Annual Report 2016

中金投集团
China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 605)

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Luo Rui *(Chief Executive Officer)*
Madam Guan Xue Ling
Mr. Cheung Chai Hong

Non-executive Directors

Mr. Chan Yuk Ming *(Chairman)*
Mr. Cheung Siu Lam
Mr. Zhang Xiaobin
Madam Huang Mei

Independent Non-executive Directors

Mr. Chan Chun Keung
Mr. Wang Jian Sheng
Mr. Chan Wing Fai
Mr. Zhang Xiao Jun

COMPANY SECRETARY

Mr. Chung Chin Keung FCCA, FCPA, ACA, CTA

AUDITORS

Crowe Horwath (HK) CPA Limited

AUDIT COMMITTEE

Mr. Chan Wing Fai *(Chairman)*
Mr. Chan Chun Keung
Mr. Wang Jian Sheng
Mr. Zhang Xiao Jun

REMUNERATION COMMITTEE

Mr. Chan Wing Fai *(Chairman)*
Mr. Chan Chun Keung
Mr. Wang Jian Sheng
Mr. Zhang Xiao Jun

NOMINATION COMMITTEE

Mr. Cheung Siu Lam *(Chairman)*
Mr. Chan Chun Keung
Mr. Wang Jian Sheng
Mr. Chan Wing Fai
Mr. Zhang Xiao Jun

PRINCIPAL BANKER

Bank of Beijing

SHARE REGISTRAR

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

REGISTERED OFFICE

Suite 5606
56th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

STOCK CODE: 605

WEBSITE

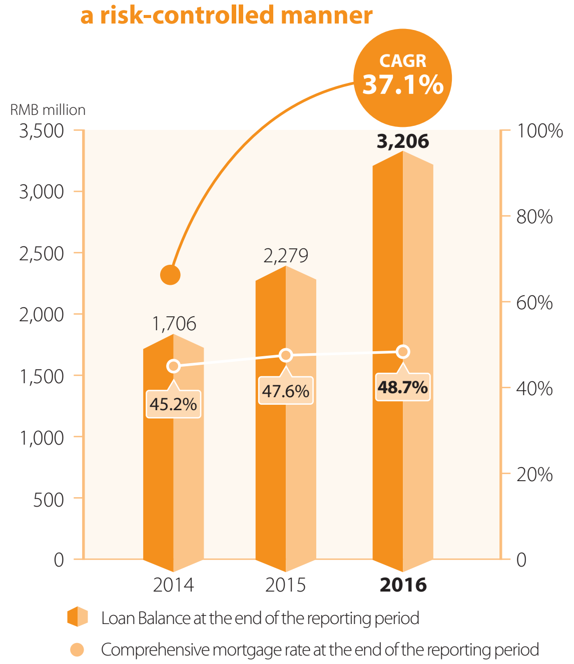
www.cfsh.com.hk

INVESTORS RELATION

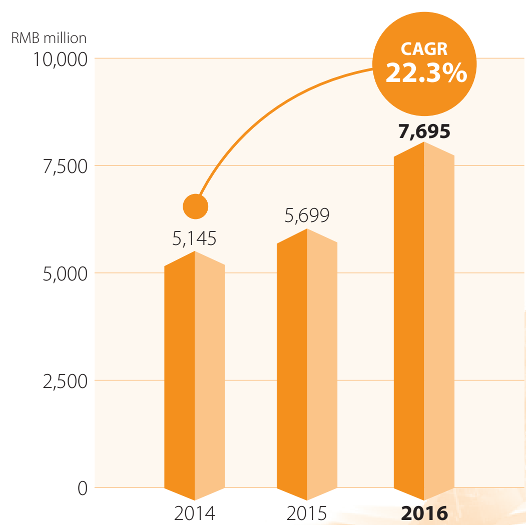
0605ir@cfsh.com.hk

	For the year ended 31 December 2016 HK$'000	2015 HK$'000	Percentage change %
Interest and services income	**680,282**	725,490	(6.2)
After-tax operating profit attributable to equity shareholders (excluding effect on share-based payment expenses)	**341,689**	359,964	(5.1)
ROE (After tax operating profit attributable to equity shareholders/(Total equity attributable to equity shareholders-Goodwill))	**14.1%**	15.4%	(8.4)
Profit for the year attributable to equity shareholders of the Company	**329,958**	345,815	(4.6)
Basic earnings per share (HK cents)	**8.592**	9.443	(9.0)

Loan Balance expanded rapidly in a risk-controlled manner



Accumulated loan size increased rapidly



CHAIRMAN'S STATEMENT

2016 inaugurated the Group's aggressive approach to turn itself into an integrated financial service provider. Under the massive trend of domestic and overseas Chinese's asset deployment abroad and the emergence of domestic middle class, the Group is of the view that they can provide excellent opportunities for developing the loan business to offer overseas asset deployment services, which enables the Group to usher in a new wave of growth.

In May 2016, the Group obtained the Type 4 (advising on securities) and Type 9 (asset management) licenses from the Securities and Futures Commission of Hong Kong. In addition, Fosun Hani (a subsidiary of Fosun Group) and Qian Long Capital jointly established the Fosun Hani Kronos Credit Fund, which hopes to securitize the mortgage loans in Hong Kong, while the same time provides private credit products with stable returns to professional investors. We also expect this cooperation can improve the Group's credit capacity effectively, further reduce our financing costs.

Meanwhile, the Group established a comprehensive strategic cooperation with Fosun Hani, which includes the cooperation to develop the China and overseas wealth management business, identification of potential acquisition opportunities in financial technology and wealth management through joint investment, as well as cooperation in micro-lending business. Apart from Fosun Group, the Group is also actively seeking strategic cooperation with large-scale enterprises, with an objective to broaden customer base to provide asset deployment and wealth management services to Chinese all over the world.

The rapid development of Internet has changed the operation model of the financial service market. The Group is actively leveraging on Internet to expand its customer base and making use of Internet resources to collect customer information and expand its business. We strive to explore Internet channels and positively identify acquisition opportunities to develop the financial technology business, which also hope to explore the Internet micro-lending platform to provide financial services to customer groups in different regions and categories.

2017 is an important watershed for the Group's diversified business development. In the context of global asset deployment, the Group will actively seek for more overseas acquisitions and business development opportunities and move toward to become an international financial service platform. I would like to take this opportunity to express my sincere thanks to all the directors and staffs, thanks for the wise counseling and diligent works in 2016 which was full of challenges. I would also like to express my gratitude to all shareholders and customers for their continuous trust and support. They are our limitless source of energy in inspiring our growth and innovation.

Chan Yuk Ming
Chairman

Hong Kong, 28 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Company Profile

China Financial Services Holdings Limited ("CFS") is an investment management company providing diversified financial services, and is listed on the Main Board of Hong Kong Stock Exchange for over two decades. Over the years, it has abided the enterprise concepts of "Honesty and Pragmatic, Diligence and Enterprising, Innovation and Development, Cooperation and Mutual Benefits", and committed to providing SMEs with customized financing schemes. The services include short-term financing services (i.e. pawn loans and small loans) and financial guarantee services, striving to solve the financing difficulties of SMEs in Mainland and Hong Kong as well as individual customers. The Group has a perfect and professional risk management system in place, and its comprehensive financial service enterprises include small loan companies, pawnshops, financing guarantee companies, assets management companies and fund management companies with an annual accumulated lending capacity of HK$8,602,399,000 achieved.

We believe that environmental, social and corporate governance policies are closely connected to our sustainable development. We do not only create a seamless financial service network linking up domestically and abroad, but also taking up social corporate responsibility from inside out to maintain good relationship with employees, and expect to promote corporate governance while at the same time, continue to carry out environmental protection and participate in community construction.

Concepts and Principles

This report discloses CFS's performance regarding its business in Beijing, China and Hong Kong in the environmental, social and governance aspects from 1 January 2016 to 31 December 2016 (the "Year") and conducted the review thereof.

CFS's environmental, social and governance report (the "Report") illustrated the Group's sustainable development concepts, relevant measures, results performance and future prospects, responding our expectation from all walks of life in accordance with the Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange"). As stated in the amendment of the guide in 2015, parts of the regulations will become effective in 2016 and 2017 Financial Year respectively. The preparation of this report is based on such guide. Furthermore, the guide requires that the period covered by the relevant materials disclosed by the issuer should be the same period of time as the annual report, hence, the reporting period is the same as the Group's financial year.

The data and information in this report is derived from documents filed, its records and statistics. For the resources and efforts we spent for the report, we paid great attention to the environmental, social and governance results, and expressed our determination to put sustainable development into our daily operation. Should you have any feedback about this report, please send e-mail to 0605ir@cfsh.com.hk, so that we could keep up with the Joneses and do better and better.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 Operation and Governance

1.1 Sound Governance Structure

CFS believes that good corporate governance can lead us to the road of success and sustainable development. CFS has maintained an excellent governance standard for a long time. It keeps on improving the rules and regulations of the Company, establishing a foundation of corporate governance structure, assuring to make appropriate operational decisions, and maintaining the long-term interest of all shareholders.

The board of directors of CFS comprises 11 directors, and all directors have extensive operation experience and professional capabilities, who are able to make independent and objective decisions and fully monitor the management. At the same time, the board of directors sets up the execution committee, audit committee, remuneration committee and nomination committee. Each committee has its own responsibility and actively maintains the interests of the Company and also the minority shareholders.

CFS deeply understands the importance of establishment partner relationships with investors. During the year, the board of directors contacted market investors actively, and established good relationship with them and other market players. The activities include:

1. Communicate, contact and enhance recognition – We invited about 30 institutions for communication purpose, increased our capital market exposure rate, and enhanced CFS's recognition among investors.

2. Actively participate in investment summit – We attended 4 summits that were held domestically and abroad, communicated with over a hundred institutions and had effectively promoted the Company's image in capital market.

3. Hold large-scale results promotion campaign – We held 2 large-scale investors' results explanatory sessions, and carried out promotion campaign activities regarding CFS's annual and interim results during the period, and approximately 30 institutions were being invited.

4. Nationwide roadshows coverage – We held 4 nationwide results roadshows, including some important capital markets, namely Hong Kong, Shanghai and Beijing, and conducted in-depth communication with 25 institutions in different ways.

5. Focus on market industry performance – We issued about 20 news supervising or summary reports, demonstrating our grasp and control over capital market.

1.2 Restriction of Internal and External Systems

CFS set up a compliant and improved management system in accordance with Listing Rules, Securities and Futures Ordinance and Companies Ordinance. The Group's governance was also in compliance with the Company Law of the PRC, and established a compliant management system, maintained the legitimate rights and interests of Company's shareholders. We will continue to accumulate experience, and gradually perfect our corporate governance system according to responsibilities with terms of reference.

1.3 Improvement on Risk Management

CFS has always been committed to improving the risk management system and monitoring the operation and business risks of the Company overall, for the purpose of balancing risks and continue to create value for shareholders, staff and customers. During the year, the Group actively and strictly approved every loan to control bad debt risk. We also reduced the average loan size to about HK$4,700,000, aiming to increase the number of customers and reduce concentration risk.

Firstly, we strictly controlled the quality of asset pledged projects. All of our pledged assets are located in first-tier cities such as Beijing and Shanghai, assuring its good asset quality.

In addition, all applications under the Group are required to go through various stringent approval procedures, including background investigation, due diligence and project approval so as to reduce potential investment risks and support the further expansion of quality enterprises. For different categories of financing, we also implemented different approval standards according to the characteristics of such category. The project leader is the principal of post-loan management, who monitors the daily information with the assistance of risk management department, analyses operational and financial information regularly and pays on-site visit, and adopts follow-up survey on any significant change or adverse information on the enterprise to ensure the healthy development of our financing business.

Our professional risk control team is managed by audit committee which comprises independent non-executive directors. The committee reviews regularly the sufficiency and effectiveness of the risk control system and its related procedures.

1.4 *Duly process information*

CFS has always adhered to the "Customer First" vision, focused on protecting customer's privacy. With our rapid business growth, increasing complexity of our application system, database, operating system and computer network, information resources have become an essential factor for our development. In addition, global enterprises are facing the challenges of data management, including problems such as complex information privacy protection, decentralized identification, visit management and ever-changing hidden security exposures. It is also required to satisfy the internal and external compliance requirements. Therefore, the Group strives to implement the following measures to tackle the current and future challenges on information security.

1.4.1 *Internal Protection Regulations*

We keep on improving the internal information confidentiality management mechanism of the Group. By integrating with our business situation, we prepared and strictly managed information confidentiality with reference to the spirit of the Secrecy Law and Interim Provisions on Computer Information System Security Management of the government. We specified the informed scope and authority of the information obtained by staff, required staff to sign confidentiality agreement and commit confidentiality responsibility in his/her position, enhanced information confidentiality awareness of all staff, and protected customer information security.

1.4.2 *Duly Record Information*

We assured all customer information files on accounts opening, changes and closing, customer complaint files and other business records are duly recorded, saved and backed up according to domestic related laws, ensured the authenticity and reliability of electronic data, and at the same time, adopted effective measures to prevent tampering or damaging of electronic data.

CFS is fully aware of the importance of information security and also understands information protection is a long-term and tough management works. Hence, we actively promoted related works, enhanced management efficiency and security, aiming to achieve our long-term strategic goal and good reputation.

1.5 Enhancement on Integrity Education

To maintain a healthy working general practice of the Company, we clearly define the responsibilities of different positions to ensure staff can have an understanding of their authority. Meanwhile, we are committed to promoting the Company to value professional ethics and improving enterprise moral standard.

1.5.1 Anti-corruption

CFS has a zero-tolerance attitude towards all behaviours of infringing professional integrity. We strive to maintain constant professional integrity within the Group and will never tolerate any person who is in breach of the Group's operation discipline. Internally, CFS has established rules and regulations (Internal Control Guidance, Confidentiality Management System, Staff Manual) and reviewed regularly to ensure employees' understanding of their responsibilities and codes of conduct of their positions, and prevent contract fraud, jobbery, leakage of confidential information, insider trading and other unlawful practices. We also promote observing professional ethics establishment by our staff, and extend these specialized cultures to every aspect of the Group to maintain the orderly operation of our entire working system.

1.5.2 Intellectual Property Protection

CFS will never tolerate any behaviour of intellectual property rights infringement.

With regard to external infringement behaviour, during the year, the Group discovered that the labels used by some wealth management websites were identical or similar to the Group's registered trademark, which may be misleading to our customers. To safeguard customer interests, we issued a statement promptly to reiterate the legality of the Group's registered trademark (registration number: 10594334 and 10594360), give serious warnings to those persons who used the trademarks or labels that were identical or similar to the Group's registered trademark without any authorization, and reserved our right to take any action against suspected infringement acts to safeguard our legitimate rights and interests. We also appealled to customers to cautiously identify the Group's trademark and website domain name through various channels to prevent the fraudulent trap made by lawbreakers, aiming to consolidate the healthy business development of the Group.

2 Environment and Safety

CFS has always been attaching importance to the environment and staff related issues. To this end, we continuously promote the concept of ecological civilization, begin to develop the industries we invested into green business, and explore and promote green economic development from a brand-new perspective. At the same time, we also committed to promoting the construction of an equitable and healthy corporate culture to enable staff to work in a comfortable and carefree environment and assure them the opportunities of full demonstration of their abilities.

2.1 Creating Green Finance

Green finance has already been incorporated into national planning, which includes the "Overall Plan for the Reform of Eco-civilization System"(《生態文明體制改革總體方案》) issued by CPC Central Committee and the State Council, "Guidelines for Establishing the Green Financial System"(《關於構建綠色金融體系的指導意見》) jointly issued by the People's Bank of China, Ministry of Finance and other five ministries and commissions during the year as well as the green financial agenda put forward under the G20 Summit. In light of this, CFS also fully devoted its efforts to facilitate the sustainable development of the society and implemented the "Three No" policy: no investment in enterprises with serious environmental pollution and impact, no investment in enterprises with fall behind technology and no investment in enterprises with safety risks. We hope that this small token can pave a green avenue for the general society and the economy.

2.2 Constructing Green Operation

CFS also spares no effort in carrying out environmental protection in its operation. We continued to support green office and promote energy conservation in office area. We even implemented various measures, including sharing office equipment, setting recommended range for air conditioning temperature, practicing paperless office through digitalization, popularizing cross-border meetings through telephone, video and other teleconferences and reducing the impact on environment due to air travel. In addition, we recommend the use of recyclable products, such as recycled papers, and recycle damaged office and electronic products for effective cyclical use, and achieved positive environmental protection results.

3 Employment and Remuneration

CFS has always been adhering to the "People-oriented" philosophy, listens carefully to employees' voice, provides an equal, open and lively working environment and supports every employee in stepping on the dream journey of creating personal achievement, aiming to promote mutual trust and cooperation between the two sides and sharing fruitful results.

3.1 Compliance Recruitment and Employment

CFS follows the principle of appointing talented people during the recruitment process. We perform legal recruitment procedures and entry formalities by complying with the national and local laws and regulations related to labour and personnel. The Company will not make any decision on employment, remuneration, training opportunities, promotion, dismissal or retirement based on factors such as ethnic, race, nationality, religious belief, gender and age of candidates or employees, so as to forbid any discrimination within the Company. The Group also eliminates the unlawful acts such as the use of child labour and forced labour. During the year, there was no discrimination incident or any use of child labour and forced labour occurred in CFS.

We are also determined to provide staff with more deployment opportunities to enable them to have more room for learning and promotion. Whenever there is a job vacancy, we will select suitable internal employees for position deployment first, and then fill the vacancy through external recruitment.

3.2 Staff Benefits Protection

All recruitment contracts and codes in CFS are based on Labor Law, Labor Contract Law, Employment Promotion Act, Employment Ordinance and other laws and legal regulations of the People's Republic of China. We entered into contracts in accordance with laws, implemented respective national labour systems practically, including approving paid holidays applications, issuance of full-amount salaries upon scheduled time, provision of "Five Insurances", namely Endowment Insurance, Medical Insurance, Unemployment Insurance, Occupational Injury Insurance and Maternity Insurance for staff in compliance with respective local laws, and concerns about assuring staff housing benefits through full-amount contributions of housing provident fund. CFS would also perform remuneration adjustment according to local minimum salary and living standard to enable all staff to fully devote to work.

3.3 *Elimination of Internal Discrimination*

CFS also attaches importance to sexual equality, adopted same remuneration standard and structure for male and female staff and applied the same method in determining remuneration. For protecting the rights of female staff, the Group also complied with the Special Provisions on Labor Protection for Female Workers of the State Council of the People's Republic of China and provided due positions, resting time, gestation and procreation facilities for pregnant female staff, they also entitle to enjoy maternity leave, procreation allowance and other benefits. We adopt diversified recruitment forms and the ethnicity of employees does not affect the actual use of work force in our recruitment and employment process. The Company currently has two employees of ethnic minorities, and no disabled person is employed. The Company has paid employment security fund for the disabled according to laws.

3.4 *Attraction and Retaining Talents*

For the purpose of establishing an incentive-binding system pegging position with performance, the Group prepared a series of remuneration management, performance appraisal and rewards and penalty management systems pursuant to the Labour Law of the People's Republic of China, so as to enable the Company's operation to conform to national and regional policies. The competitive remuneration portfolio and bonus rewards commensurate with individual's responsibility, qualifications, experience and performance, assuring that staff remuneration benefits are market competitive and at reasonable level. The headquarters of the Group had relevant reward mechanism in place to reward staff or teams with prominent contributions to the Company, which would further encourage staff to work aggressively and retain outstanding talents.

3.5 *Friendly Working Environment*

CFS also paid attention to the establishment of a harmonious and friendly working environment for staff. During the year, we hosted and held certain intercompany groups and activities, including basketball club, yoga club, badminton competition, enhance cohesion and with united spirit. The reading room in Beijing office enables staff to have self-study when off duty who endeavors to progress.

3.6 *Transparent Employed Staff Headcount*

In 2016, our offices in Beijing and Hong Kong had employed a total of approximately 172 employees, and labour contract signing rate of the Company was to 100%.

3.7 Staff development training

CFS cherished each and every employee and believed that employees could grow up constantly with the expansion of the Group's business. Furthermore, the Group provided targeted, systematic and forward-looking trainings for staff to explore staff's potential to complement with the sustainable development of the Group.

In 2016, total training hours of the Group were 100 hours and total number of staff participating at respective level was 325. The trainings of the Group could be classified as general, managerial and professional programmes.

We will continue to comply with the employment rules to maintain a normal staff turnover rate and set up a safe, stable and friendly working environment. At the same time, we will provide trainings and development for staff to attract and retain talents and constantly review and improve our training programmes to give staff the opportunities to further study and develop and cooperate with the future business development of the Group, enabling the Group and the staff to jointly compose a promising future.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board of Directors (the "Board") of the Company is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company and its subsidiaries (the "Group") to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Board is of the view that throughout the year ended 31 December 2016, the Company has complied with most of the code provisions as set out in the CG Code, except for code provision A.1.1, A.2.1, A.6.1 and E.1.2 and details will be set out below.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the "Company Code" throughout the year ended 31 December 2016.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Board of Directors

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a director to perform his responsibilities to the Company, and whether the director is spending sufficient time performing them.

Board Composition

The Board currently comprises eleven directors, consisting of three executive directors, four non-executive directors and four independent non-executive directors, as follows:

Executive Directors
Mr Luo Rui *(Chief Executive Officer)*
Madam Guan Xue Ling
Mr Cheung Chai Hong

Non-executive Directors
Mr Chan Yuk Ming *(Chairman)*
Mr Cheung Siu Lam[5]
Mr Zhang Xiaobin
Madam Huang Mei

Independent Non-executive Directors
Mr Chan Chun Keung[2, 4, 6]
Mr Wang Jian Sheng[2, 4, 6]
Mr Chan Wing Fai[1, 3, 6]
Mr Zhang Xiao Jun[2, 4, 6]

1 Audit Committee Chairman
2 Audit Committee Members
3 Remuneration Committee Chairman
4 Remuneration Committee Members
5 Nomination Committee Chairman
6 Nomination Committee Members

The biographical information of the directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 30 to 35 of the annual report for the year ended 31 December 2016.

The relationships between the directors are disclosed in the respective director’s biography under the section “Biographical Details of Directors and Senior Management” on pages 30 to 35.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr Chan Yuk Ming, and the Chief Executive Officer is Mr Luo Rui. With the support of the senior management, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Code provision A.2.1 of the CG Code stipulates that the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Board considers that the Chairman's responsibilities are to manage the Board whereas the Chief Executive Officer's responsibilities are to manage the Company's businesses. The responsibilities of the Chairman and the Chief Executive Officer respectively are clear and distinctive and hence written terms thereof are not necessary.

Independent Non-executive Directors

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors are independent.

Appointment and Re-election of Directors

The non-executive directors of the Company are appointed for a specific term of 1 year, subject to renewal after the expiry of the then current term.

The Company's articles of association provides that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

Under the articles of association of the Company, at each annual general meeting, one-third of the directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. The retiring directors shall be eligible for re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

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

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against directors arising out of corporate activities.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Code provision A.6.1 of the CG Code stipulates that every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

There is currently no arrangement in place for providing professional briefings and training programmes to directors. Nevertheless, the directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company would consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors whenever necessary.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2016, a summary of training received by directors according to the records provided by the directors is as follows:

Directors	**Training on Corporate Governance, Regulatory Development and Other Relevant Topics**
Executive Directors	
Luo Rui *(Chief Executive Officer)*	✓
Guan Xue Ling	✓
Cheung Chai Hong	✓
Non-executive Directors	
Chan Yuk Ming *(Chairman)*	✓
Cheung Siu Lam	✓
Zhang Xiaobin	✓
Huang Mei	✓
Independent Non-executive Directors	
Chan Chun Keung	✓
Wang Jian Sheng	✓
Chan Wing Fai	✓

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees and posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review, in respect of the year ended 31 December 2016, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice.

Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met twice to make recommendation to the Board on the remuneration packages of the independent non-executive director and non-executive director appointed during the year.

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications and experience necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held two meetings to consider and recommend to the Board on the appointment of Mr Chan Wing Fai as independent non-executive director and Mr Chan Yuk Ming as non-executive director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Meetings and Directors' Attendance Records

Code provision A.1.1 of the CG Code stipulates that at least four regular Board meetings at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary. The Board held two regular board meetings during the year ended 31 December 2016 for approving the final results for the year ended 31 December 2015 and interim results for the period ended 30 June 2016 and transacting other business.

Attendance Records of Directors

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2016 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Luo Rui	1/6	–	–	–	1/1
Guan Xue Ling	2/6	–	–	–	1/1
Cheung Chai Hong	6/6	–	–	–	1/1
Chan Yuk Ming[a]	–	–	–	–	–
Cheung Siu Lam	4/6	–	–	1/2	0/1
Zhang Xiaobin	0/6	–	–	–	0/1
Huang Mei	1/6	–	–	–	0/1
Wang Jian Sheng	0/6	0/2	1/2	2/2	0/1
Chan Chun Keung	3/6	1/2	2/2	2/2	0/1
Chan Wing Fai[b]	2/3	1/1	1/1	1/1	–
Tsang Kwok Wai[c]	1/2	1/1	0/1	0/1	0/1

a Mr Chan Yuk Ming was appointed as a non-executive director of the Company on 30 September 2016.

b Mr Chan Wing Fai was appointed as an independent non-executive director, chairman of the Audit Committee and Remuneration Committee and member of the Nomination Committee of the Company on 27 May 2016.

c Mr Tsang Kwok Wai retired as an independent non-executive director, chairman of the Audit Committee and the Remuneration Committee and member of the Nomination Committee of the Company at the conclusion of 2016 annual general meeting on 27 May 2016.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records, risk management control and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the risk management and internal control systems on an ongoing basis. A bottom-up approach was employed for identification, assessment and mitigation of risk at all business unit levels and across all functional areas.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The key elements of the risk management and internal control systems of the Company include the establishment of a register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk assessment approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievement of its objectives. The judgement of the risk is mainly determined in accordance with the likelihood of occurrence and consequence of occurrence of the risk.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2016, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Board and the management of the Company takes all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. In the event that there is evidence of any material violation of the policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 49 to 56.

Auditors' Remuneration

During the year under review, the remuneration paid to the auditors of the Group, is set out below:

Service Category	**Fees Paid/ Payable**
Audit and Other Services	HK$1,994,000

Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening a General Meeting

General meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance").

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Company's articles of association, for convening a general meeting.

Putting Forward Proposals at General Meetings

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Company's articles of association, for circulating a resolution for annual general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Suite 5606, 56/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (For the attention of the Company Secretary)
Fax:	(852) 2598 8305
Email:	0605IR@cfsh.com.hk

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Code provision E.1.2 of CG Code stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegates to attend. These persons should be available to answer questions at the annual general meeting.

The chairman of the board and the chairman and members of committees were not able to attend the 2016 annual general meeting due to personal matters.

During the year under review, the Company has not made any changes to its articles of association. An up to date version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

On behalf of the Board
Chan Yuk Ming
Chairman

Corporate Calendar

Year 2016

May 2016	Qian Long Assets Management Company Limited, a wholly-owned subsidiary, successfully acquired Type 4 (Advising on Securities) and Type 9 (Asset Management) licenses issued by Hong Kong Securities and Futures Commission, and became a Hong Kong financial institution with the qualification of asset management business and wealth management service.
May 2016	the "Award for Facilitating Industry Development 2012-2015" awarded by Beijing Pawn Industry Association.
June 2016	Fosun Hani and the Company to start strategic cooperation on the fund/asset management level.
July 2016	"Influential Brand in 2016" awarded by China Finance Summit.
September 2016	CFSH Urban Development (Beijing) Small Loan Co., Ltd, a non wholly-owned subsidiary of the Company, was granted a comprehensive facility of RMB200 million by Bank of Beijing Co., Ltd, up to the end of December 2016, the balance of the borrowing is RMB60 million.

Industry Review

Looking back to 2016, the global macro economy witnessed certain instability. The election of Trump as president of the United States casted volatility to the economic protection measures and trade policies implemented by China, even the world, and the global economy, and the impact on the PRC economy and export was still uncertain. Coupled with interest rate hike in the United States and Brexit, the uncertainties were brought to the global economy and demand situation. The RMB against US$ depreciated by 6.67% in 2016. Meanwhile, in order to stabilize RMB exchange rate, the People's Bank of China continuously reduced the US$ foreign exchange reserves in 2016. In view of the instability in China and global economy, the domestic market's demand for the global asset allocation improved. The investors actively sought for overseas investment opportunities to diversify risks.

From it we can see huge business opportunities brought by the continuous rise in the global asset allocation service demand. As such, the Group will energetically expand the overseas business, including the overseas investment and children education fields, so as to provide diversified wealth management services and products. In face of a weak macro environment and instable global economy, the Group, as a SMEs financial service provider, will continuously endeavor to provide efficient and flexible financial services to SMEs, while working hard to develop the overseas asset allocation business to provide the high net worth customers with integrated financial services.

Business Review

Our Group is one of the leading integrated financial services providers in China and Hong Kong. We are mainly engaged in the provision of short-term financing services to small and medium enterprises, micro-enterprises and individuals.

Most mortgage loans granted to customers use real estate and automobiles as collateral. In connection with the outstanding loans, the pawn loans using real estate property as collateral accounted for a significant portion of the Group's short-term financing.

In 2016, the Group announced its intention of first overseas acquisition and expected more overseas acquisitions in 2017, which enriched the service lines offered to the global Chinese and was the first step for the Group to move towards becoming an integrated financial service provider and provide Chinese investors with overseas asset allocation services. In the future, the Group will provide diversified ancillary investment services and products based on the overseas asset allocation demand of domestic high net worth customers, including purchasing properties, immigration service, purchasing overseas investment products, legal services and children's education needs.

Outlook

The Group is committed to providing the global asset allocation services to Chinese at home and abroad with a limitless development outlook. The management is optimistic about the Group's long-term prospects, and continue to actively forge an integrated financial service provider, provide more diversified financial products, and seek new opportunities to maximize shareholders' value.

Financial review

For the year ended 31 December 2016 (the "Reporting Period"), the Group reported a revenue of approximately HK$680,282,000, representing a decrease of 6.2% from HK$725,490,000 as recorded in 2015. This was mainly due to the devaluation of RMB against HK$. Profit attributable to equity shareholders for the year ended 31 December 2016 was approximately HK$329,958,000, down 4.6% as compared to the corresponding figure last year. The loans receivable as at 31 December 2016 was about HK$3,583,629,000, up 8.0% as compared to the corresponding period last year.

Interest, guarantee and financing consultancy services income

Interest, guarantee and financing consultancy services income including interest income and services income for pawn loans, micro-lending and money lending amounted to approximately HK$203,687,000, interest and services income for designated loan receivable amounted to approximately HK$6,660,000, interest and services income for other loans receivable amounted to approximately HK$469,935,000.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK$91,906,000, representing a decrease by 13.0% compared to the corresponding figure in 2015.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK$128,658,000, primarily comprised staff costs, legal and professional fee, intermediary handling charges, share based expenses and rental expenses.

Profit for the year

The profit for the year attributable to equity shareholders for the Company was approximately HK$329,958,000, representing a decrease 4.6% as compared to approximately HK$345,815,000 for the corresponding period last year. There was a slight decrease in average interest and charge margin of the Group for the Reporting Period and devaluation of RMB for the Reporting Period also affect our profit figure when HK$ is used as reporting currency.

Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK$3,583,629,000, accounting for 78.5% of the total assets of the Group as at 31 December 2016. Other major assets include goodwill of approximately HK$577,230,000, accounts receivable of approximately HK$13,428,000, interests receivable of approximately HK$11,615,000, financial assets at fair value through profit or loss of approximately HK$17,817,000, other receivables, deposits and prepayments of approximately HK$46,384,000, available-for-sale investments of approximately HK$26,259,000, pledged bank and security deposits paid of approximately HK$4,615,000 and cash and cash equivalents of approximately HK$273,291,000.

Current liabilities mainly comprised short term borrowings of approximately HK$580,191,000, bank loans of approximately HK$77,076,000, security deposits received of approximately HK$10,764,000, other payables, deposits received and accruals of approximately HK$34,041,000, income received in advance of approximately HK$19,230,000 and tax payable of about HK$112,443,000. Non-current liabilities includes bonds of approximately HK$594,340,000 and deferred tax liabilities of about HK$3,769,000.

Employee and Remuneration Policies

As at 31 December 2016, the Group had approximately 172 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up a share option scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period including employee share option expenses were about HK$42,034,000.

Liquidity and Gearing Ratio

The Group maintains a healthy liquidity position. As at 31 December 2016, the current ratio of the Group was 4.7 times. The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings (including current and non-current borrowings and security deposits received) less cash and cash equivalents and pledged bank and security deposits paid divided by total equity. As at 31 December 2016, the gearing ratio was about 31.7%.

Fair Value Estimation

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to approximate their fair values.

Contingent Liabilities

The directors consider that the Group had no material contingent liabilities.

Executive Directors

Mr. Luo Rui, aged 49, is the chief executive officer of the Group and is responsible for the overall business development and daily operation of the Group. Mr. Luo graduated with a Bachelor and Master's degree in Building Construction of Xi'an University of Architecture and Technology*（西安建築科技大學）. Mr. Luo has over 21 years of experience and a proven track record in commercial real estate investment and financing, assets acquisition, project development, market development and corporate management. Mr. Luo has been the chief architect and deputy general manager of a property developer in Hainan and the deputy general manager of a property management company in Beijing. Mr. Luo has extensive networks with senior management of property developers, major commercial banks and local authorities in Beijing. He is currently a councilor of the Beijing Guarantee Association*（北京市擔保協會）, the Beijing Association of Small and Medium Enterprises*（北京市中小企業協會）, the Beijing Association of Pawn Business*（北京市典當協會）and the Beijing Microcredit Association*（北京市小額貸款協會）. He joined the Group in June 2011.

Mr. Luo does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Madam Guan Xue Ling, aged 42, is the chief operating officer of the Group. Madam Guan has over 12 years of strategic decision making and practical experiences in listed companies auditing, corporate merger and acquisition, equity acquisition, transfer as well as project investment and financing.

Madam Guan joined the Group in June 2011, mainly responsible for risk management, accounting affairs and treasury management of the Group.

Madam Guan successively held the posts of quality control manager, auditing manager, assessment manager, chief auditor and head of the auditing department in domestic accounting firms, large state-owned enterprises, large private companies and foreign-invested companies. She is familiar with accounting and valuation standards. During her years with accounting firms, she had participated in the auditing work of a number of large state-owned enterprises, foreign-invested enterprises and private enterprises, such as China Resources Land, Sinobo Group and Suning Corporation. She also participated in various initial public offerings audit and internal audit, such as BBMG Corporation, Enlight Media and Ningxia Yellow River Rural Commercial Bank. She had led and participated in various auditing projects spanning across the real estate, manufacturing, media, retail, logistic and finance sectors and has extensive experiences in financial auditing and internal auditing.

Madam Guan graduated from Capital University of Economics and Business with a Postgraduate Degree in Business Administration. She is also a certified public accountant, a qualified asset appraiser in the People's Republic of China (the "PRC") and a party member of China Democratic National Construction Association.

Madam Guan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Cheung Chai Hong, aged 31, is the executive Vice President of the Group. Mr. Cheung is responsible for the daily operations in Hong Kong and heads the investor relations team of the Group.

* *For identification purposes only*

Prior to joining us, he has been the managing director of POC Holdings (HK) Limited ("POCH") and the chairman and leading founder of The Wine Company Limited, a fine wine retail and trading company. Mr. Cheung previously worked in PAG Capital, an Asia-focused asset management company which has an asset under management size over US$16 billion. Prior to joining PAG Capital, he also worked in Barclays Capital and focused on equity research on the retail and FMCG sector. Mr. Cheung Chai Hong holds a Bachelor Degree in Business Studies from University of Warwick and a Master Degree in Analaysis, Design and Management of Information Systems from London School of Economics and Political Science.

Mr. Cheung Chai Hong is the son of Mr. Cheung Siu Lam, a non-executive director and controlling shareholder of the Company and Madam Lo Wan, a substantial shareholder of the Company. Mr. Cheung is the nephew of Mr. Zhang Xiao Jun, an independent non-executive director of the Company. Save as disclosed above, Mr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Non-Executive Directors

Mr. Chan Yuk Ming, aged 57, joined the Group in 1985 and was the non-executive director of the Company and the vice-chairman of the Group until 30 September 2015. Mr. Chan rejoined the Group as non-executive director and chairman of the board on 30 September 2016. Mr. Chan graduated from the Hangzhou Institute of Business, following which he worked in the accounting department of the Ministry of Commerce.

Mr. Chan does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Mr. Cheung Siu Lam, aged 57, is a co-founder of the Group. Before establishing the Group, Mr. Cheung worked for Beijing Machinery Import & Export Company for many years. Mr. Cheung has extensive experience in trading, retailing, food processing and property management in the PRC. Mr. Cheung is the chairman of the Nomination Committee of the Company.

Mr. Cheung Siu Lam is the spouse of Madam Lo Wan, a substantial shareholder of the Company and the father of Mr. Cheung Chai Hong, the executive director of the Company and the executive Vice President of the Group. Mr. Cheung is also the cousin of Mr. Zhang Xiao Jun, an independent non-executive director of the Company. Save as disclosed above, Mr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Zhang Xiaobin, aged 64, joined the Group in September 2015. He has over 30-year experience in investment and financial business. From 2010 to 2015, he worked with JPMorgan China as a managing director and China senior advisor. He worked closely with the senior management team in driving JPMorgan's franchise expansion in China with his deep understanding and knowledge of China's capital market. From 2012 to 2015, he was the founding chairman of Supervision Board of China United SME Financial Guarantee Corp., which is a joint venture of JPMorgan and local institutions, the largest credit guarantee company in China. Prior to his role with JPMorgan, Mr. Zhang was the chairman of General's Garden, a non-profit organization.

Before joining JPMorgan, Mr. Zhang was the chairman of Venture Investment Consulting Co. Prior to that, he held various important roles, including one of the founders of Chinese Stock Exchange system, Secretary General of Stock Exchange Executive Council, chairman and chief executive officer of China Venturetech Investment Corp, chairman of China Assets (Holdings) Ltd. (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) and China Assets Management Ltd. Before 1985, Mr. Zhang served as deputy director of National Research Center For Science and Technology For Development of China.

Mr. Zhang graduated in 1977 from Xi'an JiaoTong University with a major of Mechanical Engineering. He used to be a UNESCO Scholar from 1981 to 1982, visiting scholar at Stanford University in 1983 and was selected as an Eisenhower Fellow in 1987. In 1994, he studied in Advanced Management Program at Harvard Business School.

Mr. Zhang is currently the chairman and an executive director of Sino Resources Group Limited (a company listed on the Stock Exchange).

Mr. Zhang does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Madam Huang Mei, aged 48, joined the Group in September 2015. She has rich experience in financial management and investment business. She is the chief financial officer of China United SME Guarantee Corporation. From 2000 to 2012, Madam Huang was the financial controller of Shell China Exploration Co., Ltd.*(殼牌中國勘探有限公司), economic analyst of Shell International Co., Ltd.*(殼牌國際有限公司), financial controller of Jiangsu Sinopec and Shell Petroleum Marketing Co., Ltd.*(江蘇中石化殼牌石油銷售有限公司) and internal audit director of Shell (China) Ltd..

From 1998 to 2000, Madam Huang was the accounting manager of Beijing Rhone-Poulenc Pharmaceutical Co., Ltd.*(北京羅納普朗克製藥有限公司). She was the treasurer of Novartis China Headquarters*(諾華中國總部) from 1997 to 1998 and manager of the Investment Department of Brilliance (China) Holding Limited*(華晨(中國)控股有限公司) from 1992 to 1997.

Madam Huang is a fellow member of The Association of Chartered Certified Accountants in England, obtained an EMBA degree from Guanghua School of Management of Peking University, and a graduate student of a master's degree from the Graduate School of the People's Bank of China.

Madam Huang does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Independent Non-Executive Directors

Mr. Wang Jian Sheng, aged 63, graduated from Luoyang Industrial Institution (currently known as Henan Technology University) with a degree in engineering. He has been involved in industrial businesses for more than 28 years and has worked in the Project Department of China Everbright Industrial Company for four years. Mr. Wang is the chairman of Strong Petrochemical Holdings Limited (a company listed on the Stock Exchange). Mr. Wang joined the Group in 1996 and was an independent non-executive director of the Company before his retirement at the annual general meeting of the Company held on 20 May 2014. Mr. Wang re-joined the Company in June 2014 and is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Wang does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Chan Chun Keung, aged 66, joined the Group in November 2000. Mr. Chan has extensive experience in trading and investment in the PRC and is currently the vice-chairman of the Fukien Chamber of Commerce in Hong Kong and a committee member of the Foreign Investment Enterprises Association in the PRC. Mr. Chan is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Chan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Chan Wing Fai, aged 39, has over 14 years' rich experience in auditing and accounting. Since 2014, he has been director of Chan Wing Fai CPA. He is currently a senior accountant of China Environmental Technology Holdings Limited (Stock code: 646), a company listed on the Stock Exchange. From September 2014 to June 2015, Mr. Chan was the company secretary of Jin Bao Bao Holdings Limited (Stock code: 1239), a company listed on the Stock Exchange. Mr. Chan is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. Chan holds a Bachelor of Business Administration (Hons) in Accounting from Lingnan University. Currently, he is a practising member of The Hong Kong Institute of Certified Public Accountants, the Certified Tax Adviser and member of The Taxation Institute of Hong Kong and fellow member of The Association of Chartered Certified Accountants.

Mr. Chan does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Mr. Zhang Xiao Jun, aged 48, holds a Bachelor Degree in Finance from Renmin University, a Master Degree in Economics from University of Maryland and Doctorate Degree in Accounting from Columbia University. He is currently the chaired professor in accounting at the Hass School of Business, University of California Berkeley. He has over 18 years' experience in accounting education. His research have been published in top Finance and Accounting journals. His coauthored text book on financial accounting statement analysis is used by top business schools worldwide. Mr. Zhang is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Zhang is the cousin of Mr. Cheung Siu Lam, a non-executive director and controlling shareholder of the Company, and uncle of Mr. Cheung Chai Hong, an executive director of the Company. Thus, Mr. Zhang cannot meet the independence guideline as set out in Rule 3.13(6) of Listing Rules. The Company has assessed the independence of Mr. Zhang as an independent non-executive director and has demonstrated to the satisfaction of The Stock Exchange of Hong Kong Limited that Mr. Zhang is independent on the following grounds:

- Mr. Zhang does not hold any share of the Company. He had not received an interest in securities of the Company as a gift, or by means of other financial assistance from the Company or their core connected persons of the Company. Mr. Zhang was not a director, partner or principal of a professional adviser which currently provides or has provided services within one year immediately prior to the date of his proposed appointment, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:

  (a) the Company, or any of their respective subsidiaries or core connected persons; or

  (b) the controlling shareholder Mr. Cheung Siu Lam, or chief executive officer or a director of the Company within one year immediately prior to the date of the proposed appointment.

- Mr. Zhang does not have a material interest in any principal business activities of or is involved in any material business dealings with the Company, or their respective subsidiaries or with any core connected persons of the Company.

- Mr. Zhang is not financially dependent on the Company, its holding companies or any of their respective subsidiaries or core connected persons of the Company. He is not on the board specifically to protect the interests of an entity whose interests are not the same as those of shareholders as a whole. In addition, for the past the two years immediately prior to the date of his appointment and currently, he is not an executive or director of the Company, of its holding companies or of any of their respective subsidiaries or of any core connected persons of the Company. Mr. Zhang does not have any business and/or financial relationship/connections with Mr. Cheung Siu Lam. Save for Mr. Zhang being a cousin of Mr. Cheung Siu Lam and uncle of Mr. Cheung Chai Hong, the Board is not aware of any circumstance that would raise question on Mr. Zhang's independence.

Save as disclosed in this above, Mr. Zhang does not have any relationships with any other directors, senior management, substantial or controlling shareholders of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Ms. Fu Jie, aged 42, is the Vice President of the Group. Ms. Fu joined the Group in 2010, mainly responsible for mid-to-large sized direct loan business in Beijing. Ms. Fu has more than 10 years of experiences in project management and over 6 years of experience in large business operations with large-scale business and 4 years of experience in foreign currency management.

Ms. Fu holds a Bachelors' Degree in Accounting at the University of Financial Accounting Management Training.

Mr. Lu Wei Jun, aged 43, is the Vice President of the Group. Mr. Lu has approximately 21 years of working experience in banks and non-bank financial institutions and has over 10 years of practical experience in loan guarantee industry. Mr. Lu is responsible for the Group's loan guarantee business in Beijing. Mr. Lu graduated with a Bachelor degree in Law of Minzu University of China. Mr. Lu joined the Group in 2012.

Mr. Chung Chin Keung, aged 49, is the company secretary and financial controller of the Group. He joined the Group in October, 2004. Mr. Chung holds a bachelor degree of Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. He has more than 25 years of experience in finance, accounting and management. Before joining the Group, Mr. Chung worked for various listed companies in Hong Kong and overseas and was a company secretary for a listed company in Hong Kong. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales and a member of The Taxation Institute of Hong Kong. Mr. Chung is responsible for daily operations and financial operations in Hong Kong.

Ms. Tsui Yan Tung, aged 30, is the investment director of the Company. Ms. Tsui joined the Group in August 2016 and she is responsible for the Company's capital market activities and investor relations. Prior to joining the company, Ms. Tsui was a Vice President at LST Partners, a Hong Kong-based hedge fund. She was responsible for investment analysis and risk management. Previously, she worked at China Construction Bank International (CCBI) Securities for over 5 years as Institutional Sales and Research Analyst.

Ms. Tsui is a Chartered Financial Analyst (CFA). She holds a BBA in Global Business and Finance from the Hong Kong University of Science and Technology.

Ms. Luo Li Jun, aged 36, is the head of Shanghai office. Ms. Luo is responsible for our daily operations and business development in Shanghai. Ms. Luo jointed the Company in September 2014. She has more than 10 years of experience in business development with top tier financial institutions, such as Citibank and Standard Chartered, and 5 years of experience in business operations. Ms. Luo holds a Bachelor's Degree in business administration from East China Normal University.

REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2016.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries, are set out in note 12 to the financial statements respectively.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap 622 of the laws of Hong Kong), including a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on page 26 to 29 of this annual report. This discussion forms part of this director's report.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated to react to changes in market conditions and the Group's business strategy.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Further discussion on financial risk management is outlined in Note 41 to the consolidated financial statements.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Operational risk is mitigated and controlled through establishing robust internal controls, setting out clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of, and responsible for, managing the operational risks of their business units on a day-to-day basis.

Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

Segment Information

An analysis of the Group's segment revenue, results, assets and liabilities for the year ended 31 December 2016 is set out in note 3 to the financial statements.

Results and Dividends

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 57 to 159. The directors recommend the payment of a final dividend of HK1.31 cents per ordinary share for the year ended 31 December 2016 (2015: HK1.36 cents per ordinary share).

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 34 to the financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

Share Capital and Share Options

Details of movements in share capital and share options of the Company during the year, together with the reasons therefore, are set out in notes 33 and 36 to the financial statements, respectively.

Distributable Reserves

Profit for the year attributable to equity shareholders of the Company of HK$131,381,000 (2015: HK$105,147,000) has been transferred to reserves. As at 31 December 2016, the Company's reserve available for distribution to shareholders amounted to approximately HK$89,017,000 (2015: HK$67,550,000) in accordance with the provisions of Part 6 of the Hong Kong Companies Ordinance.

Bank Borrowings and Other Borrowings

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2016 are set out in note 23 and 24 to the financial statements.

Remuneration Policy

The remuneration of employees (including Directors and senior management of the Group) is determined with reference to their qualification, expertise and experience in the industry, competence, duties and responsibilities within the Group, the performance and profitability of the Group as well as the market benchmark and the prevailing market conditions. Employees shall also be eligible to receive a discretionary year-end incentive bonus, which shall be determined by the Group at its absolute discretion taking into account, inter alia, the Group's operating performance, market conditions in which the Group operates and the individual's performance, payable at such time as the Group may consider appropriate, and discretionary share options.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the audited financial statements in this report, is set out on page 160. This summary does not form part of the consolidated financial statements in this annual report.

Major Customers and Suppliers

The Group is principally engaged in provision of short term financing services. The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's revenue and purchase respectively during the year.

As far as the directors are aware, neither the directors, their associates nor any shareholder of the Company (which, to the best of knowledge of the directors, owns more than 5% of the Company's share capital) had any beneficial interest in these major customers.

Directors

The directors who held office during the year and up to the date of this report were:

Executive Directors

Luo Rui *(Chief Executive Officer)*
Guan Xue Ling
Cheung Chai Hong

Non-executive Directors

Chan Yuk Ming *(Chairman)* (appointed on 30 September 2016)
Cheung Siu Lam
Zhang Xiaobin
Huang Mei

Independent Non-executive Directors

Chan Chun Keung
Wang Jian Sheng
Chan Wing Fai (appointed on 27 May 2016)
Zhang Xiao Jun (appointed on 5 January 2017)

According to Article 105(A) of the Company's Articles of Association, Mr. Luo Rui, Mr. Cheung Siu Lam and Mr. Cheung Chai Hong shall retire by rotation at the annual general meeting and are eligible to offer themselves for re-election at the annual general meeting. Mr. Luo Rui, Mr. Cheung Siu Lam and Mr. Cheung Chai Hong shall offer themselves for re-election at the annual general meeting. According to Article 96 of the Company's Articles of Association, Mr. Chan Yuk Ming, Mr. Zhang Xiao Jun and Mr. Chan Wing Fai shall retire at the annual general meeting and shall offer themselves for re-election at the annual general meeting. The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Service Contracts

Independent non-executive directors, namely Mr. Wang Jian Sheng and Mr. Chan Chun Keung entered into service contracts with the Company respectively for a term of one year commencing on 9 September 2004. Mr. Chan Wing Fai has entered into a service contract with the Company for one year commencing on 27 May 2016. Mr. Zhang Xiao Jun has entered into a service contract with the Company for one year commencing on 5 January 2017. All of them are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Either party may terminate the contract by giving not less than two months' notice in writing or payment of remuneration in lieu of such notice or the unexpired part of such period. Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' Interests in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Share Capital

As at 31 December 2016, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code"), were as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Cheung Siu Lam	Beneficial owner of 1,720,044,240 ordinary shares and 1,000,000 underlying shares, family interest of 424,812,000 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,231,256,240	2,000,000	58.16%
Luo Rui	Beneficial owner	3,390,000	20,000,000	0.61%
Guan Xue Ling	Beneficial owner	–	2,000,000	0.05%
Cheung Chai Hong	Beneficial owner	49,066,000	–	1.28%
Chan Yuk Ming	Beneficial owner	10,000,000	12,000,000	0.57%

Notes:

1. The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.

2. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 424,812,000 ordinary shares and 1,000,000 underlying shares held by his spouse, Lo Wan.

3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.

4. The percentage is calculated based on the total number of issued shares as at 31 December 2016.

Directors' Rights to Acquire Shares

Save as disclosed under the headings "Directors' Interests in Share Capital" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Interests in Substantial Shareholders

As at 31 December 2016, the following company and person (other than a director of the Company) were interested in 5% or more of the issued share capital of the Company according to the register kept by the Company under Section 336 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Lo Wan	Beneficial owner of 424,812,000 ordinary shares and 1,000,000 underlying shares, family interest of 1,720,044,240 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,231,256,240	2,000,000	58.16%
China United SME Guarantee Corporation	Beneficial owner of 400,000,000 ordinary shares and 750,000,000 shares pledged by Cheung Siu Lam	1,150,000,000	–	29.95%
Fosun International Holdings Ltd.	Interest in controlled corporation (Note 4)	304,962,000	–	7.94%
Fosun International Limited	Interest in controlled corporation (Note 4)	304,962,000	–	7.94%
Guo Guangchang	Interest in controlled corporation (Note 4)	304,962,000	–	7.94%
Fosun Hani Securities Limited	Beneficial owner of 53,338,000 ordinary shares and a security interest in 150,000,000 shares (Note 4)	203,338,000	–	5.30%

Notes:

1. The number of shares represents the shares in which the substantial shareholder is deemed to be interested as a result of holding share options.

2. By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 1,720,044,240 ordinary shares and 1,000,000 underlying shares held by Cheung Siu Lam.

3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.

4. Guo Guangchang held interests in a total of 304,962,000 shares in the Company through Fosun Hani Securities Limited and Peak Reinsurance Company Limited. Fosun Hani Securities Limited is a wholly-owned subsidiary of Novel Growth Limited, which is in turn wholly owned by Fosun Financial Holdings Limited. Peak Reinsurance Company Limited is a wholly-owned subsidiary of Peak Reinsurance Holdings Limited, which is in turn owned as to 86.93% by Spinel Investment Limited, which is in turn wholly owned by Fosun Financial Holdings Limited. Fosun Financial Holdings Limited is wholly owned by Fosun International Limited, which is in turn owned as to 71.55% by Fosun Holdings Limited, which is in turn wholly owned by Fosun International Holdings Ltd. Fosun International Holdings Ltd is owned as to 64.45% by Guo Guangchang.

5. The percentage is calculated based on the total number of issued shares as at 31 December 2016.

Save as disclosed above, no persons, other than a director whose interests are set out above, had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under Section 336 of Part XV of the SFO.

Share Option Scheme

The Company adopted a share option scheme on 7 June 2004 (the "2004 Scheme") which was terminated on 6 June 2014. The Company adopted a new share option scheme (the "2014 Scheme") at the Company's annual general meeting held on 20 May 2014. Unless otherwise cancelled or amended, the 2014 Scheme will remain in force for 10 years from that date.

A summary of the 2014 Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
Participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity, any customer of the Group or any Invested Entity; any person or entity that provides technical, financial and legal support to the Group or any Invested Entity; and (iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
Total number of ordinary shares available for issue under the 2014 Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	342,908,633 ordinary shares and 8.93% of the existing issued share capital.
Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

	(a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.
Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the 2014 Scheme.
Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1.00 being payable by the grantee.
Basis of determining the exercise price	Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options.
The remaining life of the 2014 Scheme	The 2014 Scheme remains in force until 19 May 2024.

During the year under review, no share options were granted under the 2014 Scheme.

Subsequent to the termination of the 2004 Scheme, no further option can be granted thereunder but in all other respects, the provisions of the 2004 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following share options were outstanding under the 2004 Scheme and the 2014 Scheme during the year:

Director	Date of offer	Exercise price HK$	Outstanding at 1.1.2016	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12 2016	Exercise period	Closing price of the securities immediately before the date on which the options were offered HK$	Fair value of each option at the date of grant HK$
Cheung Siu Lam	04.10.07	0.479	10,000,000	–	10,000,000	–	–	04.10.07 – 03.10.17	0.460	0.235
	22.10.10	0.359	1,000,000	–	–	–	1,000,000	22.10.10 – 21.10.20	0.360	0.216
Chan Yuk Ming*	04.10.07	0.479	10,000,000	–	–	–	10,000,000	04.10.07 – 03.10.17	0.460	0.235
	22.10.10	0.359	2,000,000	–	–	–	2,000,000	22.10.10 – 21.10.20	0.360	0.216
Luo Rui	11.04.14	0.660	20,000,000	–	–	–	20,000,000	11.04.14 – 10.04.24	0.630	0.4624
Guan Xue Ling	22.10.10	0.359	2,000,000	–	–	–	2,000,000	22.10.10 – 21.10.20	0.360	0.216
Employees in aggregate	04.10.07	0.479	20,000,000	–	10,000,000	–	10,000,000	04.10.07 – 03.10.17	0.460	0.235
	22.10.10	0.359	1,000,000	–	–	–	1,000,000	22.10.10 – 21.10.20	0.360	0.216
Other eligible grantees	11.04.14	0.660	45,000,000	–	–	45,000,000	–	11.04.14 – 10.04.16	0.630	0.1425
	11.04.14	0.660	10,000,000	–	–	–	10,000,000	11.04.14 – 10.04.18	0.630	0.1998
	11.04.14	0.660	30,000,000	–	–	–	30,000,000	11.04.14 – 10.04.24	0.630	0.4623
	26.08.15	0.546	55,000,000	–	–	–	55,000,000	26.08.15 – 25.08.25	0.490	0.289

* Chan Yuk Ming was appointed as non-executive director of the Company on 30 September 2016.

Continuing Connected Transaction

As disclosed in the announcement dated 25 June 2015, a guarantee is provided by China United SME Guarantee Corporation ("Sinoguarantee") to the Group in March 2015 for the Senior Bonds issuance. The guarantee is entered on 5 March 2015 between Sinoguarantee and Golden Bauhinia Investment Holdings Company Limited (a wholly-owned subsidiary of the Company incorporated in Hong Kong). The annual guarantee fee is RMB5,100,000 being 1.7% of RMB300 million guaranteed, during the three-year term of the Senior Bonds.

Give that Sinoguarantee has become a substantial shareholder of the Company on 25 June 2015 following the completion of the Subscription Agreement, the guarantee constituted continuing connected transaction for the Company (the "Continuing Connected Transaction") under Chapter 14A of the Listing Rules. In accordance with the requirements of Rules 14A.49 and 14A.71 of the Listing Rules, details of the said Continuing Connected Transaction are included in this report.

The Company's auditor was engaged to report on the Group's Continuing Connected Transaction for the year ended 31 December 2016 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 Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transaction in accordance with Rule 14A.56 of the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs, being Mr. Chan Chun Keung, Mr. Chan Wing Fai, Mr. Wang Jian Sheng and Mr. Zhang Xiao Jun, had reviewed the above Continuing Connected Transaction and confirmed that the transaction was entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the respective agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the Board of Directors, the Continuing Connected Transaction was entered into in the manners stated above.

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

During the year 2016, the Company had bought back on the Stock Exchange a total of 44,030,000 shares. All the 44,030,000 shares have been cancelled during the year.

Details of the buy-back of the shares of the Company are as follows:

Month of Buy-back	Number of Shares Bought Back	Highest Price Per Share	Lowest Price Per Share	Aggregate Purchase Price
		HK$	HK$	HK$
January	26,234,000	0.5300	0.5100	13,761,460.60
February	12,102,000	0.5300	0.5100	6,371,741.00
March	3,416,000	0.6300	0.6092	2,132,360.40
June	2,278,000	0.6600	0.6500	1,484,117.00

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016.

Retirement Schemes

The Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

Corporate Governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year.

Auditor

The financial statements have been audited by Crowe Horwath (HK) CPA Limited, Certified Public Accountants. A resolution for their re-appointment as the Company's auditor for the ensuing year is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the board

Chan Yuk Ming
Chairman

Hong Kong, 28 March 2017

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

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Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA FINANCIAL SERVICES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Financial Services Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 57 to 159, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Recoverability of loans receivable

Refer to notes 17 and 40(b)(ii) to the consolidated financial statements and the accounting policy note 2(k)(i) on pages 73 to 76.

The key audit matter	How the matter was addressed in our audit
The Group has significant loans receivable balances as at year end. Given the size of the balances and the risk that some of the loans receivable may not be recoverable, judgement is required to evaluate whether any allowance should be made to reflect the risk. Management assesses impairment of loans receivable on an individual basis and on a collective basis. Individual impairment losses are estimated by management once objective evidence of impairment becomes apparent. Management exercises judgement in determining the quantum of loss based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Enforceability, timing and means of realisation of the collateral has a significant impact on collateral valuation and, therefore, the amount of impairment losses as at the reporting date. The determination of the collective impairment losses is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The Group's collective impairment losses are derived from estimates including the Group's historical losses for loans receivable, the loss emergence period (i.e. the time lapse between the occurrence of the event causing eventual default to the actual recording of a loss) and other adjustment factors.	Our audit procedures to assess the recoverability of loans receivable included the following: – Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key financial reporting internal controls relating to credit control, debt collection and the assessment of impairment of loans receivable; – Assessing whether terms in the loans receivable ageing report were classified within the appropriate ageing bracket by comparing a sample of individual items with underlying loan agreements; – Obtaining an understanding of the basis of management's judgements about the recoverability of all overdue balances and evaluating, on a sample basis, whether management had performed credit assessments of the related debtors by examining underlying documentation, which included evidence of the debtors' financial condition, correspondence with the debtors, the debtors' adherence to agreed repayment schedules, the ageing of overdue balances, historical repayments schedules and repayments after the end of the reporting period;

Recoverability of loans receivable *(Continued)*

The key audit matter *(Continued)*	How the matter was addressed in our audit *(Continued)*
We identified assessing the recoverability of loans receivable as a key audit matter because of the inherent uncertainty by assessing if loans receivable will be recovered in full and because current market conditions are unpredictable and the assessment of the allowances for doubtful debts requires the exercise of significant management judgement.	– Evaluating the impairment calculations of loans receivable prepared by management based on a collective assessment with reference to the Group's methodologies and policies for collective assessment; – Assessing the historical accuracy of management's assessment of impairment for loans receivable by examining the actual write-offs, the reversal of previously recorded impairments and new allowances for doubtful debts recorded in the current year in respect of loans receivable balances at the prior reporting period; and – Challenging management's judgement in determining the recoverable amount of individual loans receivable balances which were overdue at the end of the reporting period by comparing, on a sample basis, the value of realisable collateral based on available market information and the settlement of the overdue balances after the end of the reporting period with related underlying documents including bank statements.

Impairment of goodwill

Refer to notes 13 and 40(b)(i) to the consolidated financial statements and the accounting policy note 2(k)(ii) on pages 76 to 77.

The key audit matter	How the matter was addressed in our audit
Management performs impairment testing annually for the cash generating unit (the "CGU") to which the goodwill was allocated. The calculation of the CGU's recoverable amount is complex and involves significant management's judgement and estimation, such as the forecasted cash flows, revenue growth rate and discount rate, which are sensitive to expected future market conditions and the CGU's actual performance. We focused on this area due to the size of goodwill balance and because management's assessment of the 'value in use' of the Group's CGU involves significant judgement about future results of the business and the discount rate applied to future cash flow forecast.	Our audit procedures were designed to challenge the management's impairment assessment included: – Comparing the Group's forecast for the current year made as of 31 December 2015 to actual results of the current year to assess the quality of management's forecasting process; – Reconciling the cash flow forecasts to management's approved budgets and assessing the reasonableness of these budgets by comparing historical information and business plan; – Benchmarking the revenue growth rate adopted by the Group to the revenue growth rates adopted by other market players; – Evaluating and discussing discount rate used in the calculations by comparing with the industry or market data;

Impairment of goodwill *(Continued)*

The key audit matter *(Continued)*

How the matter was addressed in our audit *(Continued)*

– Testing the mathematical accuracy of the underlying value-in-use calculations;

– Evaluating the sensitivity analysis performed by management around the key assumptions applied to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired;

Information other than the consolidated financial statements and auditor's report thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and 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 directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 judgement 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.

- 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 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.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2017

Yau Hok Hung
Practising Certificate Number P04911

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Interest, guarantee and financing consultancy services income	3	680,282	725,490
Interest and handling expenses	3	(91,906)	(105,677)
Net interest income and service income	3	588,376	619,813
Other income	4	39,942	37,562
General and administrative expenses		(128,658)	(164,013)
Share of loss of an associate		(2)	(2)
Profit before taxation	5	499,658	493,360
Income tax	6(a)	(154,392)	(140,308)
Profit for the year		345,266	353,052
Attributable to:			
Equity shareholders of the Company		329,958	345,815
Non-controlling interests		15,308	7,237
Profit for the year		345,266	353,052
Earnings per share	10	HK cents	HK cents
– Basic		8.592	9.443
– Diluted		8.576	9.409

The notes on pages 64 to 159 form an integral part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 34(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Profit for the year		**345,266**	353,052
Other comprehensive loss for the year, net of nil income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency		**(200,076)**	(171,339)
Available-for-sale investments: net movement in the fair value reserve	9	**2,147**	809
Other comprehensive loss for the year, net of nil income tax		**(197,929)**	(170,530)
Total comprehensive income for the year		**147,337**	182,522
Attributable to:			
Equity shareholders of the Company		**140,629**	183,024
Non-controlling interests		**6,708**	(502)
Total comprehensive income for the year		**147,337**	182,522

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	11	4,514	5,265
Goodwill	13	577,230	616,316
Interest in an associate	14	3,467	3,705
Available-for-sale investments	15	26,259	42,067
Loans receivable	17	33,655	22,699
		645,125	690,052
Current assets			
Financial assets at fair value through profit or loss	16	17,817	15,291
Loans receivable	17	3,549,974	3,294,178
Accounts receivable	18	13,428	51,409
Interests receivable	19	11,615	33,246
Other receivables, deposits and prepayments	20	46,384	30,194
Tax recoverable	6(c)	99	–
Pledged bank and security deposits paid	21	4,615	53,224
Cash and cash equivalents	22	273,291	668,603
		3,917,223	4,146,145
Current liabilities			
Short-term borrowings	23	580,191	917,789
Bank loans	24	77,076	75,745
Unsecured bonds	32	3,813	–
Security deposits received	25	10,764	5,722
Amount due to an associate	28	2,942	3,151
Other payables, deposits received and accruals	26	34,041	44,389
Liabilities arising from loan guarantee contracts	27	–	59
Income received in advance		19,230	8,534
Financial derivatives	29	1,032	493
Tax payable	6(c)	112,443	96,145
		841,532	1,152,027
Net current assets		3,075,691	2,994,118
Total assets less current liabilities		3,720,816	3,684,170

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Senior bonds	31	**334,187**	355,233
Unsecured bonds	32	**260,153**	247,757
Deferred tax liabilities	30	**3,769**	6,770
		598,109	609,760
NET ASSETS		**3,122,707**	3,074,410
EQUITY			
Share capital	33	**1,760,956**	1,746,674
Reserves	34	**1,233,067**	1,201,735
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**2,994,023**	2,948,409
Non-controlling interests		**128,684**	126,001
TOTAL EQUITY		**3,122,707**	3,074,410

The consolidated financial statements on pages 57 to 159 were approved and authorised for issue by the board of directors on 28 March 2017 and were signed on its behalf by:

Chan Yuk Ming
Director

Cheung Chai Hong
Director

The notes on pages 64 to 159 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

		Attributable to equity shareholders of the Company								
	Note	Share capital HK$'000	Share-based compensation reserve HK$'000	Exchange fluctuation reserve HK$'000	Fair value reserve HK$'000	Statutory surplus reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015		1,420,378	33,019	34,449	(663)	21,142	1,037,310	2,545,635	25,060	2,570,695
Changes in equity in 2015:										
Profit for the year		–	–	–	–	–	345,815	345,815	7,237	353,052
Other comprehensive loss	9	–	–	(163,600)	809	–	–	(162,791)	(7,739)	(170,530)
Total comprehensive income		–	–	(163,600)	809	–	345,815	183,024	(502)	182,522
Equity settled share-based transactions		–	14,149	–	–	–	–	14,149	–	14,149
Shares issued under share option scheme		26,549	(6,218)	–	–	–	–	20,331	–	20,331
Shares issued under subscription agreement		300,000	–	–	–	–	–	300,000	–	300,000
Share issue expenses in relation to subscription agreement		(253)	–	–	–	–	–	(253)	–	(253)
Capital contribution from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	101,443	101,443
Dividends paid		–	–	–	–	–	(114,477)	(114,477)	–	(114,477)
Transfer to reserve		–	–	–	–	7,691	(7,691)	–	–	–
Balance at 31 December 2015 and 1 January 2016		1,746,674	40,950	(129,151)	146	28,833	1,260,957	2,948,409	126,001	3,074,410
Changes in equity in 2016:										
Profit for the year		–	–	–	–	–	329,958	329,958	15,308	345,266
Other comprehensive loss	9	–	–	(191,476)	2,147	–	–	(189,329)	(8,600)	(197,929)
Total comprehensive income		–	–	(191,476)	2,147	–	329,958	140,629	6,708	147,337
Equity settled share-based transactions		–	11,731	–	–	–	–	11,731	–	11,731
Shares issued under share option scheme		14,282	(4,702)	–	–	–	–	9,580	–	9,580
Lapse of share options		–	(6,412)	–	–	–	6,412	–	–	–
Purchase of own shares		–	–	–	–	–	(23,750)	(23,750)	–	(23,750)
Capital contribution from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	1	1
Dividends paid		–	–	–	–	–	(92,576)	(92,576)	–	(92,576)
Dividends paid to non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	(4,026)	(4,026)
Transfer to reserve		–	–	–	–	7,594	(7,594)	–	–	–
Balance at 31 December 2016		**1,760,956**	**41,567**	**(320,627)**	**2,293**	**36,427**	**1,473,407**	**2,994,023**	**128,684**	**3,122,707**

The notes on pages 64 to 159 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Operating activities			
Profit before taxation		**499,658**	493,360
Adjustments for			
Depreciation of property, plant and equipment	5(b)	**2,782**	2,455
Impairment loss for available-for-sale investments	5(b)	**–**	17,039
Loss/(gain) on disposal of available-for-sale investments	4	**926**	(503)
Gain on disposal of property, plant and equipment	4	**–**	(115)
Impairment loss for loans receivable	17(b)	**6,647**	9,141
Reversal of provision for undue liability and guarantee compensation	5(b)	**(57)**	(564)
Bank interest income	4	**(3,289)**	(5,319)
Interest and handling expenses	3	**91,906**	105,677
Dividend income from available-for-sale investments	4	**(665)**	(917)
Share of loss of an associate		**2**	2
Equity-settled share-based payment expenses	5(b)	**11,731**	14,149
Fair value change of financial derivatives	4	**539**	227
Loss on redemption of convertible note	4	**–**	1,192
		610,180	635,824
Changes in working capital			
Increase in loans receivable		**(478,142)**	(1,338,289)
Increase in financial assets at FVTPL		**(2,526)**	(15,782)
Decrease/(increase) in accounts receivable		**36,234**	(33,285)
Decrease/(increase) in interests receivable		**20,706**	(20,209)
Decrease in security deposits paid		**–**	25,602
Increase in other receivables, deposits and prepayments		**(31,398)**	(28,123)
Increase in security deposit received		**5,640**	5,955
(Decrease)/increase in other payables, deposits received and accruals		**(7,781)**	30,022
Increase in income received in advance		**11,763**	1,632
Cash generated from/(used in) operations		**164,676**	(736,653)
Taxation paid			
– PRC Enterprise Income Tax	6(c)	**(133,476)**	(107,814)
– Hong Kong Profits Tax		**(1,294)**	–
Taxation refund			
– PRC Enterprise Income Tax	6(c)	**109**	10
– Hong Kong Profits Tax		**71**	–
Net cash generated from/(used in) operating activities		**30,086**	(844,457)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Investing activities			
Purchase of property, plant and equipment	11	(2,201)	(2,818)
Proceeds from disposal of property, plant and equipment		–	118
Purchase of available-for-sale investments		(25,983)	(30,717)
Proceeds from sale of available-for-sale investments		43,012	4,755
Decrease in pledged bank deposits		47,205	63,748
Bank interest received		3,289	5,319
Dividend received from available-for-sale investments	4	665	917
Net cash generated from investing activities		65,987	41,322
Financing activities			
Capital contribution from non-controlling shareholders of subsidiaries		1	101,443
Payment for repurchase of shares		(23,750)	–
Proceeds from new bank loans		79,999	77,690
Repayment of bank loans		(74,666)	(67,082)
Proceeds from new short-term borrowings		1,732,378	2,903,872
Repayment of short-term borrowings		(2,026,789)	(2,378,743)
Payment for redemption of convertible note		–	(26,750)
Proceeds from the issue of senior bonds		–	355,892
Proceeds from the issue of unsecured bond		21,203	244,800
Redemption of unsecured bonds		(9,856)	–
Advanced from/(repayment to) an associate		5	(174)
Proceeds from shares issued under subscription agreement		–	300,000
Proceeds from exercise of share option		9,580	20,331
Coupon interest paid for convertible note		–	(1,170)
Other interest paid		(86,033)	(79,341)
Dividends paid to equity shareholders of the Company		(92,576)	(114,477)
Dividends paid to non-controlling shareholders		(4,026)	–
Net cash (used in)/generated from financing activities		(474,530)	1,336,291
(Decrease)/increase in cash and cash equivalents		(378,457)	533,156
Effect of foreign exchange rate changes		(16,855)	(17,567)
Cash and cash equivalents at beginning of the year		668,603	153,014
Cash and cash equivalents at end of the year	22	273,291	668,603

The notes on pages 64 to 159 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. Corporate Information

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office and the principal place of business are Suite 5606, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements.

2. Significant Accounting Policies

a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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 requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) *Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale investments or financial assets at fair value through profit or loss (see note 2(j)); and

– derivative financial instruments (see note 2(g)).

2. Significant Accounting Policies *(Continued)*

b) *Basis of preparation of the financial statements (Continued)*

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

c) *Changes in accounting policies*

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effectively for the current accounting period.

2. Significant Accounting Policies *(Continued)*

d) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets, however, the choice of measuring non-controlling interests is limited to those types of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation. All other types of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2. Significant Accounting Policies *(Continued)*

d) *Subsidiaries and non-controlling interests (Continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(j)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

e) *Associates*

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2. Significant Accounting Policies *(Continued)*

e) *Associates (Continued)*

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(j)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

f) *Goodwill*

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)).

On the disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

g) *Derivative financial instruments*

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2. Significant Accounting Policies *(Continued)*

h) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 in profit or loss during the financial period in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold improvements	3 years or over the remaining term of the lease, if shorter
–	Furniture and equipment	3 to 5 years
–	Motor vehicles	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. Significant Accounting Policies *(Continued)*

i) *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

ii) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

j) *Financial assets*

Financial assets are recognised in the statement of financial position when an entity within the Group becomes a party to the contractual provisions of a financial instrument.

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

The Group's financial assets are classified into one of the three categories, including available-for-sale financial assets, financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2. Significant Accounting Policies *(Continued)*

j) *Financial assets (Continued)*

i) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

As an exception to this, available-for-sale financial assets that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)).

Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(s)(ii) and 2(s)(iii) respectively.

When these investments are derecognised or impaired (see note 2(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or when they expire.

ii) *Financial assets at fair value through profit or loss*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

2. Significant Accounting Policies *(Continued)*

j) *Financial assets (Continued)*

ii) *Financial assets at fair value through profit or loss (Continued)*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are stated at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Assets in this category are classified as current assets if expected to be settled within 12 months after the end of the reporting period; otherwise, they are classified as non-current.

iii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such case, loan and receivables are stated at cost less allowance for impairment of doubtful debts. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets.

2. Significant Accounting Policies *(Continued)*

j) Financial assets (Continued)

iii) Loans and receivables (Continued)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

k) Impairment of assets

i) Impairment of investments in equity securities and other financial assets

Investments in equity securities and other current and non-current financial assets that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. Significant Accounting Policies *(Continued)*

k) Impairment of assets (Continued)

i) Impairment of investments in equity securities and other financial assets (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

– For available-for-sale securities that are measured at fair value at the end of the reporting period, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

– For available-for-sale equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured and are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2. Significant Accounting Policies *(Continued)*

k) *Impairment of assets (Continued)*

i) *Impairment of investments in equity securities and other financial assets (Continued)*

– For loans and receivables, the Group use two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

- Individual assessment

  Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The impairment losses are recognised in profit or loss.

  Cash flows relating to loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

  The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

- Collective assessment

  Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provisions for impairment losses.

2. Significant Accounting Policies *(Continued)*

k) *Impairment of assets (Continued)*

i) *Impairment of investments in equity securities and other financial assets (Continued)*

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the Group determines that a loan or receivable has no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loan is written off against its provisions for impairment losses upon necessary approval.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against financial assets directly and any amounts held in the allowance account relating to that assets are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– goodwill; and

– investments in subsidiaries and an associate in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2. Significant Accounting Policies *(Continued)*

k) *Impairment of assets (Continued)*

ii) *Impairment of other assets (Continued)*

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. Significant Accounting Policies *(Continued)*

k) *Impairment of assets (Continued)*

iii) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

l) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

m) *Accounts and other payables*

Accounts and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(q), accounts and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. Significant Accounting Policies *(Continued)*

n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

o) Employee benefits and share-based payment arrangements

i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

iii) Share-based payments to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based compensation reserve within equity. The fair value is measured at grant date using the option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

2. Significant Accounting Policies *(Continued)*

o) *Employee benefits and share-based payment arrangements (Continued)*

iv) *Share-based payments to consultants*

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

p) *Financial guarantees issued*

A loan guarantee contract is a contract that requires the issuer (that is, the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within liabilities arising from loan guarantee contracts. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in pofit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(q) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in liabilities from guarantees in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2. Significant Accounting Policies *(Continued)*

q) Provisions and contingent liabilities

(i) Provisions for guarantee losses

When determining the amounts to be recognised in respect of liabilities arising from the guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect the profit or loss in future years.

Undue liability provision is recognised at 50% of the guarantee income in the year it is generated.

Guarantee compensation provision is recognised at 1% of the year-end balance of the guarantee liability in the year it arose.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

2. Significant Accounting Policies *(Continued)*

r) *Income tax (Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. Significant Accounting Policies *(Continued)*

r) *Income tax (Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

s) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) *Revenue from short-term financing services*

– Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial assets 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 assets to that asset's net carrying amount on initial recognition.

– Loan guarantee service income, consists of guarantee fee and related service income and is recognised in profit or loss on a straight-line basis over the guarantee period.

– Financing consulting service income is recognised when the services are rendered.

2. Significant Accounting Policies *(Continued)*

s) *Revenue recognition (Continued)*

ii) *Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iii) *Other interest income*

Other interest income is recognised as it accrues using the effective interest method.

iv) *Service income*

Revenue arising from the provision of the services is recognised when the relevant services are rendered.

v) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

t) *Translation of foreign currencies*

i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

2. Significant Accounting Policies *(Continued)*

t) *Translation of foreign currencies (Continued)*

ii) *Transactions and balances*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of foreign operation.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), the cumulative amount of the exchange differences in respect of that operation attributable to the equity shareholders of the Company are reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Significant Accounting Policies *(Continued)*

u) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

v) *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 the key management personnel of the Group or the Group's parent.

b) An entity is related to the Group if any of the following conditions applies:

   i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   iii) Both entities are joint ventures of the same third party.

   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2. Significant Accounting Policies *(Continued)*

v) *Related parties (Continued)*

b) *(Continued)*

v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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 the key management personnel of the entity (or of a parent of the entity).

viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or the Group's parent.

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

w) *Segment reporting*

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

Individually 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.

3. Revenue and Segment Reporting

a) Revenue

The amount of each significant category of revenue during the year is as follows:

	2016 HK$'000	2015 HK$'000
Interest, guarantee and financing consultancy services income		
Pawn loans, loans receivable from micro-lending and money-lending	203,687	155,036
Designated loan receivable (see note 17(iv))	6,660	17,996
Other loans receivable	469,935	552,385
Financing guarantees	–	73
	680,282	725,490
Interest and handling expenses arising from:		
Bank loans	(1,160)	(11,192)
Short-term borrowings	(36,430)	(50,508)
Senior bonds	(23,992)	(28,097)
Unsecured bonds	(23,689)	(12,622)
Other finance costs	(6,635)	(3,258)
	(91,906)	(105,677)
Net interest income and service income	588,376	619,813

For the year ended 31 December 2016, the total amount of interest income on financial assets not at fair value through profit or loss, including bank interest income (note 4), was HK$683,571,000 (2015: HK$730,736,000).

3. Revenue and Segment Reporting *(Continued)*

b) *Segmental Information*

(i) *Operating segment information*

For the years ended 31 December 2016 and 2015, the directors of the Company have determined that the Group has only one component/reportable segment as the Group is principally engaged in providing financing service which is the basis to allocate resources and assess performance of the Group.

(ii) *Geographical information*

The geographical location of customers is based on the location at which the services are rendered. Substantially over 90% of the Group's revenue from external customers, non-current assets and capital expenditure are located in the People's Republic of China ("PRC"), no analysis on revenue from external customers and non-current assets by location are presented.

(iii) *Information about major customers*

For the year ended 31 December 2016, there was one customer who individually contributed over 10% of the Group's revenue. But there was no single customer of the Group including that customer contributed 10% or more of the Group's revenue for the year ended 31 December 2015. The aggregate amount of revenue from that customer was HK$90,344,000 for the year ended 31 December 2016.

4. Other Income

	2016 HK$'000	2015 HK$'000
Bank interest income	3,289	5,319
Dividend income from available-for-sale investments	665	917
Interest income from financial assets at FVTPL	948	–
Income from government subsidies	20,894	18,883
Available-for-sale investments: reclassified from equity		
– (Loss)/gain on disposal (note 9)	(926)	503
Gain on fair value change of financial assets at FVTPL		
– Gain on disposal	6,760	1,702
– Change on fair value of financial assets at FVTPL	17	1,022
	6,777	2,724
Gain on disposal of property, plant and equipment	–	115
Loss on redemption of convertible note	–	(1,192)
Loss on fair value change of financial derivatives in respect of accumulator contracts	(539)	(227)
Gain on disposal of forfeited collateral held for sales	–	1
Exchange gain, net	1,996	8,013
Income from waiver of amount due to the related party (note 39(b)(1))	2,338	–
Others	4,500	2,506
	39,942	37,562

5. Profit Before Taxation

The Group's profit before taxation is arrived at after charging/(crediting):

	2016 HK$'000	2015 HK$'000
(a) Staff costs (including directors' emoluments):		
Salaries, allowances and other benefits	**36,201**	35,098
Equity-settled share-based payment expenses	**2,120**	3,338
Contributions to defined contribution retirement plans	**3,713**	3,775
	42,034	42,211
(b) Other items:		
Depreciation	**2,782**	2,455
Operating lease charges in respect of properties (see note (ii) below)	**7,539**	9,998
Auditors' remuneration	**1,994**	1,942
Reversal of undue liability provision and guarantee compensation provision	**(57)**	(564)
Impairment losses recognised		
– loans receivable (note 17(b))	**6,647**	9,141
– available-for-sale investments (note 9)	**–**	17,039
Equity-settled share-based payment expenses (see note (i) below)	**11,731**	14,149

Notes:

(i) Equity-settled share-based payment expenses include HK$2,120,000 (2015: HK$3,338,000) relating to staff costs which amount is also included in the total amount disclosed in note 5(a) for staff costs.

(ii) For the year ended 31 December 2016, the Group paid operating lease charges (in respect of properties) of approximately HK$1,447,000 (2015: HK$1,484,000) and HK$2,486,000 (2015: HK$2,239,000) to 北京元長厚茶葉有限公司 and 北京東皇物業管理有限公司, respectively, of which a director of the Company is their legal representatives. The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

6. Income Tax

a) Taxation in the consolidated statement of profit or loss represents:

	2016 HK$'000	2015 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	57	1,403
Current tax – PRC Enterprise Income Tax		
Provision for the year	140,559	137,719
(Over)/under-provision in respect of prior years	(748)	434
Withholding tax on dividends		
Provision for the year	12,043	–
Under-provision in respect of prior year	5,165	–
Deferred tax		
Origination and reversal of temporary differences	(2,684)	752
	154,392	140,308

(i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

(ii) The provision for the Hong Kong Profits Tax of the subsidiaries established in HK and the Company are calculated at 16.5% (2015: 16.5%) of the estimated taxable profit for the year.

(iii) Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

(iv) The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2015: 25%) of the estimated taxable profits for the year.

(v) Pursuant the Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprise.

Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of profits generated since 1 January 2008.

6. Income Tax *(Continued)*

b) Reconciliation between tax expense charged to profit or loss and accounting profit at the applicable tax rates:

	2016 **HK$'000**	2015 HK$'000
Profit before taxation	**499,658**	493,360
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**130,222**	128,713
Tax effect of non-taxable income	**(573)**	(1,171)
Tax effect of non-deductible expenses	**7,244**	6,495
Tax effect of temporary differences not recognised	**(1)**	(33)
Tax effect of tax losses not recognised	**4,662**	6,688
Tax effect of utilisation of unused tax losses previously not recognised	**(645)**	(149)
(Over)/under-provision of PRC Enterprise Income Tax in prior years	**(748)**	434
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**14,524**	752
Others	**(293)**	(1,421)
Actual tax expense	**154,392**	140,308

6. Income Tax *(Continued)*

c) Current taxation in the consolidated statement of financial position represents:

	2016 HK$'000	2015 HK$'000
At 1 January	(96,145)	(69,657)
Provision for the year:		
– PRC Enterprise Income Tax	(140,559)	(137,719)
– Hong Kong Profits Tax	(57)	(1,403)
– Withholding tax on dividends	(12,043)	–
Over/(under)-provision in respect of prior years:		
– PRC Enterprise Income Tax	748	(434)
– Withholding tax on dividends	(5,165)	–
Taxation paid:		
– PRC Enterprise Income Tax	133,476	107,814
– Hong Kong Profits Tax	1,294	–
Tax refunded:		
– PRC Enterprise Income Tax	(109)	(10)
– Hong Kong Profits Tax	(71)	–
Exchange adjustment	6,287	5,264
At 31 December	(112,344)	(96,145)
Analysed for reporting propose as:		
Tax recoverable	99	–
Tax payable	(112,443)	(96,145)
	(112,344)	(96,145)

7. Directors' And Chief Executive's Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

	Year ended 31 December 2016					
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-Total	Share-based payments (note vii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Luo Rui *(Chief executive officer)*	240	1,190	95	1,525	2,120	3,645
Guan Xue Ling	240	672	84	996	–	996
Cheung Chai Hong	240	120	6	366	–	366
Non-executive directors						
Cheung Siu Lam (note ii)	–	2,625	18	2,643	–	2,643
Chan Yuk Ming *(Chairman)* (note i)	–	271	4	275	–	275
Zhang Xiao Bin	120	500	–	620	–	620
Huang Mei	120	–	–	120	–	120
Independent non-executive directors						
Chan Wing Fai (note v)	71	–	–	71	–	71
Wang Jian Sheng	120	–	–	120	–	120
Chan Chun Keung	120	–	–	120	–	120
Tsang Kwok Wai (note vi)	49	–	–	49	–	49
	1,320	5,378	207	6,905	2,120	9,025

7. Directors' And Chief Executive's Emoluments *(Continued)*

	Year ended 31 December 2015					
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-Total	Share-based payments (note vii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Luo Rui *(Chief executive officer)*	240	1,267	66	1,573	3,338	4,911
Guan Xue Ling	240	507	–	747	–	747
Cheung Chai Hong	240	–	–	240	–	240
Non-executive directors						
Cheung Siu Lam *(Chairman)* (note ii)	–	2,540	18	2,558	–	2,558
Chan Yuk Ming (note i)	–	610	14	624	–	624
Zhang Xiao Bin (note iii)	30	–	–	30	–	30
Huang Mei (note iii)	30	–	–	30	–	30
Tao Ye (note iv)	90	–	–	90	–	90
Independent non-executive directors						
Wang Jian Sheng	120	–	–	120	–	120
Chan Chun Keung	120	–	–	120	–	120
Tsang Kwok Wai	120	–	–	120	–	120
	1,230	4,924	98	6,252	3,338	9,590

Notes:

(i) Mr. Chan Yuk Ming was re-designated from executive director to non-executive director on 20 May 2014 and resigned as captioned position on 30 September 2015. The amount for the relevant year represented his emoluments from 1 January 2015 to the date of resignation.

Mr. Chan Yuk Ming was appointed as non-executive director and Chairman on 30 September 2016. The amount for the relevant year represented his emoluments from the date of appointment.

(ii) Mr. Cheung Siu Lam resigned as Chairman on 30 September 2016. Following his resignation as Chairman, Mr. Cheung remains as a non-executive director.

(iii) Mr. Zhang Xiao Bin and Ms. Huang Mei were appointed as non-executive directors on 30 September 2015. The amounts for the relevant year represented their emoluments from the date of appointment.

(iv) Mr. Tao Ye resigned as non-executive director on 30 September 2015. The amount for the relevant year represented his emoluments from 1 January 2015 to the date of resignation.

(v) Mr. Chan Wing Fai was appointed as independent non-executive director on 27 May 2016. The amount for the relevant year represented his emoluments from the date of appointment.

(vi) Mr. Tsang Kwok Wai was resigned as independent non-executive director on 27 May 2016. The amount for the relevant year represented his emoluments from 1 January 2016 to the date of resignation.

(vii) These represents the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for share-based payments transactions as set out in note 2(o)(iii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Option Scheme" in the directors' report and note 36.

7. Directors' And Chief Executive's Emoluments *(Continued)*

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments during the years ended 31 December 2016 and 2015.

8. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, three (2015: three) are directors of the Company whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2015: two) individuals are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and other benefits	**2,180**	2,674
Retirement scheme contributions	**32**	36
	2,212	2,710

The emoluments of the two (2015: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2016	2015
HK$Nil up to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**–**	1

During the years ended 31 December 2016 and 2015, no emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Other Comprehensive Loss

Components of other comprehensive loss, including re-classification adjustments, are as follows:

	Note	2016 HK$'000	2015 HK$'000
Exchange differences on translation into presentation currency		(200,076)	(171,339)
Available-for-sale investments:			
Changes in fair value recognised during the year		1,221	(15,727)
Reclassification adjustments for amounts transferred to profit or loss:			
– loss/(gain) on disposal	4	926	(503)
– impairment losses	5(b)	–	17,039
Net movement in fair value reserve during the year recognised in other comprehensive loss		2,147	809
		(197,929)	(170,530)

10. Earnings Per Share

a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$329,958,000 (2015: HK$345,815,000) and the weighted average of 3,840,078,527 ordinary shares (2015: 3,662,195,925 ordinary shares) in issue during the year, calculated as follows:

10. Earnings Per Share *(Continued)*

a) *Basic earnings per share (Continued)*

Weighted average number of ordinary shares (basic)

	2016 Number of Shares	2015 Number of Shares
Issued ordinary shares at 1 January	**3,864,086,336**	3,430,086,336
Effect of shares issued under subscription agreement	**–**	211,506,849
Effect of shares repurchased	**(39,144,421)**	–
Effect of share options exercised	**15,136,612**	20,602,740
Weighted average number of ordinary shares at 31 December	**3,840,078,527**	3,662,195,925

b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$329,958,000 (2015: HK$345,815,000) and the weighted average number of ordinary shares of 3,847,637,385 shares (2015: 3,675,386,648 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2016 Number of Shares	2015 Number of Shares
Weighted average number of ordinary shares (basic) at 31 December	**3,840,078,527**	3,662,195,925
Effect of deemed issue of shares under the Company's share option scheme	**7,558,858**	13,190,723
Weighted average number of ordinary shares (diluted) at 31 December	**3,847,637,385**	3,675,386,648

11. Property, Plant and Equipment

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Total HK$'000
Cost				
At 1/1/2015	7,710	8,885	2,619	19,214
Additions	909	616	1,293	2,818
Disposals	–	(591)	(136)	(727)
Exchange adjustment	(450)	(240)	(93)	(783)
At 31/12/2015 and 1/1/2016	8,169	8,670	3,683	20,522
Additions	337	–	1,864	2,201
Disposals	–	–	(3)	(3)
Exchange adjustment	(494)	(246)	(178)	(918)
At 31/12/2016	**8,012**	**8,424**	**5,366**	**21,802**
Accumulated depreciation and impairment				
At 1/1/2015	7,527	5,249	1,290	14,066
Charge for the year	43	1,654	758	2,455
Written back on disposals	–	(591)	(133)	(724)
Exchange adjustment	(415)	(70)	(55)	(540)
At 31/12/2015 and 1/1/2016	7,155	6,242	1,860	15,257
Charge for the year	429	1,268	1,085	2,782
Written back on disposals	–	–	(3)	(3)
Exchange adjustment	(442)	(206)	(100)	(748)
At 31/12/2016	**7,142**	**7,304**	**2,842**	**17,288**
Carrying amounts				
At 31/12/2016	**870**	**1,120**	**2,524**	**4,514**
At 31/12/2015	1,014	2,428	1,823	5,265

12. Investments in Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
K.P.B. Group Holdings Limited	British Virgin Islands ("BVI")/Hong Kong	Ordinary US$12	100%	–	Investment holding
K.P.B. Trading Limited	BVI/Hong Kong	Ordinary US$4	–	100%	Investment holding
K.P.B. – T.C. Holdings Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
K.P.B. Asset Holdings Limited	BVI/Hong Kong	Ordinary US$6	–	100%	Investment holding
K.P.B. Marketing Limited	BVI/Hong Kong	Ordinary US$2	–	100%	Investment holding
K.P.I. Convenience Retail Company Limited	BVI/Hong Kong	Ordinary US$76,563	–	100%	Investment holding
K.P. Financial Group Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
Charter Merit Limited	Hong Kong	2 ordinary shares	–	100%	Holding of a club membership
Charter Paradise Limited	Hong Kong	2 ordinary shares	–	100%	Holding of a club membership
Sky High Finance Company Limited	Hong Kong	100 ordinary shares	–	51%	Not yet commenced business
K.P.A. Company Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Dormant
K.P.I. Development Limited	Hong Kong	2 ordinary shares and 10,000 non-voting deferred shares	–	100%	Securities trading
K.P.I. Industries Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Investment holding
K.P.I. International Trading Company Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Holding of a club membership and securities trading
K.P.I. Property Investment Company Limited	Hong Kong	2 ordinary shares	–	100%	Investment holding
KP Financial Holdings Limited	Hong Kong	1 ordinary share	–	100%	Investment holding
KP Financial Services Limited	Hong Kong	1 ordinary share	–	100%	Money lending

12. Investments in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
QL Finance Company Limited	Hong Kong	1 ordinary share	–	100%	Money lending
Qian Long Assets Management Company Limited	Hong Kong	5,000,000 ordinary shares	–	100%	Assets management
Golden Bauhinia Investment Holdings Co., Ltd	Hong Kong	1,000,000 ordinary shares	–	100%	Investment holding
北京華夏興業融資擔保有限公司 (note a)	The PRC	Registered capital RMB300,000,000	100%	–	Provision of loan guarantee services and financing consultancy services
北京中嘉利通商貿有限公司 (note b)	The PRC	Registered capital RMB30,000,000	–	100%	Investment holding
北京中港佳鄰商業有限公司 (note c)	The PRC	Registered capital US$13,000,000	–	100%	Provision of financing consultancy services
北京中金投財務諮詢有限公司 (note d)	The PRC	Registered capital US$300,000	–	100%	Provision of financing consultancy services
北京中金港資產管理有限公司 (note e)	The PRC	Registered capital RMB200,000,000	–	100%	Provision of financing consultancy services
北京中金投典當行有限公司 (note f)	The PRC	Registered capital RMB150,000,000	–	100%	Money lending
北京惠豐融金小額貸款有限公司 (note g)	The PRC	Registered capital RMB50,000,000	–	70%	Micro-lending
北京中金城開小額貸款有限公司 (note h)	The PRC	Registered capital RMB400,000,000	80%	–	Micro-lending
上海安金金融信息服務有限公司 (note i)	The PRC	Registered capital RMB500,000	–	100%	Provision of financing consultancy services
北京融信嘉資產管理有限公司 (note j)	The PRC	Registered capital RMB50,000,000	–	100%	Provision of financing consultancy services
北京中金投商業經紀有限公司 (note k)	The PRC	Registered capital RMB500,000	–	100%	Provision of rental services
北京朗明格諮詢有限公司 (note l)	The PRC	Registered capital RMB27,500,000	–	100%	Provision of financing consultancy services
Qian Long Capital	Cayman Islands/ Hong Kong	Ordinary US$1	–	100%	Investment manager
Fosun Hani Kronos Credit Fund SP (the "Fund") (note m)	Cayman Islands/ Hong Kong	N/A	–	63.6%	Fund investment

12. Investments in Subsidiaries *(Continued)*

Notes:

a) 北京華夏興業融資擔保有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to June 2031.

b) 北京中嘉利通商貿有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 15 years up to March 2023.

c) 北京中港佳鄰商業有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to March 2028.

d) 北京中金投財務諮詢有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to December 2030.

e) 北京中金港資產管理有限公司（"中金港" or "Zhongjingang"）is a limited liability company established in the PRC.

f) 北京中金投典當行有限公司（"典當行"）is a limited liability company established in the PRC.

g) 北京惠豐融金小額貸款有限公司（"惠豐小貸"）is a limited liability company established in the PRC.

h) 北京中金城開小額貸款有限公司 is a sino-foreign enterprise established in the PRC.

i) 上海安金金融信息服務有限公司 is a limited liability company established in the PRC.

j) 北京融信嘉資產管理有限公司（"融信嘉" or "Rongxinjia"）is a limited liability company established in the PRC.

k) 北京中金投商業經紀有限公司 is a limited liability company established in the PRC.

l) 北京朗明格諮詢有限公司 is a limited liability company established in the PRC.

m) The directors of the Company consider that the Group has a control over the Fund since

(1) the Group involves as investment manager;

(2) the Group is acting as a principal in the Fund;

(3) no substantial removal rights held by other parties may remove the Group as an investment manager;

(4) the investment interests held together with its remuneration from servicing and managing the Fund creates significant exposure to the variability of returns in the Fund.

12. Investments in Subsidiaries *(Continued)*

The following table lists out the information relating to 北京中金城開小額貸款有限公司, the only subsidiary of the group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2016 HK$'000	2015 HK$'000
NCI percentage	20%	20%
Current assets	625,283	513,195
Non-current assets	738	–
Current liabilities	(112,873)	(12,860)
Non-current liabilities	–	–
Net assets	513,148	500,335
Carrying amount of NCI	102,630	100,067
Revenue	100,696	40,134
Profit for the year	67,317	23,815
Total comprehensive income/(loss)	32,942	(7,082)
Profit allocated to NCI	13,463	4,763
Dividend paid to NCI	4,026	–
Cash flows from operating activities	(95,498)	(399,203)
Cash flows from investing activities	(682)	947
Cash flows from financing activities	65,201	496,901

13. Goodwill

	2016 HK$'000	2015 HK$'000
Cost and carrying amount		
At 1 January	**616,316**	654,528
Exchange adjustment	**(39,086)**	(38,212)
At 31 December	**577,230**	616,316

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") of financing business in the PRC.

The recoverable amount of the CGU is determined based on the value in use calculations, which are based on a business valuation report on the CGU prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited (2015: Peak Vision Appraisals Limited). These calculations use cash flow projections based on financial budgets approved by management covering a three-year period (2015: three-year period). Cash flows beyond the three-year period (2015: three-year period) are extrapolated using an estimated growth rate stated below which is by reference to the forecasts based on the funds available for the Group's loan financing business and does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash-generating unit.

Key assumptions used for the value-in-use calculations are as follows:

	2016	2015
Growth rate	**3%**	3%
Gross margin	**86%**	84%
Discount rate	**11.47%**	12.67%

Management determined the budgeted gross margin based on past performance and its expectation for market development.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

14. Interest in An Associate

The following list contains the particulars of the associate, which is an unlisted corporate entity whose quoted market price is not available.

Name of associate	Place of incorporation and business	Particulars of registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activity
北京中匯豐源融資租賃有限公司 (see note below)	The PRC	Registered capital USD10,000,000	25%	25%	Not yet commence operation

Note: 北京中匯豐源融資租賃有限公司 is established in the PRC in the form of sino-foreign equity enterprise.

The Company shall contribute an amount of US$2,500,000 as its capital contribution, representing 25% equity interest in the associate. As at 31 December 2016 and 2015, the Company had contributed US$500,000 (equivalent to approximately HK$3,900,000). The Company has an obligation to settle the remaining amount of US$2,000,000 (equivalent to approximately HK$15,600,000).

The above associate is accounted for using the equity method in the consolidated financial statements.

14. Interest in An Associate *(Continued)*

Financial information about the Group's interest in the above associate, that is not material, is disclosed below:

	北京中匯豐源融資租賃有限公司 2016 HK$'000	2015 HK$'000
Carrying amount of the associate in the consolidated financial statements	**3,467**	3,705
Amounts of the Group's share of this associate's		
Loss for the year	**(2)**	(2)
Other comprehensive loss for the year	**(236)**	(149)
Total comprehensive loss for the year	**(238)**	(151)

15. Available-for-Sale Investments

	2016 HK$'000	2015 HK$'000
Equity securities listed in Hong Kong, at fair value	**24,356**	39,614
Unlisted investments:		
– Golf club memberships, at cost	**1,903**	2,453
Total	**26,259**	42,067

As at 31 December 2015, certain listed available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost which indicated that the cost of the Group's investments in them may not be recovered. Impairment losses on these investments (see note 5(b)) were recognised in profit or loss in accordance with the policy set out in note 2(k)(i).

As at 31 December 2016 and 2015, the Group's investments in golf club memberships were not stated at fair value but at cost because it did not have a quoted market price in an active market and the fair value cannot be reliably measured. No impairment is recognised since there is no objective evidence that investments in golf club memberships was impaired.

16. Financial Assets at Fair Value Through Profit or Loss

	2016 HK$'000	2015 HK$'000
Listed debt securities at fair value – held-for-trading		
– outside Hong Kong	–	15,291
Equity linked note ("ELN") at fair value – held-for-trading		
– Unlisted outside Hong Kong	17,817	–
	17,817	15,291

17. Loans Receivable

	2016 HK$'000	2015 HK$'000
Pawn loans receivable	255,281	260,276
Loans receivable arising from:		
– Micro-lending	635,566	448,220
– Money-lending	273,986	223,560
Designated loan receivable (note (iv))	–	596,815
Other loans receivable	2,427,716	1,800,591
	3,592,549	3,329,462
Less: Allowances for doubtful debts		
– Collectively assessed	(8,920)	(7,085)
– Individually assessed	–	(5,500)
	(8,920)	(12,585)
	3,583,629	3,316,877
Amounts due within one year included under current assets	3,549,974	3,294,178
Amounts due after one year included under non-current assets	33,655	22,699
	3,583,629	3,316,877

17. Loans Receivable *(Continued)*

Notes:

i) Approximately HK$3,309,643,000 (2015: HK$3,098,817,000) of the Group's loans receivable were arising from the PRC and are denominated in RMB. The loans receivable in the PRC carry interest plus service charge at a monthly effective rate of 1.0% to 4.3% (2015: 0.1% to 3.0%), and the loans receivable in Hong Kong carry interest at a monthly effective rate of 0.6% to 3.0% (2015: 1.0% to 2.5%). As at 31 December 2016 and 2015, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the loans receivable.

ii) A loan receivable from 中金佳晟投資基金管理(北京)有限公司("中金佳晟"), of which certain directors of the Company are its key management personnel, was included in other loans receivable as at 31 December 2015, and those directors resigned as key management personnel on 20 April 2015. For the year ended 31 December 2015, the loan carried service charge at a monthly effective rate of 1.8% and, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the loan. The maximum outstanding balance due from 中金佳晟 during the year ended 31 December 2015 was HK$377,904,000. The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business. The loan receivable was fully settled during the year ended 31 December 2016.

    The income earned from 1 January 2015 to the date of resignation as the key management personnel of 中金佳晟, amounting to approximately HK$7,353,000, is included in "Interest, guarantee and financing consultancy services income" (note 3(a)).

iii) A typical loan generally has a term of 15 days to 15 years (2015: 30 days to 10 years).

iv) During the year ended 31 December 2015, the Group lent an amount of RMB500,000,000 (equivalent to approximately HK$596,815,000) through an asset management company to an independent third party. The designated loan receivable was secured by land held for development. This designated loan receivable bore interest at 7.5% per annum.

    On 24 February 2016, the Group assigned this designated loan receivable with its risk and rewards to an independent third party at the consideration of RMB520,195,000 (approximately HK$620,920,000).

17. Loans Receivable *(Continued)*

a) *Maturity profile*

As at the end of the reporting period, the maturity profile of loans receivable, based on maturity date, is as follows:

	2016					2015				
	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Other loans receivable HK$'000	Total HK$'000	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Other loans receivable HK$'000	Total HK$'000
Due within 1 month or on demand	11,170	46,897	73,265	883,662	1,014,994	19,199	5,431	37,011	515,297	576,938
Due after 1 month but within 3 months	4,036	41,465	57,890	337,269	440,660	62,367	12,772	32,900	285,842	393,881
Due after 3 months but within 6 months	60,592	133,246	41,400	308,528	543,766	44,558	74,960	39,050	440,235	598,803
Due after 6 months but within 12 months	179,483	409,934	71,800	898,257	1,559,474	134,152	355,057	91,900	559,217	1,140,326
Due after 12 months	–	4,024	29,631	–	33,655	–	–	22,699	–	22,699
Allowances for doubtful debts	(2,553)	(6,367)	–	–	(8,920)	(2,603)	(4,482)	(5,500)	–	(12,585)
	252,728	629,199	273,986	2,427,716	3,583,629	257,673	443,738	218,060	1,800,591	2,720,062
Add: Designated loan receivable (see note (iv) above) – Due after 6 months but within 12 months					–					596,815
					3,583,629					3,316,877

Details on the Group's credit policy are set out in note 41(a).

b) *Impairment of loans receivable*

Impairment losses in respect of loans receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loans receivable directly (see note 2(k)(i)).

The movements in allowances for doubtful debts during the year is as follows:

	2016			2015		
	Collectively assessed HK$'000	Individually assessed HK$'000	Total HK$'000	Collectively assessed HK$'000	Individually assessed HK$'000	Total HK$'000
At 1 January	7,085	5,500	12,585	3,810	–	3,810
Impairment loss recognised	2,385	4,262	6,647	3,641	5,500	9,141
Uncollectible amounts written off	–	(9,762)	(9,762)	–	–	–
Exchange adjustment	(550)	–	(550)	(366)	–	(366)
At 31 December	8,920	–	8,920	7,085	5,500	12,585

17. Loans Receivable *(Continued)*

b) *Impairment of loans receivable (Continued)*

At 31 December 2016, loans receivable of HK$9,762,000 (2015: HK$5,500,000) were individually determined to be impaired. The individually impaired receivables related to customers that refused to pay and the Group has taken legal actions against them, and management assessed that the receivables is not expected to be recovered. Consequently, specific allowances for doubtful debts of HK$4,262,000 (2015: HK$5,500,000) were recognised in profit or loss and an amount of HK$9,762,000 (2015: HK$nil) was written off as uncollectible.

c) *Analysed by credit quality*

	2016						2015					
	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Designated loan receivable HK$'000	Other loans receivable HK$'000	Total HK$'000	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Designated loan receivable HK$'000	Other loans receivable HK$'000	Total HK$'000
Loans receivable that are not impaired												
– Neither past due nor impaired	–	–	210,700	–	2,292,992	2,503,692	–	–	195,259	596,815	1,771,602	2,563,676
– Less than 1 month past due	–	–	–	–	132,377	132,377	–	–	10,850	–	1,158	12,008
– 1 to 3 months past due	–	–	–	–	–	–	–	–	2,966	–	6,088	9,054
– Over 3 months past due	–	–	63,286	–	2,347	65,633	–	–	8,985	–	21,743	30,728
	–	–	273,986	–	2,427,716	2,701,702	–	–	218,060	596,815	1,800,591	2,615,466
Loans receivable that are impaired collectively												
– Not past due	255,281	633,889	–	–	–	889,170	260,276	447,265	–	–	–	707,541
– Less than 1 month past due	–	1,118	–	–	–	1,118	–	955	–	–	–	955
– 1 to 3 months past due	–	559	–	–	–	559	–	–	–	–	–	–
– Over 3 months past due	–	–	–	–	–	–	–	–	–	–	–	–
– Allowances for doubtful debts	(2,553)	(6,367)	–	–	–	(8,920)	(2,603)	(4,482)	–	–	–	(7,085)
	252,728	629,199	–	–	–	881,927	257,673	443,738	–	–	–	701,411
Total	252,728	629,199	273,986	–	2,427,716	3,583,629	257,673	443,738	218,060	596,815	1,800,591	3,316,877

Loans receivable that were neither past due nor impaired relate to recognised and creditworthy borrowers for whom there was no recent history of default.

Loans receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. Accounts Receivable

	2016 HK$'000	2015 HK$'000
Accounts receivable	**13,428**	51,409

All of the Group's accounts receivable were arising from the PRC and are denominated in Renminbi ("RMB") and are expected to be recovered within one year.

i) Ageing analysis

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the revenue recognition date, is as follows:

	2016 HK$'000	2015 HK$'000
Within 1 month	**8,753**	11,109
1 to 3 months	**4,613**	16,299
3 to 6 months	**62**	18,200
Over 6 months	**–**	5,801
	13,428	51,409

Accounts receivable are due within 30 days from the date of billing. Further details on the Group's credit policy are set out in the note 41(a).

18. Accounts Receivable *(Continued)*

ii) Accounts receivable that are not impaired

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**8,753**	11,109
Less than 1 month past due	**4,055**	8,295
1 to 3 months past due	**592**	12,832
4 to 6 months past due	**28**	16,727
Over 6 months past due	**–**	2,446
	13,428	51,409

Accounts receivable that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Accounts receivable that was neither past due but nor impaired relates to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. Interests Receivable

	2016 **HK$'000**	2015 HK$'000
Interests receivable	**11,615**	33,246

Approximately HK$6,822,000 (2015: HK$27,770,000) of the Group's interests receivable were arising from the PRC and are denominated in RMB. All of the interests receivable are expected to be recovered within one year.

As at 31 December 2015, included in interests receivable was approximately HK$17,291,000 relating to designated loan receivable. Details of such transaction are set out in note 17 to the financial statements.

19. Interests Receivable *(Continued)*

i) *Ageing analysis*

As at the end of the reporting period, the ageing analysis of interests receivable, based on the revenue recognition date, is as follows:

	2016	2015
	HK$'000	HK$'000
Within 1 month	**8,584**	15,455
1 to 3 months	**1,093**	9,867
3 to 6 months	**154**	7,473
Over 6 months	**1,784**	451
	11,615	33,246

Interests receivable are due within 30 days from the date of billing (or on maturity date of loans receivable according to the relevant loan agreements).

ii) *Interests receivable that are not impaired*

	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	**8,584**	27,871
Less than 1 month past due	**572**	2,910
1 to 3 months past due	**572**	971
4 to 6 months past due	**103**	1,433
Over 6 months past due	**1,784**	61
	11,615	33,246

Interests receivable that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Interests receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. Other Receivables, Deposits and Prepayments

	2016 HK$'000	2015 HK$'000
Other receivables	**27,242**	20,202
Amounts due from related parties (note 39(d)(i))	**7,229**	358
	34,471	20,560
Prepayments	**9,028**	7,823
Utility and sundry deposits	**2,885**	1,811
	46,384	30,194

The amount of utility and sundry deposits expected to be recovered or recognised as expense after more than one year is HK$2,029,000 (2015: HK$1,310,000). All of the other receivables (including amounts due from related parties), deposits and prepayments are expected to be recovered or recognised as expense within one year.

21. Pledged Bank and Security Deposits Paid

a) Security deposits of RMB4,128,000 (equivalent to approximately HK$4,615,000) (2015: RMB4,090,000 (equivalent to approximately HK$4,882,000)) are placed by the Group with the financial institutions according to the requirements of the financial institutions for credit guarantees that the Group provides to third parties for their borrowings from the financial institutions.

b) Pledged bank deposits of RMBNil (equivalent to approximately HK$Nil) (2015: RMB40,500,000 (equivalent to approximately HK$48,342,000)) are placed by the Group with a bank to secure a bank loan of RMBNil (equivalent to approximately HK$Nil) (2015: RMB39,000,000 (equivalent to approximately HK$47,745,000)).

c) All of the pledged bank and security deposits paid as at 31 December 2016 and 2015 are expected to be recovered within one year.

22. Cash and Cash Equivalents

	2016 HK$'000	2015 HK$'000
Cash and cash equivalents in the consolidated statements of financial position and cash flows		
– Cash at financial institutions and on hand	273,291	668,603

a) Deposits with financial institutions carry interest at market rates ranging from 0.01% to 0.35% (2015: 0.01% to 0.39%) per annum.

b) Cash at financial institutions as at 31 December 2016 include HK$201,195,000 (2015: HK$358,042,000) placed with financial institutions in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

23. Short-Term Borrowings

	Note	2016 HK$'000	2015 HK$'000
Borrowings under contractual agreements with:			
– 找銀子	23(a)	1,883	248,098
– 理理貸	23(b)	347,379	43,448
– 招財寶	23(c)	–	614,030
– 小微財行	23(d)	172,117	–
Borrowings from employees	23(e)	3,034	12,213
Borrowings from a shareholder	39(d)(ii)	8,004	–
Borrowings from a money lending license corporation	23(f)	15,299	–
Borrowings from securities companies	23(g)	3,359	–
Other borrowings	23(h)	29,116	–
		580,191	917,789

23. Short-Term Borrowings *(Continued)*

a) In 2014, Zhongjingang and 北京融信嘉資產管理有限公司 ("Rongxinjia"), both of which are subsidiaries of the Company, separately entered into a strategic cooperation agreement with an independent third party, which would establish and operate online lending platform (namely, "找銀子" or "Zhaoyinzi"), in the launch of internet finance so as to invite investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 31 December 2016, the borrowings under this platform amounted to approximately HK$1,883,000 (2015: HK$248,098,000), which bore a financing cost measured at an annualised rate of 11.5% (2015: 11.5%) and were secured by certain of loans receivable of approximately HK$1,565,000 (2015: HK$267,316,000).

The amount of finance costs incurred during the year amounting to HK$12,066,000 (2015: HK$22,253,000) is included in interest and handling expenses (note 3(a)).

b) During the year ended 31 December 2015, the Group entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform (namely, "理理貸" or "Li Li Dai"), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 31 December 2016, the borrowings under this platform amounted to approximately HK$347,379,000 (2015: HK$43,448,000), which bore a financing cost measured at an annualised rate of ranged from 7.5% to 11% (2015: 11.5%) and were secured by certain of loans receivable of approximately HK$346,558,000 (2015: HK$43,233,000).

The amount of finance costs incurred during the year amounting to HK$2,868,000 (2015: HK$12,475,000) is included in interest and handling expenses (note 3(a)).

c) During the year ended 31 December 2015, the Group raised short-term borrowings in a total of RMB507,000,000 from independent third parties through the online lending platform ("招財寶"), which is owned and operated by 上海招財寶金融信息服務有限公司, an independent third party. The loan was unsecured, bearing interest at 4.5% per annum and guaranteed by China United SME Guarantee Corporation ("Sinoguarantee"), which was an independent third party before becoming a substantial shareholder of the Company resulting from the allotment of shares as mentioned in note 33(c).

During the year ended 31 December 2016, the loan was settled in full.

The amount of finance costs incurred during the year amounting to HK$4,329,000 (2015: HK$9,220,000) is included in interest and handling expenses (note 3(a)).

23. Short-Term Borrowings *(Continued)*

d) During the year ended 31 December 2016, Zhongjingang and Rongxinjia entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform (namely, "小微財行" or "Xiaoweicaihang"), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regards, the Group shall assign all its right and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 31 December 2016, the borrowings under this platform amounted to approximately HK$172,117,000, which bore a financing cost measured at an annualized rate ranged from 8% to 11.5% and were secured by certain of loans receivable of approximately HK$182,974,000.

The amount of finance costs incurred during the period amounting to HK$13,585,000 is included in interest and handling expense (note 3(a)) .

e) During the years ended 31 December 2016 and 2015, the Group borrowed funds from its employees (together with their relatives or friends, the "Employees") based in Hong Kong for the development of its money lending business. As at 31 December 2016, the borrowings from the Employees amounted to approximately HK$3,034,000 (2015: HK$11,760,000), which bore a financing cost measured at an annualized rate of 7.5% (2015: 10%), were repayable within one year and not secured by any assets or guarantees.

The amount of finance costs incurred during the year amounting to HK$515,000 (2015: HK$1,835,000) is included in interest and handling expenses (note 3(a)).

f) As at 31 December 2016, the loan bore interest at 7% per annum, was repayable on 18 September 2017 and secured by corporate guarantee provided by the Company.

g) As at 31 December 2016, Borrowings from securities companies bore interest at a range of 1.79% to 1.81% per annum, were repayable within one month and secured by legal charges over certain of available-for-sale investments of HK$7,440,000 (as included in "available-for-sale investments (note 15)) and equity linked note of HK$17,817,000 (as included in "Financial assets at fair value through profit or loss" (note 16)) held by the Group in an account maintained with these securities companies.

h) Other borrowings represents third party interests in consolidated structured entity, which consists of third-party unit/shareholders' interests in consolidated structured entity which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entity cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment fund that are subject to the actions of third-party unit holders.

The amount of finance costs incurred during the year amounting to HK$967,000 is included in interest and handling expenses (note 3(a)).

i) The short-term borrowings of approximately HK$521,379,000 (2015: HK$905,576,000) were arising from the PRC and are denominated in RMB.

j) All short-term borrowings are carried at amortised cost.

24. Bank Loans

At the end of the reporting period, the bank loans of the Group were repayable as follows:

	2016 HK$'000	2015 HK$'000
Within 1 year or on demand	**77,076**	75,745

At the end of the reporting period, the bank loans were secured as follows:

	Note	2016 HK$'000	2015 HK$'000
Bank loans			
– secured by the Group's bank deposits	(i)	**–**	47,745
– secured by the Group's loans receivable	(ii)	**–**	28,000
– secured by Sinoguarantee's guarantee	(iii)	**67,076**	–
– secured by the Company's corporate guarantee	(iv)	**10,000**	–
		77,076	75,745

The ranges of effective interest rates on the Group's bank loans are as follows:

	2016 %	2015 %
Effective interest rates:		
Bank loans	**4.79%-5.29% per annum**	5.00%-5.65% per annum

Notes:

i) As at 31 December 2015, bank loans of HK$47,745,000 were secured by bank deposits of HK$48,342,000 (note 21).

ii) As at 31 December 2015, a bank loan of HK$28,000,000 was secured by loans receivable of approximately HK$46,500,000.

iii) As at 31 December 2016, a bank loan of HK$67,076,000 was secured by Sinoguarantee's guarantee. The Company, Guan Xue Ling, the director of the Company, and Lu Wei Jun, the senior management of the Group, provided counter-guarantee to Sinoguarantee. In addition, at least HK$13,415,000 loans receivable and 37.5% of equity interest in 北京中金城開小額貸款有限公司, a subsidiary of the Company, were pledged to Sinoguarantee.

iv) As at 31 December 2016, another bank loan of HK$10,000,000 was secured by corporate guarantee provided by the Company.

24. Bank Loans *(Continued)*

Notes: *(Continued)*

v) The bank loans of approximately HK$67,076,000 (2015: HK$47,745,000) were obtained in the PRC and denominated in RMB.

vi) All of the bank loans are carried at amortised cost.

vii) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 41(b). As at 31 December 2016, none of the covenants relating to the bank loans had been breached (2015: Nil).

25. Security Deposits Received

Security deposits received refer to deposits received from customers as collateral for loan facilities granted by the Group. These deposits, which are denominated in RMB, are interest-free, and will be returned to customers after the relevant loan agreements expire.

26. Other Payables, Deposits Received and Accruals

	2016 **HK$'000**	2015 HK$'000
Accrued salaries, wages and other benefits	**1,313**	12
Accrued expenses	**5,055**	3,807
Dividend payable	**709**	687
Amounts due to related parties (note 39(d)(ii))	**–**	24,204
Deposit received from a guarantor (see note (b) below)	**8,385**	–
Rental and other deposits received	**39**	6
VAT and other tax payables	**14,518**	11,463
Other payables	**4,022**	4,210
	34,041	44,389

Notes:

(a) All of the other payables, deposits received and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

(b) The balance represents deposits paid by a guarantor as collateral for loan facilities granted to the Group's customers.

27. Liabilities Arising from Loan Guarantee Contracts

	2016 HK$'000	2015 HK$'000
Provision for guarantee losses	–	59

Movement analysis of provision for guarantee losses

	2016		
	Undue liability provision (note i) HK$'000	Guarantee compensation provision (note ii) HK$'000	Total HK$'000
At 1 January	35	24	59
Credited to profit or loss for the year	(34)	(23)	(57)
Exchange adjustment	(1)	(1)	(2)
At 31 December	–	–	–

Notes:

i) Pursuant to Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies, a financial guarantee company shall provide 50% of its guarantee income in the year it derived, as undue liability provision (“未到期責任準備金”).

ii) Pursuant to Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies, a financial guarantee company shall provide no less than 1% of the year-end balance of the guarantee liability in the year it arose as guarantee compensation provision (“擔保賠償準備金”).

28. Amount Due to An Associate

The amount is unsecured, interest free and repayable on demand.

29. Financial Derivatives

As at 31 December 2016, the Group has an outstanding forward foreign exchange accumulator contract (2015: one equity accumulator contract) with maturity date on 11 December 2017 (2015: maturity dates on 30 August 2016).

Based on the forward foreign exchange accumulator contract, the Group has an obligation to buy a specified amount of the foreign currency at specific date every month (the "Valuation Date") up to the maturity date at the strike price if the foreign currency exchange rate at the Valuation Date is higher than the predetermined exchange rate, and buy twice the specified amount of the Australian Dollars ("AUD") at specific date every month up to the maturity day if such foreign currency rate at the Valuation Date is lower than the predetermined exchange rate. The counterparty financial institution can terminate the contract when the exchange rate of the underlying foreign currency is higher than a knock-out price set out in the relevant contract.

Based on the equity accumulator contract, the Group has an obligation to buy a specified number of the equity securities ("Equity Security") of a Hong Kong Listed Company every day up to the maturity date at the strike price if the stock price is higher than the predetermined forward price, and buy twice the specified number of the Equity Security every day up to the maturity day if such stock price is lower than the predetermined forward price. The counterparty financial institution can terminate the contract when the market price of the underlying equity securities is higher than a knock-out price set out in the relevant contract.

The Group relies on the valuation provided by an independent professional valuer to determine the fair value of the derivative financial instruments which is based on Monte Carlo Simulation model. For the forward foreign exchange accumulator contract, the key inputs applied to the valuation are time to maturity, knock-out probability, volatility, spot exchange rate of the underlying foreign currency, risk free rate, expected return rate and the discount rate. For the equity accumulator contract, the key inputs applied to the valuation are time to maturity, knock-out probability, volatility, spot price of the underlying asset, risk free rate and the expected return rate. The fair value of the derivative financial instrument for the contract as at 31 December 2016 is approximately HK$1,032,000 (2015: HK$493,000), which was recognised in the consolidated statement of financial position.

As at 31 December 2016, the contract was secured by legal charges over certain of available-for-sale investments of HK$4,142,000 (2015: HK$4,210,000) (as included in "available-for-sale investments" (note 15)), equity linked note of HK$17,817,000 (2015: HK$Nil) (as included in "Financial assets at fair value through profit or loss" (note 16)) and cash of HK$Nil (2015: HK$4,051,000) (as included in "cash and cash equivalent" (note 22)) held by the Group in an account maintained with the relevant financial institution.

30. Deferred Taxation

a) The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follow:

Deferred tax arising from:	**Withholding tax** HK$'000
At 1 January 2015	6,421
Charged to profit or loss (note 6(a))	752
Exchange adjustment	(403)
At 31 December 2015 and 1 January 2016	6,770
Credited to profit or loss (note 6(a))	(2,684)
Exchange adjustment	(317)
At 31 December 2016	3,769

b) *Deferred tax assets not recognised*

Deferred tax assets in respect of the unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits against which the unused tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

The Group has not recognised deferred tax assets in respect of the cumulative tax losses of HK$216,478,000 (2015: HK$196,951,000) for its Hong Kong incorporated subsidiaries due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation.

30. Deferred Taxation *(Continued)*

c) *Deferred tax liabilities not recognised*

At 31 December 2016, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was HK$1,124,680,000 (2015: HK$1,143,781,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. Senior bonds

On 5 March 2015, a subsidiary of the Company issued the 3-year senior guaranteed bonds ("Senior Bonds") at 99.33% in an aggregate nominal value of RMB300,000,000 which will mature on 5 March 2018. The bonds carry interest at the coupon rate of 6.5% per annum. The interest is payable semi-annually in arrears on 5 March and 5 September each year.

The Senior Bonds are unconditionally and irrevocably guaranteed, jointly and severally, by the Company and Sinoguarantee.

Below collaterals were provided to Sinoguarantee:

– Mr. Cheung Siu Lam, the Company's controlling shareholder, has entered into a share charge in favour of Sinoguarantee, pursuant to which Mr. Cheung Siu Lam has pledged 750 million shares he owns in the Company to Sinoguarantee;

– the Group has entered into a share charge in favour of Sinoguarantee, pursuant to which it has pledged all of its shareholdings in Zhongjingang, a wholly-owned subsidiary of the Company, to Sinoguarantee; and

– Zhongjingang, Rongxinjia, 惠豐小貸 and 典當行, all of which are subsidiaries of the Company, have each entered into an agreement to pledge certain receivables to Sinoguarantee of approximately HK$503,793,000 as at 31 December 2016 (2015: HK$592,303,000).

The directors of the Company considered that no derivatives were embedded in the Senior Bonds and it is appropriate to use amortised cost method to record the Senior Bonds in the consolidated statement of financial position.

31. Senior bonds *(Continued)*

Movements in Senior Bonds is analysed as follows:

	Original currency RMB'000	Shown as HK$'000
At 1 January 2015	–	–
Issue of bonds	297,990	372,041
Transaction costs	(12,935)	(16,149)
Interest charged for the year	22,774	28,097
Interest paid during the year	(9,937)	(12,019)
Exchange realignment	–	(16,737)
At 31 December 2015 and 1 January 2016	297,892	355,233
Interest charged for the year	20,488	23,992
Interest paid during the year	(19,447)	(22,983)
Exchange realignment	–	(22,055)
At 31 December 2016	298,933	334,187

32. Unsecured Bonds

The Company issued unlisted and unsecured bonds. The details of the due date and coupon rate per annum are shown as below table. All of unsecured bonds are carried at amortised cost. The unsecured bonds are subject to the fulfillment of covenants relating to certain financial ratios, as are commonly found in leading arrangements. If the Group were to breach the covenants, unsecured bonds would become payable on demand. The Group regularly monitors it compliance with these covenants. At 31 December 2016 and 2015, none of the covenants relating to the unsecured bonds had been breached.

	Coupon rate per annum	Note	2016 HK$'000	2015 HK$'000
Current liabilities				
Unsecured bonds of HK$3,900,000 due 2017 (issued in 2016) ("Bond A")	4.25%	32(a)	**3,813**	–
Non-current liabilities				
Unsecured bonds of HK$58,000,000 due 2018 (issued in 2015) ("Bond B")	5.50%	32(b)	**54,989**	53,112
Unsecured bonds of HK$220,000,000 due 2022 (issued in 2015) ("Bond C")	7.00%	32(c)	**187,610**	194,645
Unsecured bonds of HK$10,000,000 due 2022 (issued in 2016) ("Bond D")	5.00%	32(d)	**8,832**	–
Unsecured bonds of HK$10,000,000 due 2024 (issued in 2016) ("Bond E")	6.00%	32(e)	**8,722**	–
			260,153	247,757
			263,966	247,757

32. Unsecured Bonds *(Continued)*

a) Movements in Bond A is analysed as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	–	–
Issue of bonds	3,900	–
Transaction costs	(137)	–
Interest charged for the year	108	–
Interest paid during the year	(58)	–
At 31 December	3,813	–

b) Movements in Bond B is analysed as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	53,112	–
Issue of bonds	–	58,000
Transaction costs	–	(5,800)
Interest charged for the year	5,067	2,589
Interest paid during the year	(3,190)	(1,677)
At 31 December	54,989	53,112

32. Unsecured Bonds *(Continued)*

c) Movements in Bond C is analysed as follow:

	2016 HK$'000	2015 HK$'000
At 1 January	194,645	–
Issue of bonds	–	220,000
Transaction costs	–	(27,400)
Interest charged for the year	18,002	10,033
Interest paid during the year	(15,181)	(7,988)
Redemption during the year	(9,856)	–
At 31 December	187,610	194,645

d) Movements in Bond D is analysed as follow:

	2016 HK$'000	2015 HK$'000
At 1 January	–	–
Issue of bonds	10,000	–
Transaction costs	(1,210)	–
Interest charged for the year	157	–
Interest paid during the year	(115)	–
At 31 December	8,832	–

e) Movements in Bond E is analysed as follow:

	2016 HK$'000	2015 HK$'000
At 1 January	–	–
Issue of bonds	10,000	–
Transaction costs	(1,350)	–
Interest charged for the year	355	–
Interest paid during the year	(283)	–
At 31 December	8,722	–

33. Share Capital

a) *Issued share capital*

	Note	2016 No. of shares	2016 HK$'000	2015 No. of shares	2015 HK$'000
Ordinary shares, issued and fully paid:					
At beginning of the year		**3,864,086,336**	**1,746,674**	3,430,086,336	1,420,378
Shares issued under share option scheme	33(b)	**20,000,000**	**14,282**	34,000,000	26,549
Shares issued under subscription agreement	33(c)	**–**	**–**	400,000,000	299,747
Shares repurchased	33(d)	**(44,030,000)**	**–**	–	–
At end of the year		**3,840,056,336**	**1,760,956**	3,864,086,336	1,746,674

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary Shares rank equally with regard to the Company's residual assets.

b) *Shares issued under share option scheme*

During the year ended 31 December 2016, options were exercised to subscribe for 20,000,000 ordinary shares (2015: 34,000,000 ordinary shares) in the Company at a total consideration of HK$9,580,000 (2015: HK$20,331,000), all of which was credited to share capital. HK$4,702,000 (2015: HK$6,218,000) was transferred from the share-based compensation reserve to share capital account in accordance with note 2(o)(iii).

c) *Shares issued under subscription agreement*

On 25 June 2015, the Company entered into a subscription agreement with Sinoguarantee whereby the Company allotted and issued 400,000,000 new shares (the "Allotment of Shares") at a subscription price of HK$0.75 per subscription share to Sinoguarantee. The proceeds from subscription agreement was HK$300,000,000 and the expenses in relation to subscription agreement was HK$253,000, resulting in a net increase in share capital of HK$299,747,000.

33. Share Capital *(Continued)*

(d) Purchase of own shares

During the year ended 31 December 2016, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		HK$	HK$	HK$'000
January 2016	26,234,000	0.53	0.51	13,762
February 2016	12,102,000	0.53	0.51	6,372
March 2016	3,416,000	0.63	0.61	2,132
June 2016	2,278,000	0.66	0.65	1,484
				23,750

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HK$23,750,000 was paid wholly out of retained profits.

34. Reserves

a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2015	33,019	76,880	109,899
Profit and total comprehensive income for the year	–	105,147	105,147
Shares issued under share option scheme	(6,218)	–	(6,218)
Equity settled share-based transactions	14,149	–	14,149
Dividends paid	–	(114,477)	(114,477)
At 31 December 2015 and 1 January 2016	40,950	67,550	108,500
Profit and total comprehensive income for the year	–	131,381	131,381
Shares issued under share option scheme	(4,702)	–	(4,702)
Equity settled share-based transactions	11,731	–	11,731
Lapse of share options	(6,412)	6,412	–
Purchase of own shares	–	(23,750)	(23,750)
Dividends paid	–	(92,576)	(92,576)
At 31 December 2016	**41,567**	**89,017**	**130,584**

34. Reserves *(Continued)*

b) *Dividends*

(i) *Dividends payable to equity shareholders of the Company attributable to the year*

	2016 HK$'000	2015 HK$'000
Interim dividend declared and paid of HK1.05 cents per ordinary share (2015: HK1.00 cent per ordinary share)	**40,321**	38,641
Final dividend proposed after the end of the reporting period of HK1.31 cents per ordinary share (2015: HK1.36 cents per ordinary share)	**50,305**	52,552
	90,626	91,193

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	2016 HK$'000	2015 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.36 cents per share (2015: HK2.20 cents per share)	**52,255**	75,836

34. Reserves *(Continued)*

c) *Nature and purpose of reserves*

i) *Share-based compensation reserve*

The share-based compensation reserve represents the portion of the grant date fair value of unexercised share options granted to eligible participants that has been recognised in accordance with the accounting policy adopted for share-based payments in notes 2(o)(iii) and (iv).

ii) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(t).

iii) *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in notes 2(j) and 2(k)(i).

iv) *Statutory surplus reserve*

According to the Company's PRC subsidiaries' articles of association, each PRC company is required to transfer 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the PRC company's registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years' losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

35. Employee Retirement Benefits

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

36. Share Options

Equity-settled share option schemes

The share option scheme adopted by the Company on 7 June 2004 (the "2004 Share Option Scheme") was terminated on 6 June 2014, and the Company adopted a new share option scheme on 20 May 2014 (the "2014 Share Option Scheme", together with the 2004 Share Option Scheme are referred to as the "Schemes") at the Company's annual general meeting held on 20 May 2014. No further options shall be offered under the 2004 Share Option Scheme, but in all other respects the provisions of the 2004 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2014 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

According to the terms of the Scheme, the directors of the Company are authorised, at their discretion, to invite employees or any person who has contributions to the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The options are exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

36. Share Options *(Continued)*

Equity-settled share option schemes (Continued)

a) The terms and conditions of the grants are as follows:

Category of grantee	Number of instruments '000	Exercise price per share HK$	Date of grant	Exercisable period	Contractual life of option
Directors and ex-directors	30,000	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	10,000	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
	6,660	0.660	11 April 2014	11 April 2015 to 10 April 2024	10 years
	6,660	0.660	11 April 2014	11 April 2016 to 10 April 2024	10 years
	6,680	0.660	11 April 2014	11 April 2017 to 10 April 2024	10 years
Employees	38,500	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	26,000	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
Consultants	10,000	0.660	11 April 2014	11 April 2015 to 10 April 2018	4 years
	10,000	0.660	11 April 2014	11 April 2016 to 10 April 2018	4 years
	30,000	0.660	11 April 2014	11 April 2014 to 10 April 2016	2 years
	30,000	0.660	11 April 2014	11 April 2015 to 10 April 2016	2 years
	9,990	0.660	11 April 2014	11 April 2015 to 10 April 2024	10 years
	9,990	0.660	11 April 2014	11 April 2016 to 10 April 2024	10 years
	10,020	0.660	11 April 2014	11 April 2017 to 10 April 2024	10 years
	18,315	0.546	26 August 2015	26 August 2016 to 25 August 2025	10 years
	18,315	0.546	26 August 2015	26 August 2017 to 25 August 2025	10 years
	18,370	0.546	26 August 2015	26 August 2018 to 25 August 2025	10 years
Total share options granted	289,500				

36. Share Options *(Continued)*

Equity-settled share option schemes (Continued)

b) The number and weighted average exercise prices of share options are as follows:

Option type	Outstanding at 1/1/2015 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/2015 '000	Exercisable at 31/12/2015 '000
2007	45,000	–	(5,000)	–	–	40,000	
2010	10,000	–	(4,000)	–	–	6,000	
2014	130,000	–	(25,000)	–	–	105,000	
2015	–	55,000	–	–	–	55,000	
	185,000	55,000	(34,000)	–	–	206,000	107,650
Weighted average exercise price	HK$0.60	HK$0.546	HK$0.598	–	–	HK$0.586	HK$0.576

Option type	Outstanding at 1/1/2016 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/2016 '000	Exercisable at 31/12/2016 '000
2007	40,000	–	(20,000)	–	–	20,000	
2010	6,000	–	–	–	–	6,000	
2014	105,000	–	–	–	(45,000)	60,000	
2015	55,000	–	–	–	–	55,000	
	206,000	–	(20,000)	–	(45,000)	141,000	87,615
Weighted average exercise price	HK$0.586	–	HK$0.479	–	HK$0.660	HK$0.577	HK$0.574

36. Share Options *(Continued)*

Equity-settled share option schemes (Continued)

b) The number and weighted average exercise prices of share options are as follows: *(Continued)*

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2016 was HK$0.62 (2015: HK$0.94).

The options outstanding at 31 December 2016 had an exercise price of HK$0.479 or HK$0.359 or HK$0.660 or HK$0.546 (2015: HK$0.479 or HK$0.359 or HK$0.660 or HK$0.546) and a weighted average remaining contractual life of 6.32 years (2015: 5.24 years).

c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Trinomial Option Pricing model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions	2014	2015
Weighted average fair value at measurement date	HK$0.2743	HK$0.2889
Share price	HK$0.6600	HK$0.4900
Exercise price	HK$0.6600	HK$0.5460
Expected volatility	74.583%	75.728%
Option life	10 years	10 years
Expected dividends	1.560%	4.490%
Risk-free interest rate (based on Hong Kong Government issued securities)	2.230%	1.700%

The expected volatility is based on the historical daily volatility (calculated based on the remaining life of the share options), based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

Share options granted to consultants are measured at fair values of options granted as these consultants are providing services that are similar to those rendered by employees.

37. Operating Lease Arrangements

As lessee

At the end of the reporting period, 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	5,132	6,655
In the second to fifth years, inclusive	1,142	2,898
	6,274	9,553

The Group is the lessee in respect of its office premises and director's quarter held under operating leases. The leases typically run for an initial of one to nine years, with an option to renew the lease when all items are renegotiated. None of the leases includes contingent rentals.

38. Financial Guarantee Contracts

The Group provides loan guarantee services to small-to-medium-sized enterprises in the PRC. As at 31 December 2016, the Group had contracts in relation to the loan guarantee business of approximately HK$Nil (2015: HK$2,387,000) in which approximately HK$Nil (2015: HK$35,000) and HK$Nil (2015: HK$24,000) were recognised as undue liability provision and guarantee compensation provision respectively in the consolidated statement of financial position. The Group may become involved in certain legal proceedings relating to claims arising out of its operations in the normal course of business. However, none of these proceedings, individually or in aggregate, is expected to have a material adverse effect on the Group's financial position or operational results.

39. Material Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with its related parties during the year:

a) Remuneration of key management personnel of the Group

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	2016	2015
	HK$'000	HK$'000
Short-term employee benefits	**6,698**	6,154
Post-employment benefits	**207**	98
Equity compensation benefits	**2,120**	3,338
	9,025	9,590

Total remuneration is included in "staff costs" (see note 5(a)).

b) Transaction with Sinoguarantee

		2016	2015
	Note	**HK$'000**	HK$'000
Income from waiver of amount due by the Group	(1)	**2,338**	–
Consultancy fee paid		**1,836**	2,897
Guarantee fee paid (senior bond)	(2)	**5,950**	6,335
Guarantee fee paid (bank loan)	(3)	**875**	–

Notes:

(1) Sinoguarantee agreed to waive an amount of approximately HK$2,338,000 due by the Group.

(2) It represents an annual guarantee fee of RMB5,100,000 paid to Sinoguarantee in relation to the provision of guarantee for a senior bond of RMB300 million issued by the Group. Further details of senior bond are set out in note 31.

(3) It represents the guarantee fee paid to Sinogurantee in relation to the provision of guarantee to a bank for a bank loan of RMB60,000,000 granted to the Group. Further details of the bank loan are set out in note 24.

39. Material Related Party Transactions *(Continued)*

b) Transaction with Sinoguarantee (Continued)

The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

In addition, during the year ended 31 December 2015, Sinoguarantee provided a loan of RMB500,000,000 (approximately HK$596,815,000) to the Group in August 2015. The loan was unsecured, bore interest at 7.5% per annum and repayable in October 2015. The Group repaid the whole loan in October 2015.

c) Transaction with associate

	2016 HK$'000	2015 HK$'000
Income from the provision of financing services	–	437

The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

d) Financing arrangements

(i) The details of the amounts due from related parties included in other receivables, deposits and prepayments are as follows:

Name	Note	2016 HK$'000	2015 HK$'000
北京萬方達隆物業管理有限公司 (“達隆物業”)	(1), (2)	335	358
北京市小鎮發展基金（有限合夥） (“NCI”)	(3)	6,894	–
		7,229	358

Notes:

(1) The amounts due from related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

(2) Mr. Cheung Siu Lam, a non-executive director of the Company, is the legal representative of 達隆物業. The maximum outstanding balance due from 達隆物業 during the year was HK$358,000 (2015: HK$380,000).

(3) NCI is the non-controlling shareholder of 北京中金城開小額貸款有限公司, a subsidiary of the Company. The maximum outstanding balance due from NCI during the year was approximately HK$10,752,000 (2015: nil).

39. Material Related Party Transactions *(Continued)*

d) *Financing arrangements (Continued)*

(ii) The details of the amounts due to related parties included in other payables, deposits received and accruals or short-term borrowings are as follows:

Name	Note	2016 HK$'000	2015 HK$'000
Other payables, deposits received and accruals			
–Sinoguarantee	(1), (2)	–	3,804
–Lo Wan	(1), (4)	–	20,400
Short-term borrowing			
–Lo Wan	(3), (4)	8,004	–
		8,004	24,204

Notes:

(1) As at 31 December 2015, the amounts due to related parties were unsecured, interest-free and have no fixed terms of repayment.

(2) Sinoguarantee is a substantial shareholder of the Company.

(3) The loan from Ms Lo Wan is unsecured, bears interest at 4.8% per annum and is repayable on 28 December 2017. Related interest expense incurred on this loan during the year ended 31 December 2016 was approximately HK$4,000, which is included in interest and handling expenses (note 3(a)).

(4) Ms. Lo Wan is a shareholder of the Company and the spouse of Mr. Cheung Siu Lam (a non-executive director of the Company).

40. Critical Accounting Judgements and Estimates

(a) *Critical accounting judgements in applying the Group's accounting policies*

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) *Determination of consolidation scope*

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal. The investment funds are consolidated if the Group acts in the role of principal.

(b) *Sources of estimation uncertainty*

Notes 13, 36 and 41 contain information about the assumptions and their risk factors relating to goodwill impairment, fair value of share options granted and financial instruments.Other key sources of estimation uncertainty are as follows:

(i) *Impairment of goodwill (Carrying amount: HK$577,230,000 (2015: HK$616,316,000))*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

40. Critical Accounting Judgements and Estimates *(Continued)*

(b) Sources of estimation uncertainty (Continued)

(ii) Impairment of loans receivable (Carrying amount: HK$3,583,629,000 (2015: HK$3,316,877,000))

The Group reviews portfolios of loans receivable periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for loans receivable. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

The impairment loss for loans receivable that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the financial assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgement based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

As described in Note 2(k), loans receivable stated at amortized cost are reviewed at the end of each reporting period to assess whether impairment losses exist. The Group makes judgements as to whether there is any objective evidence that the loans receivable are impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for receivables. It also includes observable data indicating adverse changes in the repayment status of the debtors. If, in a subsequent period, the amount of the impairment losses on receivables decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss.

40. Critical Accounting Judgements and Estimates *(Continued)*

(b) *Sources of estimation uncertainty (Continued)*

(iii) *Tax payable (Carrying amount: HK$112,443,000 (2015: HK$96,145,000)) and deferred tax liabilities (Carrying amount: HK$3,769,000 (2015: HK$6,770,000))*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

41. Financial Risk Management and Fair Values of Financial Instruments

The Group's major financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, loans receivable, accounts receivable, interests receivable, other receivables, pledged bank and security deposits paid, cash and cash equivalents, short-term borrowings, bank loans, security deposits received, amount due to an associate, other payables, financial derivatives, Senior Bonds and Unsecured Bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) *Credit risk*

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments under loans the Group guaranteed or provided. Credit risk is primarily attributable to unexpired guarantees issued by the Group and the loan business of the Group, loans receivable, accounts and interests receivables, pledged bank and security deposits paid, cash and cash equivalents and available-for-sales investments.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. Except for the guarantee as disclosed below, the Group has no credit risk arising from any other guarantee.

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising loan business (Continued)*

The Group has taken measures to identify credit risks arising from loan business. The Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. A transaction may be subject to the review and approval of credit approval officer and the executive directors depending on the transaction size.

During the post-transaction monitoring process, the Group performs credit evaluations on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

All loans granted are backed by collateral (e.g. property, gold, jewellery, diamonds and watches etc.) as security. The Group also focuses on ascertaining legal ownership and the valuation of the collateral. A loan granted is based on the value of the collateral and generally approximates 4.66%-99.63% (2015: 1.09%-98.56%) of the estimated value of the collateral. The Group closely monitors the ownership and the value of the collateral throughout the loan period. The loans receivable are due by the date as specified in the corresponding loan agreements.

In accordance with accounting policies, if there is objective evidence that indicates the cash flows for a particular loan is expected to decrease, and the amount can be estimated, the loan is recorded as an impaired loan and the impairment loss is recognised in profit or loss.

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which an allowance for impairment loss is provided individually, the amount is determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis. In making such assessments, the Group considers the value of collateral held and expected future cash flows from the asset.

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) Credit risk arising loan business (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 17.74% (2015: 17.93%) and 30.25% (2015: 37.98%) of the total loans receivable was due from the Group's largest debtor and the five largest debtors respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loans receivable are set out in note 17.

(ii) Credit risk arising from guarantee business

The Group adopts the same pre-approval, review and credit approval risk management system for credit risk arising from guarantee business. During the post-transaction monitoring process, all guarantees provided are backed by collateral (e.g. property, gold, jewellery, diamonds and watches etc.) as security, the Group focuses on ascertaining legal ownership and the valuation of the collateral. A guarantee provided by the Group is based on the value of the collateral and generally approximates Nil% (2015: 69.93%) of the estimated value of the collateral. The Group monitors the value of the collateral throughout the guarantee period.

The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 38.

(iii) Other credit risks

In respect of accounts receivable and interests receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable and interests receivable are set out in notes 18 and 19 respectively.

The majority of the Group's investments are liquid securities listed on the recognised stock exchanges. No exposure to credit risk is expected.

The credit risk on cash and cash equivalents and pledged bank and security deposits paid is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

b) *Liquidity risk*

Individual operating entities within the Group are responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to the Company's board approval when the borrowings exceed certain predetermined level of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and 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 at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

	2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount at 31 December HK$'000
Non-derivative financial liabilities:						
Bank loans						
– fixed rates	67,859	–	–	–	67,859	67,076
– variable rates	10,358	–	–	–	10,358	10,000
Short-term borrowings	586,809	–	–	–	586,809	580,191
Senior Bonds	21,800	346,279	–	–	368,079	334,187
Unsecured bonds	23,699	75,100	49,500	238,285	386,584	263,966
Security deposits received	10,764	–	–	–	10,764	10,764
Amount due to an associate	2,942	–	–	–	2,942	2,942
Other payables, deposits received and accruals	18,171	–	–	–	18,171	18,171
	742,402	421,379	49,500	238,285	1,451,566	1,287,297
Financial guarantees issued:						
Maximum amount guaranteed arising from:						
– Loan guarantee business*	–	–	–	–	–	–

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

b) *Liquidity risk (Continued)*

	2015 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount at 31 December HK$'000
Non-derivative financial liabilities:						
Bank loans						
– fixed rates	28,618	–	–	–	28,618	28,000
– variable rates	48,339	–	–	–	48,339	47,745
Short-term borrowings	938,750	–	–	–	938,750	917,789
Senior Bonds	23,276	23,276	369,727	–	416,279	355,233
Unsecured Bonds	18,590	18,590	104,800	239,670	381,650	247,757
Security deposits received	5,722	–	–	–	5,722	5,722
Amount due to an associate	3,151	–	–	–	3,151	3,151
Other payables, deposits received and accruals	32,908	–	–	–	32,908	32,908
	1,099,354	41,866	474,527	239,670	1,855,417	1,638,305
Financial guarantees issued:						
Maximum amount guaranteed arising from:						
– Loan guarantee business*	2,387	–	–	–	2,387	59

* The maximum amount guaranteed represents the total amount of liability should all customers default. Since a significant portion of guarantees issued is expected to expire without being called upon the maximum liabilities do not represent expected future cash outflows.

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk*

The Group is principally engaged in the provision of financing services. Its interest rate risk arises primarily from deposits with financial institutions, loans receivable, bank loans, interest-bearing borrowings, Senior Bonds and Unsecured Bonds.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's assets and liabilities at the end of the reporting period:

	At 31 December	
	2016	2015
	HK$'000	HK$'000
Fixed interest rate		
Financial assets		
Loans receivable (Non-current portion)	**33,655**	22,699
Loans receivable (Current portion)	**3,549,974**	3,294,178
	3,583,629	3,316,877
Financial liabilities		
Bank loans	**(67,076)**	(28,000)
Borrowings under contractual agreements with:		
– 找銀子	**(1,883)**	(248,098)
– 理理貸	**(347,379)**	(43,448)
– 招財寶	**–**	(614,030)
– 小微財行	**(172,117)**	–
Borrowings from employees	**(3,034)**	(12,213)
Borrowings from a shareholder	**(8,004)**	–
Borrowings from a money lending license corporation	**(15,299)**	–
Borrowings from securities companies	**(3,359)**	–
Senior Bonds	**(334,187)**	(355,233)
Unsecured Bonds	**(263,966)**	(247,757)
	(1,216,304)	(1,548,779)
Net deposits	**2,367,325**	1,768,098

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk (Continued)*

(i) *Interest rate profile (Continued)*

	At 31 December 2016 HK$'000	2015 HK$'000
Variable interest rate		
Financial assets		
– Cash at bank/financial institutions	**272,863**	667,988
– Pledged bank and security deposits paid	**4,615**	53,224
	277,478	721,212
Financial liabilities		
– Bank loans	**(10,000)**	(47,745)
Net deposits	**267,478**	673,467
Fixed rate borrowings as a percentage of total borrowings	**99.18%**	97.01%

(ii) *Sensitivity analysis*

Loans receivable, short-term borrowings, certain of bank loans, Senior Bonds and Unsecured Bonds, which are fixed rate instruments, are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

The Group is exposed to cash flow interest rate risk in relation to bank deposits and certain of bank loans that carrying interest at variables rates. The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. The directors consider the Group's exposure to cash flow interest rate risk of bank deposits is not significant.

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk (Continued)*

(ii) *Sensitivity analysis (Continued)*

At 31 December 2016 it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank loans, with all other variables held constant, would decrease/increase the Group's profit after tax (and retained profits) by approximately HK$84,000 (2015: HK$358,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held at the end of the reporting period. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2015: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2015.

d) *Currency risk*

The business transactions of the entity within the Group are mainly conducted in its functional currency, and so the Group have no significant exposure to currency risk.

e) *Price risk*

The Group is exposed to price changes arising from equity investments classified as available-for-sale investments (see note 15) and financial assets at fair value through profit or loss ("trading securities") (see note 16). Other than unquoted investments held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on recognised stock exchanges. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared the relevant industry indicators, as well as the Group's liquidity needs.

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

e) *Price risk (Continued)*

At 31 December 2016 it is estimated that an increase/(decrease) of 10% (2015: 10%) in the relevant stock market index (for listed investments), with all other variables held constant, would have increased/ decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

	2016			2015		
		Effect on profit after tax and retained profits HK$'000	Effect on other components of equity HK$'000		Effect on profit after tax and retained profits HK$'000	Effect on other components of equity HK$'000
Change in the relevant price risk variable:						
Increase	10%	1,782	2,436	10%	1,529	3,961
Decrease	10%	(1,782)	(2,436)	10%	(1,529)	(3,961)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to price risk at the end of the reporting period. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2015.

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 Valuations: Fair value measured using significant unobservable input

The Group engages independent professional valuers performing valuations for its financial instruments, including the financial derivatives which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are prepared by independent valuers at each interim and annual reporting date, and are reviewed by the financial controller and approved by the directors of the Company. Discussion of the valuation process and results with the financial controller and the directors of the Company is held twice a year to coincide with the reporting date.

	Fair value at 31 December 2016	Fair value measurements as at 31 December 2016 categorised into			Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Group								
Recurring fair value measurements								
Assets:								
Available-for-sale equity securities								
– Listed	24,356	24,356	–	–	39,614	39,614	–	–
Financial asset at FVTPL	17,817	–	–	17,817	15,291	15,291	–	–
Liabilities:								
Financial derivatives	1,032	–	–	1,032	493	–	–	493

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

During the years ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**
Financial assets at FVTPL	Monte Carlo Simulations	Expected volatility: 21.41% to 33.66% (2015: nil)
Financial derivatives	Monte Carlo Simulations	Expected volatility: 11.41% (2015: 20.28%)

The fair values of financial assets at FVTPL and financial derivatives are determined using Monte Carlo Simulations model and the significant unobservable inputs used in the fair value measurement is expected volatility.

As at 31 December 2016 and 2015, no sensitive analysis is performed on the financial assets at FVTPL and financial derivatives as the impact is not significant to the Group's profit.

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

Financial assets at FVTPL:	**2016** **HK$'000**	2015 HK$'000
At 1 January	**–**	–
Payment for purchases of investments	**70,800**	–
Changes in fair value recognised in profit or loss	**17**	–
Proceeds from sales of investments	**(53,000)**	–
At 31 December	**17,817**	–
Total gains for the year included in profit or loss for liability held at the end of the reporting period	**17**	–

Financial derivatives:	**2016** **HK$'000**	2015 HK$'000
At 1 January	**493**	266
Changes in fair value recognised in profit or loss	**539**	227
At 31 December	**1,032**	493
Total losses for the year included in profit or loss for liability held at the end of the reporting period	**539**	227

The losses or gains arising from the remeasurement of financial assets at FVTPL and financial derivatives are presented in "Other Income" in the consolidated statement of profit or loss.

41. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) *Fair value measurement (Continued)*

(ii) *Fair value of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015.

42. Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The Group monitors capital on the basis of a gearing ratio, which was unchanged from 2015. This ratio is calculated as net debt divided by capital. Net debt is calculated as total borrowings (including current and non-current borrowings and security deposits received) less cash and cash equivalents and pledged bank and security deposits paid. Capital comprises all components of equity.

42. Capital Management *(Continued)*

The gearing ratio at 31 December 2016 and 2015 were as follows:

	2016 HK$'000	2015 HK$'000
Current Liabilities:		
Bank loans	77,076	75,745
Unsecured Bonds	3,813	–
Short-term borrowings	580,191	917,789
Security deposit received	10,764	5,722
	671,844	999,256
Non-current liabilities:		
Senior Bonds	334,187	355,233
Unsecured Bonds	260,153	247,757
	594,340	602,990
Total borrowings	1,266,184	1,602,246
Less: Cash and cash equivalents	(273,291)	(668,603)
Pledged bank and security deposits paid	(4,615)	(53,224)
Net debt	988,278	880,419
Total equity	3,122,707	3,074,410
Gearing ratio	31.65%	28.64%

Qian Long Assets Management Company Limited, a wholly-owned subsidiary of the Company, provides financial services to its customers and is subject to capital requirements imposed by the Securities and Futures Commission ("SFC"). The Group monitors the financial position of Qian Long Assets Management Company Limited in order to ensure that Qian Long Assets Management Company Limited maintains a liquid capital level adequate to support the level of activities and meet the capital requirements imposed by SFC. During the years ended 31 December 2016, Qian Long Assets Management Company Limited complied with the capital requirements imposed by SFC. Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

43. Company-level Statement of Financial Position

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		748	1,496
Interests in subsidiaries		469,400	469,400
Interest in an associate		3,900	3,900
		474,048	474,796
Current assets			
Amounts due from subsidiaries		1,648,161	1,700,410
Dividends receivable from subsidiaries		329,170	163,909
Other receivables, deposits and prepayments		27,001	2,681
Cash and cash equivalents		2,213	130,957
		2,006,545	1,997,957
Current liabilities			
Short-term borrowings		8,004	–
Unsecured bonds		3,813	–
Amounts due to subsidiaries		298,595	356,123
Other payables, deposits received and accruals		8,632	13,699
		319,044	369,822
Net current assets		1,687,501	1,628,135
Total assets less current liabilities		2,161,549	2,102,931
Non-current liabilities			
Unsecured Bonds		270,009	247,757
NET ASSETS		1,891,540	1,855,174
EQUITY			
Share capital	33	1,760,956	1,746,674
Reserves	34	130,584	108,500
TOTAL EQUITY		1,891,540	1,855,174

Approved and authorised for issue by the board of directors on 28 March 2017 and were signed on its behalf by:

Chan Yuk Ming
Director

Cheung Chai Hong
Director

44. Events After the Reporting Period

After the end of the reporting period, the directors of the Company proposed a final dividend. Further details are disclosed in note 34(b).

45. Ultimate Controlling Party

The directors regard Mr. Cheung Siu Lam through his direct shareholding in the Company as being the ultimate controlling party. The Company does not have any parent company.

46. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2016

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12, Income taxes: Recognition of deferred tax assets fro unrealised losses	1 January 2017
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16, Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements. In particular with reference to HKFRS 9 which would require companies to assess impairment provisions using 12-month or lifetime expected credit losses approach, given that the Group principally operates a short-term financing business, with terms generally less than 12 months, the Group concluded that the adoption of HKFRS 9 is unlikely to have a significant impact on the Group's results of operations and financial position.

FINANCIAL SUMMARY

For the year ended 31 December 2016

Summary Financial Information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified or restated as appropriate, is set out below.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Interest, guarantee and financing consultancy services income	**680,282**	725,490	560,496	440,724	300,601
Profit for the year	**345,266**	353,052	296,483	240,135	255,649
Attributable to:					
Equity shareholders of the Company	**329,958**	345,815	293,634	237,478	254,039
Non-controlling interest	**15,308**	7,237	2,849	2,657	1,610
	345,266	353,052	296,483	240,135	255,649

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**4,562,348**	4,836,197	3,200,142	2,860,529	2,388,564
Total liabilities	**(1,439,641)**	(1,761,787)	(629,447)	(729,318)	(578,673)
Non-controlling interest	**(128,684)**	(126,001)	(25,060)	(40,746)	(29,368)
Balance of total equity attributable to equity shareholders of the Company	**2,994,023**	2,948,409	2,545,635	2,090,465	1,780,523