operation		
Current tax		
PRC		
Current tax charge for the year/period	**15,251**	14,819
Under-provision in respect of prior years	**172**	30
Deferred tax credit (Note 26)	**(36,797)**	(2,115)
Income tax (credit) expense for continuing operation	**(21,374)**	12,734
Discontinued operations		
Current tax		
Hong Kong		
Current tax charge for the year/period	**–**	277
Deferred tax credit (Note 26)	**(71)**	–
PRC		
Current tax charge for the year/period	**–**	769
Deferred tax expense (credit) (Note 26)	**65**	(622)
Income tax (credit) expense for discontinued operations	**(6)**	424
Total income tax (credit) expense for continuing and discontinued operations	**(21,380)**	13,158

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015.

The subsidiaries of the Group established in the PRC are subject to enterprise income tax ("EIT") of the PRC at 25% (period ended 31 December 2015: 25%), except for Beijing Auto-serve Software Company Limited which is subject to EIT of the PRC at a preferential rate of 15% for high and new technology enterprises up to 2017.

Pursuant to the relevant laws and implementation rules announced by the People's Government of the Tibet Autonomous Region, a subsidiary of the Group, Lhasa Jiade Financial Consultant Company Limited ("Lhasa"), established in Tibet of the PRC is subject to the EIT of the PRC at 15% up to 2020, and based on the tax ruling announced by the PRC central tax authorities, the EIT rate of Lhasa is 9% for year 2015 to 2017 and from 2018 onwards, the EIT rate will resume to 15% if no further announcement of preferential tax treatment is made.

10. INCOME TAX (CREDIT) EXPENSE *(Continued)*

(b) The income tax (credit) expense for the year/period can be reconciled to the accounting (loss) profit before income tax from continuing operation as follows:

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 (Restated) HK$'000
Continuing operation		
(Loss) Profit before income tax	**(274,802)**	55,606
Tax calculated at the rates applicable to (loss) profit in the tax jurisdiction concerned	**(41,890)**	11,464
Tax effect on income not taxable for tax purpose	**(1,522)**	(4,703)
Tax effect on expenses not deductible for taxation purpose	**24,054**	8,350
Tax concession received	**(2,188)**	(2,407)
Under-provision in respect of prior years	**172**	30
Income tax (credit) expense for the year/period	**(21,374)**	12,734

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries.

For the preparation of the above reconciliation, the Directors consider the Group is no longer principally subjected to Hong Kong Profits Tax in the Group's continuing operation and therefore, the existing basis for the determination of the applicable tax rate is adopted with comparative information is restated for consistency purpose.

11. DISCONTINUED OPERATIONS

(a) Property Investments Operation

On 9 June 2015, the Group entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of a subsidiary, Foremost Star Investments Limited ("Foremost Star", together with its subsidiary are referred to as the "Foremost Star Group") to an independent third party at a consideration of HK$52,000,000. The Foremost Star Group carried out all of the Group's property investments operation. Accordingly, the Group's property investments operation was classified as a discontinued operation. The disposal was completed on 10 July 2015.

(b) Coal Trading Operation

On 14 July 2015, the Group entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of Star Coal International Investment Company Limited ("Star Coal", together with its subsidiaries are referred to as the "Star Coal Group") to an independent third party at a consideration of HK$54,000,000. The Star Coal Group carried out all of the Group's coal trading operation. Accordingly, the Group's coal trading operation was classified as a discontinued operation. The disposal was completed on 31 December 2015.

(c) Development and Sales of Software Operation

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto-serve Software Company Limited ("Beijing Auto") and entire issued share capital of Vibrant Youth Limited ("Vibrant Youth") (collectively referred to as the "Auto-serve Group") at an aggregate consideration of HK$26,208,000 to connected persons, a director of Beijing Auto and his controlling company, of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation. Accordingly, the Group's development and sales of software operation was classified as a discontinued operation. The disposal was completed on 31 March 2016.

The results of the abovementioned discontinued operations have been presented separately in the consolidated income statement. Comparative figures have been re-presented to reflect the discontinued operations in the consolidated income statement.

11. DISCONTINUED OPERATIONS *(Continued)*

		Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015 (Restated)			
	Note	Development and Sales of Software HK$'000	Coal trading HK$'000	Property investments HK$'000	Development and Sales of Software HK$'000	Total HK$'000
Revenue		4,730	29,093	–	17,510	46,603
Cost of sales		(1,384)	(27,522)	–	(2,772)	(30,294)
Gross profit		3,346	1,571	–	14,738	16,309
Other gains and losses, net		403	305	–	1,811	2,116
Selling and distribution expenses		–	(285)	–	–	(285)
Administrative and other expenses		(4,134)	(20)	(146)	(11,152)	(11,318)
Impairment loss on goodwill	17	–	–	–	(33,878)	(33,878)
Impairment loss on trade receivables	21	–	–	–	(593)	(593)
Finance costs	8	–	(216)	–	–	(216)
Operating (loss) profit		(385)	1,355	(146)	(29,074)	(27,865)
Gain on disposal of subsidiaries	30	2,033	4,373	1,645	–	6,018
Profit (Loss) before income tax		1,648	5,728	1,499	(29,074)	(21,847)
Income tax credit (expense)		6	(277)	–	(147)	(424)
Profit (Loss) for the year/period		1,654	5,451	1,499	(29,221)	(22,271)

11. DISCONTINUED OPERATIONS *(Continued)*

The cash flow information of the abovementioned discontinued operations was as follows:

	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015 (Restated)			
	Development and Sales of Software HK$'000	Coal trading HK$'000	Property investments HK$'000	Development and Sales of Software HK$'000	Total HK$'000
Net cash (used in) generated from operating activities	**(2,031)**	10,726	(10)	53	10,769
Net cash used in investing activities	**(296)**	–	–	(1,961)	(1,961)
Net cash used in financing activities	**–**	(12,133)	–	–	(12,133)
Net decrease in cash and cash equivalents	**(2,327)**	(1,407)	(10)	(1,908)	(3,325)

The earnings (loss) per share information of the discontinued operations was as follows:

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 (Restated) HK$'000
Earnings (Loss) per share for the discontinued operations attributable to owners of the Company:		
Basic (Hong Kong cents)	**0.14**	(1.96)
Diluted (Hong Kong cents)	**0.14**	(0.76)

The basic and diluted earnings (loss) per share for the discontinued operations are calculated by dividing the profit (loss) for the year/period from the discontinued operations attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. The denominators used are the same as those detailed in Note 14.

12. LOSS FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company for the year ended 31 December 2016 includes loss of approximately HK$299,105,000 (period ended 31 December 2015: approximately HK$29,280,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2016 (period ended 31 December 2015: Nil).

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

14. (LOSS) EARNINGS PER SHARE

The calculations of basic (loss) earnings per share for the current year and prior period are based on the (loss) profit for the year/period attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015.

The calculations of diluted (loss) earnings per share for the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015 are based on the (loss) profit for the year/period attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015 and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the year ended 31 December 2016, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic (loss) earnings per share calculation for (i) continuing and discontinued operations, (ii) continuing operation and (iii) discontinued operations, the conversion of the above potential dilutive shares is not assumed in the computation of diluted (loss) earnings per share. Therefore the basic and diluted (loss) earnings per share for (i) continuing and discontinued operations, (ii) continuing operation and (iii) discontinued operations for the year ended 31 December 2016 are equal.

For the period from 1 April 2015 to 31 December 2015, the diluted earnings per share for (i) continuing and discontinued operations and (ii) continuing operation would reduce if the Company's outstanding convertible bonds were taken into account, as those convertible bonds had a dilutive effect to the basic earnings per share for (i) continuing and discontinued operations and (ii) continuing operation and hence the potential dilutive shares is assumed in the computation of diluted earnings per share. The computation of diluted loss per share for discontinued operations has included the effect of dilutive potential ordinary shares from conversion of convertible bonds, even though it is anti-dilutive. This is because the control number (profit from continuing operation attributable to ordinary equity holders of the Company, adjusted for effect of convertible bonds) was positive (i.e. profit, rather than loss).

14.(LOSS) EARNINGS PER SHARE *(Continued)*

The calculations of basic and diluted (loss) earnings per share attributable to owners of the Company are based on the following data:

	Continuing operation		Discontinued operations		Total	
	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 (restated) HK$'000	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 (restated) HK$'000	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
(Loss) Profit						
(Loss) Profit attributable to the owners of the Company, used in basic (loss) earnings per share calculation	**(256,060)**	41,379	**1,654**	(22,379)	**(254,406)**	19,000
Adjustment of (loss) profit attributable to the owners of the Company: Interest saving of the convertible bonds	**–***	29,326	**–**	–	**–***	29,326
(Loss) Profit attributable to the owners of the Company, used in the diluted (loss) earnings per share calculation	**(256,060)**	70,705	**1,654**	(22,379)	**(254,406)**	48,326

	Continuing operation		Discontinued operations		Total	
	Year ended 31 December 2016 '000	Period from 1 April 2015 to 31 December 2015 '000	Year ended 31 December 2016 '000	Period from 1 April 2015 to 31 December 2015 '000	Year ended 31 December 2016 '000	Period from 1 April 2015 to 31 December 2015 '000
Share						
Weighted average number of ordinary shares for basic (loss) earnings per share calculation	**1,175,685**	1,141,551	**1,175,685**	1,141,551	**1,175,685**	1,141,551
Effect of dilutive potential ordinary shares: Conversion of convertible bonds	**–***	1,785,028	**–***	1,785,028	**–***	1,785,028
Weighted average number of ordinary shares for diluted (loss) earnings per share calculation	**1,175,685**	2,926,579	**1,175,685**	2,926,579	**1,175,685**	2,926,579

* No adjustment/effect considered due to anti-dilutive effects

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
As at 1 April 2015	1,058	2,466	916	4,440
Additions	8	1,547	297	1,852
Disposal/Written off	–	(637)	–	(637)
Exchange realignments	–	(132)	(66)	(198)
As at 31 December 2015 and 1 January 2016	1,066	3,244	1,147	5,457
Additions	–	772	–	772
Disposal/Written off	–	(236)	–	(236)
Disposal through disposal of subsidiaries (Note 30(a))	–	(1,584)	(385)	(1,969)
Exchange realignments	–	(71)	(47)	(118)
As at 31 December 2016	1,066	2,125	715	3,906
Accumulated depreciation				
As at 1 April 2015	265	659	197	1,121
Disposal/Written off	–	(502)	–	(502)
Charge for the period	298	607	247	1,152
Exchange realignments	–	(24)	(24)	(48)
As at 31 December 2015 and 1 January 2016	563	740	420	1,723
Disposal/Written off	–	(221)	–	(221)
Disposal through disposal of subsidiaries (Note 30(a))	–	(483)	(113)	(596)
Charge for the year	399	649	227	1,275
Exchange realignments	–	(8)	(30)	(38)
As at 31 December 2016	962	677	504	2,143
Net carrying amount				
As at 31 December 2016	104	1,448	211	1,763
As at 31 December 2015	503	2,504	727	3,734

16. INTANGIBLE ASSETS

	The LOIs HK$'000	Pawn Licences HK$'000	Trademarks HK$'000	Product Licences HK$'000	System Software HK$'000	Total HK$'000
Cost						
As at 1 April 2015	60,000	168,766	15,913	3,009	–	247,688
Additions	–	–	–	–	1,088	1,088
Disposal through disposal of subsidiaries (Note 30(c))	(60,000)	–	–	–	–	(60,000)
Exchange realignments	–	(9,449)	(891)	(169)	(38)	(10,547)
As at 31 December 2015 and 1 January 2016	–	159,317	15,022	2,840	1,050	178,229
Disposal through disposal of subsidiaries (Note 30(a))	**–**	**–**	**(15,128)**	**(2,861)**	**(1,057)**	**(19,046)**
Exchange realignments	**–**	**(10,317)**	**106**	**21**	**7**	**(10,183)**
As at 31 December 2016	**–**	**149,000**	**–**	**–**	**–**	**149,000**
Accumulated amortisation and impairment losses						
As at 1 April 2015	24,192	–	–	61	–	24,253
Amortisation	–	–	–	883	30	913
Disposal through disposal of subsidiaries (Note 30(c))	(24,192)	–	–	–	–	(24,192)
Exchange realignments	–	–	–	(34)	–	(34)
As at 31 December 2015 and 1 January 2016	–	–	–	910	30	940
Amortisation	**–**	**–**	**–**	**283**	**87**	**370**
Impairment losses	**–**	**149,000**	**–**	**–**	**–**	**149,000**
Disposal through disposal of subsidiaries (Note 30(a))	**–**	**–**	**–**	**(1,203)**	**(118)**	**(1,321)**
Exchange realignments	**–**	**–**	**–**	**10**	**1**	**11**
As at 31 December 2016	**–**	**149,000**	**–**	**–**	**–**	**149,000**
Net carrying amount						
As at 31 December 2016	**–**	**–**	**–**	**–**	**–**	**–**
As at 31 December 2015	–	159,317	15,022	1,930	1,020	177,289

16. INTANGIBLE ASSETS *(Continued)*

The LOIs

The LOIs relate to the Coal Trading CGU (as defined in Note 17) and represented two separate legally binding master framework purchase agreements entered into between the CIFC Group (as defined in Note 17) and a customer and a supplier, which were acquired as part of the Group's acquisition of the CIFC Group in previous years. The useful lives of the LOIs were estimated by the Group to be indefinite as the LOIs are renewable automatically and unconditionally at no additional cost and the Directors consider that there is no foreseeable limit on the period of time over which the LOIs are expected to generate economic benefits to the Group.

The Group completed the disposal of coal trading business on 31 December 2015.

Pawn Licences

Pawn Licences represented the operating licences of the Pawn Broker Business (as defined in the Company's circular dated 30 May 2014), arising from the Short-term Financing Business acquired by the Group in prior years. The Directors are of the opinion that the Group would renew the Pawn Licences, at minimal cost, continuously and has the ability to do so. Therefore, the Pawn Licenses are considered by the Directors as having an indefinite useful life.

The impairment assessment of the Pawn Licences is included in the impairment assessment of the Short-term Financing CGU that includes goodwill (as defined in Note 17). As at 31 December 2016, the recoverable amount of the Short-term Financing CGU fell below its carrying amount, resulting in an impairment loss on the Pawn Licences of approximately HK$149,000,000 (31 December 2015: Nil) and goodwill of approximately HK$151,657,000 (31 December 2015: Nil) (see note 17). The impairment losses have been charged to profit or loss for the year, and the corresponding decrease in deferred tax liabilities is approximately HK$37,250,000.

Trademarks

Trademarks were acquired as a result of the acquisition of Auto-serve Group (as defined in Note 11(c)) in prior year and had a legal life of 10 years which are renewable at minimal cost. The Directors are of the opinion that the Group would renew the trademarks continuously and has the ability to do so. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life.

Product Licences

Product Licences was arising from the acquisition of Auto-serve Group in prior year and are amortised over 3 years under the straight-line method.

System Software

System Software was arising from the acquisition of Auto-serve Group in prior year which represented the expenditure incurred for the development of the system software and are amortised over 3 years under the straight-line method.

The impairment assessment of the intangible assets of the Auto-serve Group is included in the impairment assessment of goodwill (Note 17) under the Software CGU (as defined in Note 17). Auto-serve Group was disposed of during the year (Notes 11(c) and 30(a)).

17.GOODWILL

	Coal Trading CGU HK$'000	Short-term Financing CGU HK$'000	Software CGU HK$'000	Total HK$'000
Cost				
As at 1 April 2015	24,425	711,696	64,512	800,633
Disposal through disposal of subsidiaries (Note 30(c))	(24,425)	–	–	(24,425)
Exchange realignments	–	(39,848)	(3,612)	(43,460)
As at 31 December 2015 and 1 January 2016	–	671,848	60,900	732,748
Disposal through disposal of subsidiaries (Note 30(a))	**–**	**–**	**(61,329)**	**(61,329)**
Exchange realignments	**–**	**(43,507)**	**429**	**(43,078)**
As at 31 December 2016	**–**	**628,341**	**–**	**628,341**
Accumulated impairment losses				
As at 1 April 2015	24,425	539,921	7,639	571,985
Disposal through disposal of subsidiaries (Note 30(c))	(24,425)	–	–	(24,425)
Impairment losses	–	–	33,878	33,878
Exchange realignments	–	(30,230)	(428)	(30,658)
As at 31 December 2015 and 1 January 2016	–	509,691	41,089	550,780
Disposal through disposal of subsidiaries (Note 30(a))	**–**	**–**	**(41,140)**	**(41,140)**
Impairment losses	**–**	**151,657**	**–**	**151,657**
Exchange realignments	**–**	**(33,007)**	**51**	**(32,956)**
As at 31 December 2016	**–**	**628,341**	**–**	**628,341**
Net carrying amount				
As at 31 December 2016	**–**	**–**	**–**	**–**
As at 31 December 2015	–	162,157	19,811	181,968

17. GOODWILL *(Continued)*

Goodwill arising in prior years related to the acquisitions of equity interest in (i) China Indonesia Friendship Coal Trading Company Limited ("CIFC", together with its 90%-owned subsidiary, China Energy Trading Company Limited ("China Energy"), are collectively referred to as the "CIFC Group") and was allocated to the coal trading cash generating unit (the "Coal Trading CGU"); (ii) Prima Finance Holdings Limited and its subsidiaries (collectively referred to as the "Prima Finance Group") and was allocated to the short-term financing CGU ("Short-term Financing CGU"); and (iii) the Auto-serve Group and was allocated to the software CGU ("Software CGU").

Goodwill acquired through business combinations in prior years has been allocated to the respective CGUs as follows for impairment test:

Coal Trading CGU

CIFC Group was disposed during the period from 1 April 2015 to 31 December 2015.

Short-Term Financing CGU

The Directors have engaged Greater China Appraisal Limited ("GCA"), an independent firm of professional valuers, to assist them in assessing the recoverable amount of the Short-term Financing CGU. The recoverable amount of the Short-term Financing CGU has been determined based on the higher of value in use and fair value less costs of disposal. The fair value of the Short-term Financing CGU was determined by using the income approach. GCA has assessed the fair value of the Short-term Financing CGU by considering the historical operation and financial performance of the Short-term Financing CGU and determined the methodologies and the key valuation parameters and reviewed business assumptions adopted by the management.

As at 31 December 2015, the Group determined that there were no impairment of intangible assets and goodwill in respect of the Short-term Financing CGU, as its recoverable amount based on fair value less costs of disposal exceeds its carrying value.

As at 31 December 2016, in light of unfavourable operating environment and keen competition of the short-term financing industry, including the relatively lower interest rate environment in the PRC and increasing number of competitors, that are expected to have a negative impact on the future cash flows that can be generated by the Short-term Financing CGU, the Directors have re-estimated the cash flows that can be generated from the Short-term Financing CGU. Based on the fair value less costs of disposal estimated using the revised cash flow projections and using the income approach, the Directors concluded that goodwill and Pawn Licenses allocated to the Short-term Financing CGU should be fully impaired in the current year by approximately HK$151,657,000 and HK$149,000,000 respectively.

The fair value less costs of disposal of the Short-term Financing CGU is based on the income approach, which has been determined from the calculations of fair value less costs of disposal based on cash flows projections derived from the financial budgets approved by the management covering a 3-year period, and are extrapolated for subsequent forth to tenth years to cash flows beyond such projected periods with the key assumptions stated below.

A 3-year financial budget is adopted for the Short-term Financing CGU because the management is confident on the predictability of the key inputs to the cash flow projection.

17. GOODWILL *(Continued)*

Short-Term Financing CGU (Continued)

	2016	2015
Interest rates	**16.9% – 20.5%**	17.4% – 23.0%
Perpetual growth rate	**3.0%**	3.0%
Post-tax discount rate	**13.3% – 15.3%**	12.9% – 13.9%

Software CGU

The Directors engaged GCA, to assist them in assessing the recoverable amount of the Software CGU. The recoverable amount of the Software CGU has been determined based on fair value less costs of disposal. GCA has assessed the recoverable amount of the Software CGU by considering the historical operation and financial performance of the Software CGU and determined the methodologies and the key valuation parameters and reviewed business assumptions adopted by the management.

As at 31 December 2015, due to the continuous exacerbation of market condition and the implementation of new regulatory acts as announced by the State Council of the PRC regarding to peer-to-peer lending industry which lead to a significant increment of the Auto-serve Group's software development cost and an expected negative impact on the Auto-serve Group's revenue and growth rate, the recoverable amount of the Software CGU fell below its then carrying amount. Accordingly, the goodwill allocated to the Software CGU was impaired by approximately HK$33,878,000 which was charged to profit or loss for the period from 1 April 2015 to 31 December 2015.

Auto-serve Group was disposed of during the year ended 31 December 2016 (Notes 11(c) and 30(a)).

The fair value less costs of disposal amount of the Software CGU as at 31 December 2015 is based on the income approach, which was determined from the calculations of fair value less costs of disposal based on cash flows projections derived from the financial budgets approved by the management covering a 5-year period, and are extrapolated to cash flows beyond such projected periods with the key assumptions stated below. A 5-year financial budget is adopted for the Software CGU because the management is confident on the predictability of the key inputs to the cash flow projection.

17. GOODWILL *(Continued)*

Software CGU (Continued)

	2015
Interest rates	N/A
Annual revenue growth rate on various service lines	10.0% – 25.9%
Perpetual growth rate	3.0%
Post-tax discount rate	33.8%

Other information on fair value measurement of the CGUs

The quantitative information of the significant unobservable inputs and the description of valuation techniques used in the fair value measurement for the CGUs containing goodwill or intangible assets with indefinite useful life, including the sensitivity analysis to changes in unobservable inputs are as follow:

CGUs	Fair value hierarchy	Valuation	Unobservable inputs	Relationship of unobservable inputs to fair value
Short-term Financing CGU/ Software CGU	Level 3	Income approach	Perpetual growth rate	The higher the perpetual growth rate, the higher the fair value
			Discount rate	The higher the discount rate, the lower the fair value

Except for the transfer of the contingent consideration – consideration shares from level 2 into level 3 at 31 December 2015, there were no transfers into or out of level 3 for the above fair value measurement of the CGUs during the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015.

18. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries which are private companies with limited liability as at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Country/place of incorporation/ establishment	Place of operation	Principal activities	Particulars of issued and paid up share capital/paid-up capital	2016 Percentage of equity attributable to the Company		2015 Percentage of equity attributable to the Company	
					Direct	Indirect	Direct	Indirect
Star Trading International Group Company Limited	British Virgin Island ("BVI")	Hong Kong	Investment holding	United States ("US$")1	–	–	100%	–
Star Fortune Strategy Company Limited	BVI	Hong Kong	Investment holding	US$1	–	–	100%	–
Star International Business Group Company Limited	BVI	Hong Kong	Investment holding	US$1	–	–	100%	–
Star Coal International Group Company Limited	BVI	Hong Kong	Investment holding	US$1	–	–	100%	–
Star Coal International Development Company Limited	BVI	Hong Kong	Investment holding	US$1	100%	–	100%	–
Fortune Front Holdings Limited	BVI	Hong Kong	Investment holding	US$1	100%	–	100%	–
UTD Fortune (Hong Kong) Limited	Hong Kong	Hong Kong	Provision of money lending services in Hong Kong (to be commenced)	HK$1	–	100%	–	100%
Capital Finance Innovative Technology Limited	BVI	Hong Kong	Investment holding	US$1	100%	–	100%	–
Star Capital Global Limited	BVI	Hong Kong	Investment holding	US$1	100%	–	100%	–
Prima Finance Holdings Limited	Cayman Islands	Hong Kong	Investment holding	HK$1	–	100%	–	100%
北京萬馳科技有限公司 Beijing Wanchi Technology Company Limited*	PRC	PRC	Provision of entrusted loan and financing consultancy service	Paid-up capital of HK$3,000,000	–	100%	–	100%
拉薩嘉德財務顧問有限公司 Lhasa Jiade Financial Consultant Company Limited*	PRC	PRC	Provision of entrusted loan and financing consultancy service	Paid-up capital of Renminbi ("RMB") 5,000,000	–	100%	–	100%

18. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/place of incorporation/ establishment	Place of operation	Principal activities	Particulars of issued and paid up share capital/paid-up capital	2016 Percentage of equity attributable to the Company Direct	2016 Percentage of equity attributable to the Company Indirect	2015 Percentage of equity attributable to the Company Direct	2015 Percentage of equity attributable to the Company Indirect
北京市金福典當有限責任公司 Beijing City Jinfu Pawning Company Limited*#	PRC	PRC	Provision of pawn loan services in Beijing	Paid-up capital of RMB40,000,000	–	100%	–	100%
北京金祿典當有限責任公司 Beijing Jinlu Pawning Company Limited*#	PRC	PRC	Provision of pawn loan services in Beijing	Paid-up capital of RMB15,000,000	–	100%	–	100%
北京市金壽典當有限責任公司 Beijing City Jinshou Pawning Company Limited*#	PRC	PRC	Provision of pawn loan services in Beijing	Paid-up capital of RMB40,000,000	–	100%	–	100%
北京市金禧典當有限責任公司 Beijing City Jinxi Pawning Company Limited*#	PRC	PRC	Provision of pawn loan services in Beijing	Paid-up capital of RMB15,000,000	–	100%	–	100%
北京中金福小額貸款有限責任公司 Beijing Zhongjinfu Micro-financing Company Limited*#	PRC	PRC	Provision of micro-financing services	Paid-up capital of RMB50,000,000	–	79%	–	79%
北京奧拓思維軟件有限公司 Beijing Auto-serve Software Company Limited*	PRC	PRC	Provision of development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC	Paid-up capital of RMB5,000,000	–	–	–	100%

* English name for identification purpose only.

\# These subsidiaries are held through certain structured agreements (Note 5h).

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

18. PRINCIPAL SUBSIDIARIES *(Continued)*

Financial information of a subsidiary with individually material NCI

The following table shows the information relating to a non-wholly owned subsidiary, Beijing Zhongjinfu Micro-financing Company Limited ("Beijing Micro-financing"), that has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations since acquisition.

	Beijing Micro-financing	
	2016	2015
Proportion of NCI's ownership interests	**21%**	21%
	HK$'000	HK$'000
Current assets	**113,775**	101,768
Non-current assets	**296**	835
Current liabilities	**(13,770)**	(6,366)
Non-current liabilities	**(28,020)**	(23,209)
Net assets	**72,281**	73,028
Carrying amount of NCI	**15,179**	15,335

Amount due from subsidiaries were unsecured, non-interest bearing and repayable on demand.

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
Revenue/Other income	**21,698**	15,449
Expenses	**(9,165)**	(8,337)
Profit	**12,533**	7,112
Profit attributable to NCI	**2,632**	1,493
Dividends paid to NCI	**(1,778)**	(2,106)
Net cash flows from (used in):		
Operating activities	**4,614**	26,042
Investing activities	**(35)**	(48)
Financing activities	**5,940**	(27,467)

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK$'000	2015 HK$'000
Unlisted investment, at cost	**7,815**	8,356

As at 31 December 2016 and 2015, the Group holds 7% equity interest of 瀋陽金融商貿開發區互聯小額貸款有限公司 (Shenyang Hulian Micro-financing Company Limited*) ("Shenyang Hulian"), a private entity incorporated in the PRC, which is principally engaged in the provision of micro financing services business. It is measured at cost less any accumulated impairment losses at the end of reporting period because the range of reasonable fair value measurements is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used that the Directors are of the opinion that its fair value cannot be measured reliably.

* English name for identification purpose only

20. LOANS TO CUSTOMERS

	2016 HK$'000	2015 HK$'000
Principal and interest receivable:		
Pawn loans	**255,935**	253,471
Micro-credit loans	**104,144**	102,600
Entrusted loans	**21,297**	34,514
Loans to customers, gross	**381,376**	390,585
Less:		
– Individually assessed	**(1,394)**	(4,211)
– Collectively assessed	**(3,926)**	(3,326)
	(5,320)	(7,537)
Loans to customers, net	**376,056**	383,048

The loans to customers are arising from the Group's pawn loans, micro-credit and entrusted loans services. The loan periods granted to customers are mainly ranging from one month to one year.

20. LOANS TO CUSTOMERS *(Continued)*

The loans provided to customers bore fixed monthly interest and administrative fee rates ranging from 0.4% to 4.5% for the year ended 31 December 2016 (period ended 31 December 2015: 0.4% to 4.6%). The effective interest rates of the above loans to customers ranging from 4.5% to 75.3% (period ended 31 December 2015: 4.6% to 92.8%) per annum. Loans to customers are all denominated in RMB.

Movements of impairment allowances are as follows:

	Year ended 31 December 2016			Period from 1 April 2015 to 31 December 2015		
	Individually assessed HK$'000	Collectively assessed HK$'000	Total HK$'000	Individually assessed HK$'000	Collectively assessed HK$'000	Total HK$'000
At the beginning of the reporting period	**4,211**	**3,326**	**7,537**	1,917	4,230	6,147
(Reversal of) Provision for impairment losses (credited) charged to profit or loss	**(2,663)**	**853**	**(1,810)**	2,488	(691)	1,797
Exchange realignments	**(154)**	**(253)**	**(407)**	(194)	(213)	(407)
At the end of the reporting period	**1,394**	**3,926**	**5,320**	4,211	3,326	7,537

Impairment provisions are recognised for financial reporting purposes only for losses that have incurred at the end of reporting period based on objective evidence of impairment.

Aging analysis of loans to customers (after impairment allowances) prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2016 HK$'000	2015 HK$'000
Less than 1 month	**138,666**	267,260
1 to 3 month(s)	**58,917**	23,340
4 to 6 months	**40,739**	46,284
7 to 12 months	**68,305**	34,084
Over 12 months	**69,429**	12,080
	376,056	383,048

20. LOANS TO CUSTOMERS *(Continued)*

Aging analysis of loans to customers (after impairment allowances) prepared based on contractual due date is as follows:

	2016 HK$'000	2015 HK$'000
Not yet past due	**316,577**	325,758
Less than 1 month past due	**34,691**	35,516
1 to 3 month(s) past due	**7,293**	5,002
4 to 6 months past due	**5,768**	7,465
7 to 12 months past due	**4,272**	6,766
Over 12 months past due	**7,455**	2,541
	376,056	383,048

Loans to customers (net) that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Loans to customers (net) that were past due but not impaired relate to customers that have good track record with the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers/the party who provided guarantees and/or fair value of the collaterals obtained for each individual loan and the balances are still considered fully recoverable.

A summary of the principal and interest receivable of the collateralised and non-collateralised loans to customers (net) at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
Collateralised	**291,872**	294,465
Non-collateralised		
– With guarantor	**81,654**	88,388
– Without guarantor	**2,530**	195
	376,056	383,048

The fair value of collaterals of each individual customers of which the repayment date based on the respective loan agreements has been past due, as assessed by the management, is not less than the principal amount of the relevant loans.

21. TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables from third parties	167	2,014
Impairment allowances	–	(572)
	167	1,442

The aging analysis of the Group's trade receivables (before impairment allowances) at the end of the reporting period, based on invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Within 90 days	–	996
91 to 180 days	–	96
181 to 365 days	–	350
Over 365 days	167	572
	167	2,014

The Group normally allows an average credit term of 30 to 90 days (for the period ended 31 December 2015: 30 to 90 days).

21. TRADE RECEIVABLES *(Continued)*

Based on the management's assessment of the aging analysis, the subsequent settlement status of the Group's outstanding trade receivables, the past settlement patterns and the current credit quality of trade debtors, the Group recognised impairment allowances to reflect the risk on the recoverability of the amounts due.

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
Impairment losses		
At the beginning of the reporting period	572	12,116
Provision for impairment	–	593
Disposal of subsidiaries (Note 30)	(560)	(12,116)
Exchange realignments	(12)	(21)
At the end of the reporting period	–	572

The aging analysis of trade receivables, net of impairment allowances, based on due day is as follows:

	2016 HK$	2015 HK$
Not yet past due	–	996
Less than 30 days past due	–	–
31 days to 90 days past due	–	96
91 days to 180 days past due	–	–
181 days to 365 days past due	–	350
Over 365 days past due	167	–
	167	1,442

Receivables that were neither past due nor impaired related to customers for which there is no recent history of default. The Group does not hold any collateral over the balances.

22. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash and cash equivalents, represented by bank balances and cash, were denominated in:		
HK$	**4,848**	34,466
RMB	**149,164**	84,625
Total	**154,012**	119,091

23. PROMISSORY NOTES

	Note	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
At the beginning of the reporting period		**34,360**	49,808
Early redemption of promissory notes	(ii),(iii)	**(14,751)**	(18,265)
Accrued effective interest expense		**1,770**	3,137
Interest payments		**–**	(320)
Waive of interest expenses	7	**(1,600)**	–
Carrying value at the end of the reporting period	(i)	**19,779**	34,360
Face value, at the end of the reporting period		**20,000**	35,000

(i) As at 31 December 2015 and 2016, the promissory notes bear interest of 8% per annum and mature in 5 years from the date of issue. The effective interest rates of the promissory notes were determined to be approximately 9.01% per annum. The promissory notes were classified under non-current liabilities and measured at amortised cost.

(ii) On 13 July 2015, 2 November 2015, 12 November 2015 and 13 November 2015, the Company has exercised its right to early redeem promissory notes with aggregate principal amount of HK$19,000,000. The carrying values of the promissory notes redeemed were approximately HK$18,265,000 and a settlement loss of approximately HK$735,000 was charged to profit or loss during the period from 1 April 2015 to 31 December 2015.

(iii) On 7 January 2016, the Company has exercised its right to early redeem promissory notes with aggregate principal amount of HK$15,000,000. The carrying values of the promissory notes redeemed were approximately HK$14,751,000 and a settlement loss of approximately HK$249,000 was charged to profit or loss during the year ended 31 December 2016.

24. CONVERTIBLE BONDS

As part of the acquisition consideration upon the completion of the Group's acquisition of the Prima Finance Group in 2014, the Company has issued zero-coupon convertible bonds with the principal amount of HK$420,200,000 ("2019 CB") as part of the Initial Consideration (as defined in Annual Report 2015) to the vendors of the Prima Finance Group. Based on assessment made by the Directors at the Completion Date (as defined in Annual Report 2015), the Company is also expected to issue zero-coupon convertible bonds in the principal amount of HK$40,653,000 as the Contingent Consideration (as defined in Annual Report 2015) for the year ended 31 March 2015 which actual amount is subject to the 2014 Actual Profit (as defined in the Circular – VSA) of the Prima Finance Group. On 6 February 2015, the Company issued zero-coupon convertible bonds in the principal amount of HK$236,000,000 ("2020 CB") to the vendors upon fulfilment of the 2014 Actual Profit.

Principal terms of convertible bonds as below:

Principal amount:	HK$656,200,000
Interest:	non-interest bearing
Maturity:	5 years from the date of issue (i.e. 25 June 2014 and 6 February 2015)
Security:	Unsecured
Conversion right:	The holder(s) of the convertible bonds shall have the rights to convert the whole or the part (in multiples of HK$1,000,000) of the outstanding principal amount of the convertible bonds into the ordinary share(s) of the Company at any time up to the seventh day prior to the maturity date of the convertible bonds.
Conversion Restriction:	The holder(s) of the convertible bonds shall not have the right to convert the convertible bonds to the extent that immediately after such conversion (i) there will not be sufficient public float of the shares of the Company as required under the GEM Listing Rules; or (ii) the holder of the convertible bonds together with parties acting in concert with it will, in aggregate, control or be interested in 30% or such percentage of the voting rights of the Company which the holder of the convertible bonds would be obliged to make a general offer under the Takeovers Code.
Conversion Price:	HK$0.35 per ordinary share of the Company, subject to anti-dilutive adjustments
Redemption:	Unless previously converted, the Company shall pay 105% of the outstanding principal amount under the convertible bonds to the holder(s) of the convertible bonds on the maturity date of the convertible bonds.
Voting rights:	The convertible bonds shall not carry any voting rights.

24. CONVERTIBLE BONDS *(Continued)*

On 13 April 2015, the holders of 2019 CB exercised their rights to convert the zero-coupon convertible bonds with the principal amount of HK$33,000,000 into new ordinary shares of the Company.

The conversion option of the convertible bonds is accounted for as equity instrument and is determined after deducting the fair value of the liability component from the total fair value amount of the convertible bonds at the date of issuance. The residual amount represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group.

The liability component of the convertible bonds is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on the convertible bonds is calculated using effective interest rate ranging from 8.72% to 8.87% (period ended 31 December 2015:8.72% to 8.87%) per annum.

The movements of above-mentioned convertible bonds were as follows:

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
Equity component		
At the beginning of the reporting period	**754,090**	798,828
Conversion during the year/period	–	(44,738)
At the end of the reporting period	**754,090**	754,090
Liability component		
At the beginning of the reporting period	**476,450**	471,509
Effective interest expenses	**41,874**	29,326
Conversion during the year/period	–	(24,385)
At the end of the reporting period	**518,324**	476,450
Face value, at the end of the reporting period	**623,200**	623,200

25. INTEREST-BEARING BORROWINGS

	2016 HK$'000	2015 HK$'000
Short-term bank borrowings, secured and repayable within one year	**11,834**	4,775

Bank borrowings are denominated in RMB.

The short-term bank borrowings are secured by corporate guarantee of an independent third party at a fee charged amount to approximately HK$463,000. The short-term bank borrowings bear a fixed interest at 6.0% (2015: 6.0%) per annum and will mature in January 2017 (2015: December 2016).

26. DEFERRED TAX

The movements in the Group's net deferred tax assets (liabilities) were as follows:

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
At the beginning of the reporting period	**(40,188)**	(49,279)
Disposal of subsidiaries (Note 30)	**3,872**	3,909
Credited to profit or loss mainly due to impairment of intangible assets (Note 16)	**36,803**	2,737
Exchange realignments	**2,346**	2,445
At the end of the reporting period	**2,833**	(40,188)

26. DEFERRED TAX *(Continued)*

Recognised deferred tax assets (liabilities) at the end of the reporting period represent the following:

	Assets		Liabilities	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Intangible assets	**–**	–	**–**	(46,686)
Impairment losses	**1,432**	1,980	**–**	–
Accrued revenue and charges	**1,605**	2,073	**–**	–
Exchange realignments	**(204)**	(174)	**–**	2,619
Deferred tax assets (liabilities)	**2,833**	3,879	**–**	(44,067)
Amount expected to be recovered (settled) more than 12 months	**2,833**	3,879	**–**	(44,067)

As at 31 December 2016, the Group has estimated unused tax losses of approximately HK$592,000 (31 December 2015: approximately HK$1,630,000) available for offsetting against future profits, which are subject to the agreement from the tax authority. No deferred tax asset has been recognised in respect of the above tax losses due to the uncertainty over the availability of future profit streams of the Group. Such losses may be carried forward indefinitely.

As at 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the Directors, having considered the future funding requirements of the Group's subsidiaries established in the PRC, it is probable that the earnings will not be distributed in the foreseeable future. Unremitted earnings amounted to approximately HK$281,166,000 (31 December 2015: approximately HK$242,060,000) as at 31 December 2016.

27. SHARE CAPITAL

	Note	Number of shares '000	Amount HK$'000
Authorised:			
As at 1 April 2015, 31 December 2015 and 31 December 2016, ordinary shares of HK$0.01 each		10,000,000	100,000
Issued and fully paid:			
As at 1 April 2015, ordinary shares of HK$0.01 each		1,031,050	10,311
Shares issued upon conversion of convertible bonds	(i)	94,286	943
Subscription of new shares	(ii)	29,270	293
As at 31 December 2015, ordinary shares of HK$0.01 each		1,154,606	11,547
Issue of new shares upon fulfilment of guaranteed profit	(iii)	26,512	265
As at 31 December 2016, ordinary shares of HK$0.01 each		1,181,118	11,812
Shares issued upon conversion of convertible bonds	38	120,000	1,200
As at 9 January 2017, ordinary shares of HK$0.01 each		1,301,118	13,012

Notes:

(i) In April 2015, the convertible bonds with aggregate value of HK$33,000,000 were converted into ordinary shares of par value HK$0.01 each of the Company at conversion price of HK$0.35 per share.

(ii) In June 2015, 29,270,000 new ordinary shares of par value HK$0.01 each of the Company were issued under subscription at a subscription price of HK$0.41 each at consideration of approximately HK$12,001,000 net of issuing expenses of approximately HK$131,000 of which approximately HK$293,000 was credited to share capital and the remaining balance of approximately HK$11,577,000 was credited to the share premium account.

(iii) Being issuance of approximately 26,512,000 shares of the Company on 16 March 2016, of which approximately HK$265,000 was credited to share capital and the remaining balance of approximately HK$9,279,000 was credited to share premium account in relation to the settlement of the contingent shares for the acquisition of Auto-serve Group (Note 28(v)).

All new shares issued rank pari passu with the existing shares in all respects.

28. RESERVES

(i) Share premium

The balance represents the premium arising from the issue of the Company's shares at a price in excess of their par value per share.

(ii) Contributed surplus and capital reserve

The contributed surplus represents the remaining credit balance pursuant to the Group's capital reorganisation that took place in prior years. The capital reserve of the Group represents the contributions from owners of the Company for modification of terms, partial waiver and early redemption of the promissory notes held thereby that took place in prior years.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iv) Convertible bonds reserve

The convertible bonds reserve represents the equity component (conversion right) of the convertible bonds issued (Note 24).

(v) Other reserve

The other reserve represents the contingent consideration shares for the acquisition of the Auto-serve Group upon fulfilment of the 2015 Guaranteed Profit (as defined in the Company's announcement dated 13 January 2015), and has been transferred to share capital and share premium of the Company and the Group upon issuance of approximately 26,512,000 shares of the Company on 16 March 2016 (Note 27(iii)).

(vi) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the relevant articles of association of the group entities incorporated in the PRC (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the paid-up capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into paid-up capital provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the paid-up capital.

29.CONTINGENT CONSIDERATION

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
As at beginning of the reporting period	**27,382**	62,500
Recognition of the final settlement value of contingent shares upon fulfillment of guaranteed profit	**–**	(9,544)
Fair value change on contingent consideration	**(1,141)**	(25,574)
Termination of contingent consideration payable	**(26,241)**	–
At the end of the reporting period	**–**	27,382

On 13 January 2015, Beijing Wanchi and United Tone Investments Limited, the wholly-owned subsidiaries of the Company, as purchasers, entered into a conditional sale and purchase agreement (the "Auto-serve Agreements") to purchase the entire equity interest in Auto-serve Group.

Pursuant to the Auto-serve Agreements, the maximum nominal consideration is RMB55,000,000 (equivalent to approximately HK$68,750,000) which comprises of and to be satisfied by an initial consideration of RMB9,000,000 (equivalent to approximately HK$11,250,000) and a contingent consideration.

The contingent consideration was a maximum of RMB46,000,000 (equivalent to approximately HK$57,500,000) which would be settled by the allotment and issue of a maximum of 125,000,000 new shares of the Company at an issue price of RMB0.368 per share (equivalent to HK$0.46 per share pursuant to the Auto-serve Agreements) to the vendors upon fulfilment of the guaranteed profits for the years ending 31 December 2015 (the "2015 Guaranteed Profit") and 2016 (the "2016 Guaranteed Profit") which is subject to adjustment and to be satisfied as to:

- RMB10,514,000 (equivalent to approximately HK$13,142,000) (i.e. 28,570,652 shares) for the fulfilment of the 2015 Guaranteed Profit (the "2015 Contingent Shares"); and

- RMB35,486,000 (equivalent to HK$44,358,000) (i.e. 96,429,348 shares) for the fulfilment of the 2016 Guaranteed Profit (the "2016 Contingent Shares").

The transaction was completed on 13 March 2015 and the initial consideration has duly settled upon completion.

The Directors engaged GCA to determine the fair value of the initial consideration and contingent consideration to be recognised at the completion date, in accordance with HKFRS 13. GCA has determined the methodologies and the key valuation parameters and reviewed the business assumptions adopted.

The final settlement value of the 2015 Contingent Shares of HK$9,544,000 was revalued at 31 December 2015 with reference to the fulfilment of the 2015 Guaranteed Profit. The final settlement value of the 2015 Contingent Shares is accounted for as an equity instrument and is determined with reference to the trading price of the Company's shares at 31 December 2015 and the numbers of new shares confirmed to be allotted (Note 27(iii)). In addition, the Directors have made an assessment about the Auto-serve Group's 2016 profit forecast and concluded the 2016 Guaranteed Profit could not be fully achieved. The estimated settlement value of the 2016 Contingent Shares was approximately HK$27,382,000, a fair value change of approximately HK$25,574,000 was recognised to the profit or loss for the nine-months ended 31 December 2015.

29. CONTINGENT CONSIDERATION *(Continued)*

In relation to the disposal of Auto-serve Group (Note 30(a)), a termination agreement was entered by the Company and the vendors, who is also the purchasers of Auto-serve Group, where the contingent consideration shares payable of approximately HK$26,241,000 by the Company were terminated on 24 March 2016. Further details of the agreement are set out in the announcement of the Company dated 24 March 2016.

During the year ended 31 December 2016, the fair value gain on contingent consideration – consideration shares of approximately HK$1,141,000 (period ended 31 December 2015: approximately HK$25,574,000) was attributed to the fair value measurement of 2016 Consideration Shares before the derecognition upon date of disposal. The fair value was determined with reference to the trading price of the Company's shares, the latest financial information of the Auto-serve Group, the Auto-serve Group's financial performance forecast and other relevant indicators.

30. DISPOSAL OF SUBSIDIARIES

Disposal during the year ended 31 December 2016

(a) Disposal of the Auto-serve Group

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto and entire issued share capital of Vibrant Youth at an aggregate consideration of HK$26,208,000 to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation which comprises sales and development of enterprise software and provision of software maintenance and support services for financial sectors in the PRC. Further details of the completion of the disposal are set out in announcements of the Company dated 24 March 2016 and 31 March 2016. The net assets of the Auto-serve Group at the date of disposal were as follows:

	HK$'000
Intangible assets (Note 16)	17,725
Goodwill (Note 17)	20,189
Property, plant and equipment (Note 15)	1,373
Deferred tax assets (Note 26)	324
Trade and other receivables, and prepayment	9,511
Tax recoverable	496
Amount due from a Group's subsidiary	994
Amount due from a related party	1
Cash and cash equivalents	3,958
Other payables and receipt in advance	(3,877)
Deferred tax liabilities (Note 26)	(4,196)
Net assets of the Auto-serve Group	46,498
Termination of contingent consideration payable (Note 29)	(26,241)
Exchange reserve released on disposal	3,654
Direct costs incurred for the disposal	264
Gain on disposal of subsidiaries (Note 11(c))	2,033
Total cash consideration received	26,208

30. DISPOSAL OF SUBSIDIARIES *(Continued)*

Disposal during the year ended 31 December 2016 (Continued)

(a) Disposal of the Auto-serve Group *(Continued)*

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration	**26,208**
Repayment of amount due to Vibrant Youth	**(994)**
Costs directly attributable to the disposal	**(264)**
Cash and cash equivalents disposed of	**(3,958)**
	20,992

Disposal during the period from 1 April 2015 to 31 December 2015

(b) Disposal of the Foremost Star Group

On 9 June 2015, the Group entered into a disposal agreement to dispose of (i) its entire equity interest in Foremost Star; and (ii) the aggregate advance owed by Foremost Star to the Group at a consideration of HK$52,000,000. The Foremost Star Group carried all of the Group's property investment operation and the disposal of Foremost Star was completed on 10 July 2015. Further details of the disposal are set out in the announcement of the Company dated 9 June 2015. The net assets of the Foremost Star Group at the date of the disposal were as follows:

	HK$'000
Investment property	50,000
Prepayments, deposits and other receivables	86
Cash and cash equivalents	1
Accrued expenses and other payables	(12)
Shareholder's loan of Foremost Star	(25,940)
Net assets of the Foremost Star Group	24,135
Assignment of shareholder's loan of Foremost Star	25,940
Direct costs incurred for the disposal	280
Gain on disposal of subsidiaries (Note 11(a))	1,645
Total cash consideration received	52,000

30. DISPOSAL OF SUBSIDIARIES *(Continued)*

Disposal during the period from 1 April 2015 to 31 December 2015 (Continued)

(b) Disposal of the Foremost Star Group *(Continued)*

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration	52,000
Costs directly attributable to the disposal	(280)
Cash and cash equivalents disposed of	(1)
	51,719

(c) Disposal of the Star Coal Group

On 14 July 2015, the Group entered into a disposal agreement to dispose of (i) its entire equity interest in Star Coal; and (ii) the aggregate advance owed by Star Coal to the Group at a consideration of HK$54,000,000. The Star Coal Group carried out all of the Group's coal trading operation and the disposal was completed on 31 December 2015. Further details of the disposal are set out in the circular and announcements of the Company dated 6 August 2015, 28 August 2015, 30 September 2015, 30 October 2015, 30 November 2015 and 31 December 2015. The net assets of the Star Coal Group at the date of the disposal were as follows:

	HK$'000
Intangible assets – The LOIs (Note 16)	35,808
Deferred tax assets (Note 26)	1,999
Trade and other receivables	66,000
Refundable deposits	19,376
Cash and cash equivalents	43
Trade payables, accrued expenses and other payables	(62,933)
Tax payables	(140)
Amount due to a non-controlling owner of a subsidiary	(1,950)
Shareholder's loan of Star Coal	(93,607)
Deferred tax liabilities (Note 26)	(5,908)
Net liabilities of the Star Coal Group	(41,312)
Assignment of shareholder's loan of Star Coal	93,607
Exchange reserve released on disposal	53
Non-controlling interests	(3,382)
Direct costs incurred for the disposal	661
Gain on disposal of subsidiaries (Note 11(b))	4,373
Total cash consideration received	54,000

30. DISPOSAL OF SUBSIDIARIES *(Continued)*

Disposal during the period from 1 April 2015 to 31 December 2015 (Continued)

(c) Disposal of the Star Coal Group *(Continued)*

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration	54,000
Costs directly attributable to the disposal	(661)
Cash and cash equivalents disposed of	(43)
	53,296

31. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 2 August 2012.

Under the Scheme, the Board of Directors (the "Board") may at its discretion offer to any employee of the Group, any director (whether executive or non-executive and whether independent or not) of the Group, any adviser, consultant, supplier, distributor, contractor, agent, business partner, promoter, services provider or customer of the Group whom, in the sole discretion of the Board, has contributed or will contribute to the Group of the options to subscribe for shares in the Company in accordance with the terms of the Scheme and Chapter 23 of the GEM Listing Rules. The principal purposes of the Scheme are to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group. The Scheme commenced on 2 August 2012 and will end on the day immediately prior to the tenth anniversary thereof.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of issued share capital of the Company, or may not exceed a maximum of 30%, should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

31. SHARE OPTION SCHEME *(Continued)*

Share options granted under the Scheme where applicable to a director, chief executive, substantial shareholder or management shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme where applicable at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board under the Scheme, but may not be later than ten years after the date of the grant of the option. According to the Scheme where applicable, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK$1 is payable on acceptance of the grant of an option under the Scheme where applicable.

The exercise price will be determined by the Board under the Scheme, but may not be less than the higher of (i) the closing price of the Company's shares on the GEM of the Stock Exchange on the date of the options granted; (ii) the average of the closing prices of the Company's shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the options granted; and (iii) the nominal value of the Company's shares.

No option has been granted or exercised under the Scheme during the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015.

32. OPERATING LEASE COMMITMENTS

As lessee

The Group leases its office premises and staff's quarters under operating lease arrangements where applicable, with leases negotiated for terms ranging from one to twenty years. None of the leases includes contingent rentals.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**5,692**	7,865
In the second to fifth years, inclusive	**8,544**	8,525
Over five years	**2,903**	5,193
	17,139	21,583

33. CAPITAL COMMITMENT

As at 31 December 2016, the Group had contracted but not provided capital commitment of approximately HK$330,000 (31 December 2015: Nil) in respect of addition of property, plant and equipment.

34. RELATED PARTY TRANSACTIONS

Save for those transactions/information disclosed elsewhere in these consolidated financial statements, details of transactions between the Group and related parties are disclosed below.

Compensation for key management personnel, including amounts paid to the Company's directors and the senior executives, is as follows:

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
Salaries and other short-term employee benefits	**5,066**	3,244
Retirement benefit costs	**141**	75
	5,207	3,319

35. 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.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

36. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risk and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Group's financial business, and the operational risks are inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risk, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. The Group regularly reviews its risk management policies and procedures to reflect changes in markets and products.

The Directors are responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures related to risk management. The Group's relevant functional units are responsible for monitoring financial risks.

The main risks arising from the Group's business and financial instruments are market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk.

(a) Market risk

(i) Interest rate risk

As at 31 December 2016 and 2015, the Group has no bank borrowings with floating interest rate. The Group currently does not have a policy to hedge against the interest rate risk as management does not expect any significant interest rate risk as at the end of the reporting period.

The Group's other interest-bearing assets and liabilities are loans to customers, secured short-term bank borrowings and bank balances, which mostly bear fixed interest rate to generate cash flows independent from market interest rates or the interest to be earned/paid is expected to be insignificant. At the end of the reporting period, the remaining period to the contractual maturity dates of loans to customers are mainly within 6 months and all within 12 months (31 December 2015: within 6 months and 12 months), whilst maturity dates of secured short-term bank borrowings are within 12 months (31 December 2015: within 12 months).

(ii) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC and Hong Kong denominated in RMB and US$ respectively. As at 31 December 2016 and 2015, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies, i.e. RMB and US$, used by the respective group entities, or in the US$ for the respective group entities with HK$ being the functional currency.

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk *(Continued)*

(ii) Foreign currency risk *(Continued)*

As HK$ is pegged to US$, the Group considers the risk of movements in exchange rates between HK$ and US$ to be insignificant for transactions denominated in US$. The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2016 and 2015, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

(b) Credit risk

The Group takes on exposure to credit risk, which is the risk that the counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is primarily attributable to loans to customers, trade and other receivables and bank balances.

Significant changes in the economy, or in the health of real estate, automobiles and equipment and personal properties industry segment that represents a concentration in the Group's debtors portfolio, could result in losses that are different from those provided for as at the end of the reporting period. Management therefore carefully manages its exposure to credit risk.

Short-term financing business

Monitoring and measurement of credit risk over loans to customers are performed by the Risk Management Department and reported to the Group's senior management and the Directors.

(i) *Credit risk mitigation policies*

Pawn-broker business

The Group employs a range of policies and practices to mitigate credit risk. For pawnshop services, the most traditional of these is the taking of specific classes of collateral from customers. The principal collateral types for pawn loans to customers are:

- real estate, including land use rights, residential and commercial properties;
- automobiles and equipment;
- equity interest; and
- personal properties and inventories, including but not limited to precious metal and jewellery.

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk (Continued)

Short-term financing business *(Continued)*

(i) Credit risk mitigation policies (Continued)

Collateral

The Group implements guidelines on the acceptability of specific classes of collateral. The amount of acceptable collateral at the time of loan origination is determined by the Risk Management Department and is subject to loan-to-value ratio limits based on type and is monitored on an ongoing basis by the Risk Management Department.

Collateral are initially assessed by business department and are then independently evaluated by Risk Management Department. The Group puts in place procedures to validate the authenticity of the legal title documents of the collateral assets pledged in particular for real estate properties. The Group has also experienced specialists to assess precious metal and jewellery. Evaluation of collateral is normally conducted with reference to market prices and the condition of the collateral itself. Evaluations from a registered independent professional appraiser may be requested for collaterals that are more difficult to value internally.

The Group implements safe custody measures on the collateral pledged and these collaterals are stored in a security vault at the relevant chain outlets or branches under the business department. Alarm systems are installed connecting directly to police stations at each of the pawn and micro-financing brokering chain outlets.

Micro-financing business

For the Group's micro-financing business, the Credit Approval Committee reviews the credit assessment of the customer's repayment ability and willingness, financial and operating conditions by the Business Department and approves the granting of loan facilities to the corporate and personal customers. The credit assessment and evaluation conducted by the Business Department involves the collection and evaluation of the applicants' credit standing and financial information, coupled with other means of investigations which include quantitative and qualitative analysis of the borrowers' financial conditions and operational activities and the guarantors where applicable primarily through on-site investigation.

The Group manages credit risks of its existing loan portfolio on an individual basis through a team of designated customer officers within the Business Department who conduct post monitoring measures including the monitoring of loan repayment status and the latest developments and changes in the borrowers' business and financial conditions during the loan period so as to early detect indication of default risk of the borrowers and report to Credit Approval Committee for any risk mitigation measures where appropriate.

The Group employs a range of policies and methods to mitigate credit risk, including primarily, taking collateral, which may include land use rights and building and obtaining guarantee from companies or individuals/shareholders of the corporate borrowers for the Group's micro-financing business.

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk (Continued)

Short-term financing business *(Continued)*

(ii) Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses that have incurred as at the end of the reporting period based on objective evidence of impairment.

The Group's credit risk management policies require the review of individual outstanding loans at least semi-annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at date of the statement of financial position on a case-by-case basis. The assessment normally encompasses collateral held and the anticipated receipts for that individual account, taking into account the customer's financial standing, current ability to pay, quality and value of collateral, past experience, the financial standing of the third party guarantor, and information specific to the customer as well as pertaining to the economic environment in which the customer operates. Personal property backed pawn loans are not individually significant so as to warrant an individual assessment.

Collectively assessed impairment allowances are provided for: (i) portfolios of outstanding loans that have been individually assessed with no objective evidence of impairment by homogenous collateral type; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques. Please refer to Note 20 for individually assessed and collectively assessed impairment allowances arising from loans to customers.

At the end of the reporting period, the Group had a concentration credit risk as 6% (31 December 2015: 6%) and 22% (31 December 2015: 28%) of the total loans to customers (net) were made up by the Group's largest loan customer's and the five largest loan customers' outstanding balances respectively.

Other businesses

At the end of the reporting period, majority of the Group's bank deposits is placed with renowned financial institutions and the credit risk is considered low. The Group has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance, if any, and the Directors are of the opinion that adequate allowance for uncollectible receivables if needed has been made in these consolidated financial statements.

(c) Liquidity risk

The Group's policy to manage liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents. The Group's primary cash requirements have been for making advances for loans to customers and payments of operating costs and outstanding debts. The Group finances its working capital requirements through funds generated from operations and fund raising exercises. The management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected future cash flows.

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) *Liquidity risk* (Continued)

The following table details the remaining contractual maturities as at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating based on rates current as at the end of the reporting period) and the earliest date the Group can be required to pay.

	31 December 2016			
	Total carrying value HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	1–5 year(s) HK$'000
Accrued expenses, other payables and deposits received	15,087	15,087	15,087	–
Interest-bearing borrowing (Note)	11,834	11,893	11,893	–
Promissory notes	19,779	26,400	1,600	24,800
Convertible bonds	518,324	654,360	–	654,360
	565,024	707,740	28,580	679,160

	31 December 2015			
	Total carrying value HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	1–5 year(s) HK$'000
Accrued expenses, other payables and deposits received	16,746	16,746	16,746	–
Interest-bearing borrowing (Note)	4,775	5,060	5,060	–
Promissory notes	34,360	49,000	2,800	46,200
Convertible bonds	476,450	654,360	–	654,360
	532,331	725,166	24,606	700,560

Note: The amount repayable under a bank loan agreement that includes a clause that gives the bank an unconditional right to call the loan at any time is classified under the category of "within 1 year or on demand". However, the Directors do not expect that the bank would exercise such right to demand the repayment and thus the borrowing, which included the related interest, would be repaid according to the above schedule as set out in the loan agreement.

37. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis as at 31 December 2016 and 2015 across the three levels of the fair value hierarchy defined in HKFRS 13, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Assets and liabilities measured at fair value

	As at 31 December 2015			
	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Liability measured at fair value				
Contingent consideration				
– consideration shares (Note 29)	27,382	–	–	27,382

The details of the movements of the recurring fair value measurements categorised as level 3 of the fair value hierarchy are as follows:

	Contingent consideration – consideration shares HK$'000
As at 1 April 2015	–
Transfers into level 3	62,500
Settlements	(9,544)
Changes in fair value recognised in profit or loss during the period	(25,574)
As at 31 December 2015	27,382
Changes in unrealised gains for the period included in profit or loss for liabilities held as at 31 December 2015	25,574

The fair value gain on contingent consideration – consideration shares is recognised in the line item on the face of the consolidated income statement.

37. FAIR VALUE MEASUREMENTS *(Continued)*

(a) *Assets and liabilities measured at fair value (Continued)*

The description of sensitivity of changes in unobservable inputs for recurring level 3 fair value measurements, are as follows:

Liability	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Contingent consideration – consideration shares	Income approach	Forecasted income	The higher the forecasted income, the higher the fair value
		Forecasted expense	The higher the forecasted expense, the lower the fair value

The descriptions of the valuation techniques and inputs used in fair value measurement for contingent consideration – consideration shares were detailed in Note 29 respectively.

(b) *Assets and liabilities with fair value disclosure, but not measured at fair value*

The carrying amounts of financial assets and liabilities that are carried at amortised costs are not materially different from their fair value at the end of the reporting period.

38. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 9 January 2017, convertible bonds at a conversion price of HK$0.35 per share with principal value of HK$42,000,000 have been converted into 120,000,000 new ordinary shares of the Company.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		443	820
Interests in subsidiaries	18	–	55,003
Total non-current assets		443	55,823
Current assets			
Prepayments, deposits and other receivables		2,246	1,691
Amounts due from subsidiaries	18	517,604	708,106
Cash and cash equivalents		2,434	29,988
Total current assets		522,284	739,785
Current liabilities			
Accrued expenses and other payables		871	1,940
Total current liabilities		871	1,940
Net current assets		521,413	737,845
Total assets less current liabilities		521,856	793,668
Non-current liabilities			
Promissory notes		19,779	34,360
Convertible bonds – liability component		518,324	476,450
Total non-current liabilities		538,103	510,810
Net (liabilities) assets		(16,247)	282,858
Capital and reserves			
Issued capital		11,812	11,547
Reserves	(a)	(28,059)	271,311
(Capital deficiency) total equity		(16,247)	282,858

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Convertible bonds reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2015	454,681	131,109	120,794	798,828	–	(1,249,384)	256,028
Loss for the period and total comprehensive loss for the period	–	–	–	–	–	(29,280)	(29,280)
Transactions with owners							
Recognition of the final settlement value of contingent shares upon fulfilment of guaranteed profit	–	–	–	–	9,544	–	9,544
Conversion of convertible bonds	68,180	–	–	(44,738)	–	–	23,442
Subscription of new shares	11,577	–	–	–	–	–	11,577
Total transactions with owners	79,757	–	–	(44,738)	9,544	–	44,563
As at 31 December 2015 and 1 January 2016	534,438	131,109	120,794	754,090	9,544	(1,278,664)	271,311
Loss for the period and total comprehensive loss for the period	–	–	–	–	–	(299,105)	(299,105)
Transactions with owners							
Issuance of new shares upon fulfilment of guaranteed profit	9,279	–	–	–	(9,544)	–	(265)
Total transactions with owners	9,279	–	–	–	(9,544)	–	(265)
As at 31 December 2016	543,717	131,109	120,794	754,090	–	(1,577,769)	(28,059)

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December 2016 HK$'000	Nine months ended 31 December 2015 (Restated) HK$'000	Year ended 31 March 2015 (Restated) HK$'000	2014 (Restated) HK$'000	2013 (Restated) HK$'000
Revenue					
Continuing operations	**111,927**	103,395	122,589	–	–
Discontinued operation	**4,730**	46,603	78,158	90,159	95,447
	116,657	149,998	200,747	90,159	95,447
(Loss) Profit before income tax from continuing and discontinued operations	**(273,154)**	33,759	(938,326)	(62,550)	(24,507)
Income tax credit (expense) from continuing and discontinued operations	**21,380**	(13,158)	(20,675)	904	(764)
(Loss) Profit attributable to:					
Owners of the Company	**(254,406)**	19,000	(959,988)	(61,057)	(25,654)
Non-controlling interests	**2,632**	1,601	987	(589)	383
(Loss) Profit for the year/period	**(251,774)**	20,601	(959,001)	(61,646)	(25,271)

ASSETS AND LIABILITIES

	As at 31 December 2016 HK$'000	As at 31 December 2015 (Restated) HK$'000	As at 31 March 2015 (Restated) HK$'000	2014 (Restated) HK$'000	2013 (Restated) HK$'000
Non-current assets	**12,411**	335,862	349,149	10,157	12,334
Current assets	**536,254**	503,594	473,320	17,162	27,112
Assets held for sale	**–**	52,530	235,509	202,816	237,533
Current liabilities	**29,006**	23,867	113,038	16,397	3,698
Liabilities held for sale	**–**	7,177	63,971	42,927	68,791
Net current assets	**507,248**	525,080	531,820	160,654	192,156
Non-current liabilities	**538,103**	578,021	611,723	–	–
(Capital deficiency) total equity	**(18,444)**	282,921	269,246	170,811	204,490

Note: The revenue figures have been re-presented as if the coal trading business segment, property investment business segment and development and sales of software segment had been discontinued during the years ended 31 March 2013, 2014, 2015, nine months ended 31 December 2015 and year ended 31 December 2016 respectively, the earliest period presented.