Capital Finance Holdings Limited

首都金融控股有限公司

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

(Stock Code: 8239)

2017 Annual Report

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

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CORPORATE INFORMATION

BOARD

Executive Directors
Mr. Zhang Wei *(Chairman and Chief Executive Officer)*
Mr. Yang Bo *(Chief Operating Officer)*

Non-Executive Director
Mr. Zang Wei

Independent Non-Executive Directors
Mr. Chen Yihua
Mr. Du Hui
Dr. Wong Wing Kuen, Albert

BOARD COMMITTEES

Audit Committee
Dr. Wong Wing Kuen, Albert *(Chairman)*
Mr. Chen Yihua
Mr. Du Hui

Remuneration Committee
Mr. Du Hui *(Chairman)*
Mr. Chen Yihua
Dr. Wong Wing Kuen, Albert

Nomination Committee
Mr. Chen Yihua *(Chairman)*
Mr. Zhang Wei
Mr. Du Hui
Dr. Wong Wing Kuen, Albert

COMPLIANCE OFFICER

Mr. Yang Bo

COMPANY SECRETARY

Ms. Kwok Ka Huen

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

AUDITOR

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

COMPANY WEBSITE

http://www.capitalfinance.hk

STOCK CODE

8239

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Capital Finance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

During the year 2017, the global uncertain political and economic events such as geopolitical tensions in the Middle East and North Asia, fractious Brexit negotiations, United States' tax reform and increasing interest rate have continued to affect the global economic prospects and increase market vulnerability. In the People's Republic of China ("PRC"), the government has set the tone of monetary policy to be prudent and neutral by avoiding excess liquidity injections and shifted the focus from growth to preventing asset bubbles and deleveraging. This led to tighter overall liquidity in the economy. Moreover, the competition within the short-term financing industry is increasing as many peer-to-peer platforms (P2P) lending companies have sprouted up in recent years in place of traditional money lenders to provide funding and capital to everything from start-ups and entrepreneurial ventures to personal borrowings.

The PRC short-term financing industry business had gone through a challenging period for the last financial year. According to the statistics published by the PRC Pawn Loan Industry Data Monitoring System（全國典當行業監管信息系統）, operating revenue of the pawn loan industry and pawn loan amount for the year 2017 nationwide has decreased by approximately 8.7% and 5.1% respectively while compared with the year 2016. Meanwhile, due to the cooling off measures on property market imposed by the PRC government, the overall transaction volumes and real estate price growth has slowed down in the first-tier cities, such as Beijing, Shanghai and Shenzhen in year 2017. This has given some pressure to our short-term financing services business in the PRC, because our Group mainly conducted our loan business by using real estate in Beijing as collateral, and some of our customers come from the market participants of the property market in the PRC. Even though the external operating environment had been challenging, the Group has put great effort to overcome the difficulties by adopting a series of market strategies to expand the scope of our financial services and improve the quality of the services so that to maintain the substainability of our business in year 2017.

Looking to the future, although facing with a complicated business environment, and fierce industry competition, the Group is still optimistic about its business aspect. Compared with other financial institutions in the PRC, our short-term financing services business which including provision of pawn loans, micro-financing, entrusted loans and financial consultancy services provides a faster and more flexible service to the small medium enterprises ("SMEs") and individual borrowers in the PRC. Going forward to 2018, the PRC government is encouraging the development of SMEs, which often have difficulty in obtaining bank loans. Our short-term financing services can cater the needs of these SMEs and the individual borrowers, thereby taking the Group to the next stage. The Group will grasp the above mentioned opportunities and at the same time will continue to look for opportunities to broaden and diversify our income stream so as to improve the overall operational performance of the Group and enhance the long-term benefits of our shareholders.

APPRECIATION

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

Zhang Wei
Chairman

Hong Kong, 13 March 2018

MANAGEMENT DISCUSSION
AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2017, Capital Finance Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in short-term financing services in the People's Republic of China (the "**PRC**") and Hong Kong.

The Group recorded total revenue for the year ended 31 December 2017 of approximately Hong Kong dollar ("**HK$**") 74,833,000 (2016: approximately HK$111,927,000) from continuing operation, representing a decrease of approximately HK$37,094,000 as compared with last year. The decrease in total revenue was mainly attributable to the significant decrease in income from the financial consultancy business and a moderate decrease in interest income from loans made to customers during the year ended 31 December 2017 due to the unfavorable market environment and the slowdown in economic growth in the Mainland China.

The administrative and other expenses for the year ended 31 December 2017 from continuing operation has decreased from approximately HK$52,845,000 in the year 2016 to approximately HK$36,305,000.

The loss attributable to the owners of the Company for the year ended 31 December 2017 was approximately HK$14,735,000 (2016: substantial loss of approximately HK$254,406,000.) The significant decrease in loss was mainly attributable to no non-cash impairment losses on goodwill and intangible assets in relation to the short-term financing cash generating unit was recorded for the year ended 31 December 2017, while impairment losses of approximately HK$151,657,000 and HK$149,000,000 (after deferred tax liabilities of approximately HK$37,321,000) on goodwill and intangible assets relating to the short-term financing cash generating unit respectively was recorded for the year ended 31 December 2016.

CONTINUING OPERATION

Short-term Financing Services

During the year ended 31 December 2017, the revenue of short-term financing services was approximately HK$74,833,000 (2016: approximately HK$111,927,000). The operating results of the short-term financing services recorded a profit before income tax of approximately HK$51,569,000 (2016: loss before income tax of approximately HK$218,695,000). The change from segment loss to segment profit position for the year ended 31 December 2017 when compared with last year was mainly contributed to a one-off non-cash impairment loss on goodwill and intangible asset in the year 2016 as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking to the future, although facing with a complicated business environment, and fierce industry competition, the Group is still optimistic about its business aspect. Compared with other financial institutions in the PRC, our short-term financing services business which including provision of pawn loans, micro-financing, entrusted loans and financial consultancy services provides a faster and more flexible service to the small medium enterprises ("SMEs") and individual borrowers in the PRC. Going forward to 2018, the PRC government is encouraging the development of SMEs, which often have difficulty in obtaining bank loans. Our short-term financing services can cater the needs of these SMEs and the individual borrowers, thereby taking the Group to the next stage. The Group will grasp the above mentioned opportunities and at the same time will continue to look for opportunities to broaden and diversify our income stream so as to improve the overall operational performance of the Group and enhance the long-term benefits of our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had nil bank borrowing (2016: approximately HK$11,834,000 denominated in RMB and all those were obtained on secured basis) and other debts comprising promissory notes and liability component of convertible bonds of approximately HK$548,910,000 (2016: approximately HK$538,103,000). The Group will try to obtain future financing, and whenever possible and appropriate, raise fund via equity funding activities in order to further reduce the financing cost.

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$55,893,000 (2016: approximately HK$154,012,000) which were mainly denominated in HK$ and RMB. To manage liquidity risk, management monitors forecasts of the Group's liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

As at 31 December 2017, the gearing ratio for the Group was approximately 23.0 (2016: approximately negative 16.36 due to the Company's negative equity position), calculated based on the total debts (2017: comprising other debts; 2016: comprising bank borrowings and other debts) of approximately HK$548,910,000 (2016: approximately HK$549,937,000) over shareholder's equity of approximately HK$23,882,000 (2016: approximately negative HK$33,623,000). The debt ratio was approximately 0.93 (2016: approximately 1.03), calculated as total liabilities over total assets of the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The capital structure of the Group as at 31 December 2017 is summarised as follows:

(i) *Bank Borrowings*

There were no bank borrowings outstanding as at 31 December 2017 (2016: approximately HK$11,834,000 bore a fixed interest rate of 6.0% per annum and was secured by a corporate guarantee given by an independent third party at a fee charged.)

(ii) *Promissory Notes*

As at 31 December 2017, the Company had promissory notes issued as part of consideration for the acquisition of the Prima Finance Holdings Limited and its subsidiaries (collectively referred to as the "**Prima Finance Group**") outstanding. Summary of the promissory notes is as follows. Further details are set out in Note 22 to the consolidated financial statements.

Date of issue	Principal amount as at 1 January 2017 (HK$)	Interest rate per annum	Principal repayment due date	Redeemed principal amount (HK$)	Outstanding principal amount as at 31 December 2017 (HK$)
6 February 2015	20,000,000	8%	6 February 2020	—	20,000,000

(iii) *Convertible Bonds*

As at 31 December 2017, the Company had 2 series of non-interest bearing convertible bonds issued as part of consideration of the acquisition of the Prima Finance Group outstanding. Summary of the convertible bonds is as follows.

Date of issue	Principal amount as at 1 January 2017 (HK$)	Maturity Date	Conversion Price per share	Amount converted into shares during the year (HK$)	Outstanding principal amount as at 31 December 2017 (HK$)	Number of Shares to be issued upon full conversion as at 31 December 2017
25 June 2014	387,200,000	24 June 2019	HK$0.35	—	387,200,000	1,106,285,714
6 February 2015	236,000,000	5 February 2020	HK$0.35	42,000,000	194,000,000	554,285,714

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS AND DISPOSALS OF SUBSIDIARIES

The Group did not have any significant investments and disposals of subsidiaries during the year ended 31 December 2017.

CHARGE OF GROUP ASSETS

As at 31 December 2017, the Group did not have any assets under charged (2016: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 31 December 2017, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currency, i.e. RMB, used by the respective group entities.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2017, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 31 December 2017, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

ADVANCE TO AN ENTITY

On 27 June 2017, the Group entered into an entrusted loan agreement with 北京銀行股份有限公司(Bank of Beijing Co., Ltd.*) (the "**Lending Bank**") and 北京愛迪泰智能科技有限公司 (Beijing Aiditai Intelligent and Technology Co., Ltd.*) (the "**Borrower**") pursuant to which the Group entrusted the Lending Bank with an amount of RMB40,000,000 (equivalent to approximately HK$48,028,000) for the purpose of lending the same to the Borrower for a period of 12 months at an interest rate of 17.4% per annum with interest payable on a monthly basis and the principal amount at the end of the loan period (the "**Transaction**"). A corporate guarantee is provided by Guarantor A and a personal guarantee is provided by Guarantor B, each of which is in favour of Lhasa Jiade Financial Consultant Company Limited, a subsidiary of the Group, to secure the obligations of the Borrower under the entrusted loan agreement. As at 28 June 2017. RMB20,000,000 (equivalent to approximately HK$24,014,000) was drawn by the Borrower and the total outstanding amount was repaid by the Borrower on 18 July 2017 and 1 August 2017 with RMB10,000,000 each (equivalent to approximately HK$12,007,000 each). A further advance was granted to the Borrower under the entrusted loan agreement on 8 November 2017 with RMB20,000,000 (equivalent to approximately HK$24,014,000), which was fully repaid by the Borrower on 30 January 2018 and 31 January 2018 with RMB15,000,000 (equivalent to approximately HK$18,011,000) and RMB5,000,000 (equivalent to approximately HK$6,004,000) respectively. Up to the date of this report, no further advance was granted to the Borrower under the entrusted loan agreement.

Details of the Transaction are set out in the announcement of the Company dated 27 June 2017.

* English name for identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liability (2016: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2017, the Group employed a total of 78 employees (2016: 102). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees. Staff costs, excluding Directors' emoluments, for the year ended 31 December 2017 amounted to approximately HK$15,973,000 (2016: approximately HK$24,367,000).

The Company adopted the Share Option Scheme where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the Share Option Scheme during the year ended 31 December 2017.

SHARE OPTION

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the year ended 31 December 2017 (2016: Nil).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

ABOUT THIS REPORT

This report is prepared in accordance with the requirements set forth in the ESG Reporting Guide under Appendix 20 of the GEM Listing Rules, it presents our major ESG policies, initiatives and performance of the Group for the year ended 31 December 2017.

This report was approved by the Company's Board of Directors and aims to provide a balanced representation of the Group's effort on the corporate social responsibility in the Marketplace, Workplace, Community and Environment which cover the Group's operations for the year ended 31 December 2017.

Scope of report

The Group has it major operations in PRC and Hong Kong. The report content is focused on the Group's current operation related to short-term financing in PRC offices and Hong Kong office.

Materiality Assessment

Following the discussion with our senior management and operational staff, we have identified the ESG issues relevant to the Group. The identified ESG issues have been assessed by considering their importance to our stakeholders as well as the Group.

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

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

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

Environmental, Social and Governance Working Group

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

MARKETPLACE

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

Supply Chain Management

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

During the year, the Group has not aware that any key suppliers had any significant negative impact on business ethics, environmental protection and labour practice. The Group has not received any complaint from suppliers during the year ended 31 December 2017.

Services Responsibility

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

Moreover, the Group has set up operational manual and perform continuous training to the operation team to ensure the laws and practices laid out in the PRC and Hong Kong are strictly pursued by the Group's operation team.

Anti-corruption

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

The Group adopted the Code of Conduct by introducing the internal guideline for anti-bribery and anti-corruption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

WORKPLACE

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

Employment

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

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

As at 31 December 2017, the Group had a total of 78 employees (2016: 102 employees). A 23% decrease mainly due to the streamline of current business process and the disposal of discontinued operation.

Workforce indicators

Number of employees	**2017**
By gender	
Female	35
Male	43
By age group	
Below 30	21
30 to 49	48
50 or above	9
By region	
Hong Kong	5
PRC	73
By employment contract	
Permanent	72
Temporary/Part-time	6

WORKPLACE *(Continued)*

Employment (Continued)

Employee turnover Indicators

Number and rate(%) of employee turnover	2017
By gender	
Female	18 (5.1)
Male	12 (3.4)
By age group	
Below 30	12 (3.4)
30 — 49	18 (5.1)
50 or above	—
By region	
Hong Kong	2 (0.5)
PRC	28 (8.0)
By employment contract	
Permanent	30 (8.5)
Temporary/Part-time	— (—)

Health and Safety

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

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

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

1. For avoiding and preventing harmful repercussions of fire incidence, the Group has installed fire-fighting equipment in the office premises and taken measures to confirm a smooth flow of fire channels. The employees in PRC are also trained regarding the protective measures in case of fire.

2. In terms of water safety, the Group procures pure water for drinking purposes.

3. Masks are distributed to the employees located in Beijing in winter, when the haze is at its best.

4. Each year, physical examination of staff members in Beijing is executed under the arrangement of the Group for preventing the precedence of infectious and occupational diseases.

WORKPLACE *(Continued)*

Development and Training

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

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

Development and training indicators

Indicators	**2017**
Total number of hours of training received by employees	607
Internal training (hours)	309
External training (hours)	298

Labour Standards

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

COMMUNITY

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

ENVIRONMENT

The nature of business carried out by the Group has little to no destructive effects on the environment. Yet, the Group is devoted to conserving and protecting the environment, for which, several activities and measurements are undertaken. Moreover, the Group has realized its role as a responsible enterprise and aims at recognizing the effect of its operations on the environment while facilitating its financial growth.

Further, the Group performs its business operations in accordance with the environmental laws and abides by the applicable legislation. Adequate measurements are undertaken to spread environmental awareness among the employees, re-use and recycle, and dispose of the waste materials adequately.

Paper reduction and wastage management

For instance, the Group utilizes web-based financial and hotline services when interacting with the customers to reduce paper usage. Also, for minimizing carbon footprint across the office, the Group promotes the use of e-statement for reducing paperwork.

The Group has established a practice to recycle plastic bottle, paper box and paper used in office which does not contain confidential information.

Energy-saving, water saving and greenhouse gas emissions reduction

Considering the energy conservation, the Group takes effort to reduce energy consumption and emissions. In response to the PRC government's call, the employees gave their full support and participation in curbing down the higher levels of energy usage, reducing carbon emissions and wastage by using environmental protection materials and optimizing the business procedures.

The Group is dedicated to use resources efficiently and has certain energy and resource saving initiatives in place to help to lessen its consumption of resources as follow:

- Natural Lighting in the office where possible;
- Using LED lighting in the office instead of incandescent;
- Optimal temperature setting in the office;
- Use of more energy efficient equipment such as Computers, Pantry items, fridges and other electronic equipment with efforts to phase out higher consumption items for more efficient low consumption items in the future;
- Switching off all non essential items in the office during non-office hours; and
- Turn off the water tap when it is not in use.

ENVIRONMENT *(Continued)*

Energy-saving, water saving and greenhouse gas emissions reduction (Continued)

The majority of our use of resources is through consumption of electricity, paper, plastic bottles and water for drinking. The Group has policies and procedures in place to deal with the issue of use of resources abovementioned, the Group will continue its efforts to reduce consumption and find other methods to help increase our overall efficiency.

As a consequence, it was observed that in 2017, no noncompliance incidents or grievances were reported that might have affected the environment.

Emissions Indicators

Indicators	**2017**
Total GHG emissions (tonnes)	164.95
Total GHG emissions per floor area (tonnes/m2)	0.03
Total GHG emissions per employee (tonnes/employee)	2.11
Indirect emissions (tonnes)	164.95
— Electricity	162.52
— Paper consumption	2.43

Electricity consumption

Indicators	**2017**
Total electricity consumption (KWh)	146,255
Total electricity consumption per floor area (KWh/m2)	27
Total electricity consumption per employee (KWh/employee)	1,875

Paper consumption

Indicators	**2017**
Total paper consumption (tonnes)	0.54

Water consumption

Indicators	**2017**
Total water consumption (m3)	792.97
Total water consumption per floor area (m3/m2)	0.15
Total water consumption per employee (m3/employee)	10.17

ENVIRONMENT *(Continued)*

Energy-saving, water saving and greenhouse gas emissions reduction (Continued)

Effluent and waste management

Indicators	**2017**
Waste disposed to landfill (tonnes)	4.33
— General office waste	3.65
— Food waste	0.68
— Waste collected for recycling (tonnes)	0.33
— Paper — General office	0.04
— Paper box	0.25
— Plastic	0.04

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Wei ("**Mr. Zhang**"), aged 49, is the chairman, chief executive officer, executive director, authorised representative of the Company under Rule 5.24 of the GEM Listing Rules and a member of the nomination committee of the Company since 1 December 2015. Mr. Zhang currently is a director of Prima Finance Holdings Limited ("**Prima Finance**") and the chairman and general manager of Beijing Wanchi Technology Company Limited* ("**Beijing Wanchi**"), both of which are subsidiaries of the Company which were acquired by the Group in June 2014. Mr. Zhang joined Beijing Wanchi in November 2012 and was appointed as a director of Prima Finance in November 2012. Mr. Zhang has taken up the management role as the chairman/director and general manager of a number of subsidiaries of the Company. Mr. Zhang holds a diploma in banking management from Harbin University of Finance and studied the subject of law and graduated from the People's Republic of China Communist Party Beijing City Committee Party School. Mr. Zhang has over 25 years of experience in the financial management field. Prior to joining Prima Finance and Beijing Wanchi in 2012, he held various managerial positions in banking and investment management corporations.

Mr. Yang Bo ("**Mr. Yang**"), aged 40, is the executive director, chief operating officer and compliance officer of the Company. He is also the vice general manager of Beijing Wanchi Technology Company Limited, a subsidiary of the Company. Mr. Yang has over 17 years of experience in finance and accounting. Mr. Yang joined the Group in May 2017. Prior to joining the Group, Mr. Yang worked for MIE Holdings Corporation from April 2007 to May 2017 as financial controller. From January 2006 to April 2007, Mr. Yang worked for Ernst & Young Hua Ming. From August 2000 to December 2005, Mr. Yang worked for PricewaterhouseCoopers Zhong Tian CPAs Limited Company. Mr. Yang graduated from Renmin University of China with a bachelor's degree in International Accounting in 1999. He is a member of the Beijing Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTOR

Mr. Zang Wei ("**Mr. Zang**"), aged 41, is the non-executive director of the Company. He graduated from Nanjing University and obtained the Legal Professional Qualification Certificate issued by Ministry of Justice of the People's Republic of China. Mr. Zang is currently the deputy general manager of the legal department of Zhong Fa Group, a company controlled by Mr. Dai Hao, Ms. Jin Yu and Mr. Dai Di who are the substantial shareholders of the Company; and the corporate governance officer of the board office of Zhong Fa Group. Mr. Zang had worked at Ecotime Real Estate (Group) Company Limited*（永泰房地產（集團）有限公司）, a subsidiary of Zhong Fa Group and had held the positions of legal supervisor for Lianyuangang Project*（連雲港項目）, legal manager, assistant manager, manager and assistant to general manager of the legal department under cost management division. Mr. Zang has more than 17 years of experience in legal practices.

* *English name is for identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Yihua ("**Mr. Chen**"), aged 44, is the independent non-executive Director, chairman of the nomination committee and a member of the remuneration committee and audit committee of the Company. Mr. Chen holds a bachelor's degree in machinery manufacturing engineering from Tianjin University, the PRC. Mr. Chen has 17 years of experience in management in international express logistic industry. Mr. Chen is also familiar with import and export business in machinery and equipment. Mr. Chen held managerial position in different multinational companies, such as China National Overseas Engineering Corporation and FedEx Express-DTW Co. Ltd. Mr. Chen is currently the senior director of infrastructure and process engineering of DHL-Sinotrans International Air Courier Ltd.

Mr. Du Hui ("**Mr. Du**"), aged 44, is the independent non-executive Director. Mr. Du is also a chairman of the remuneration committee, and a member of the audit committee and nomination committee of the Company. Mr. Du has over 14 years of experience in financial management in the PRC. Mr. Du has been the sales controller of Beijing Lanxum Technology Company Limited ("**Beijing Lanxum**"), a company listed on the Chinext of Shenzhen Stock Exchange (stock code: SHE:300010), since December 2010. Prior to that, Mr. Du had been a financial controller in Beijing Lanxum from 2002 to November 2010. Mr. Du graduated in 1998 from Sun Yat-sen University with a bachelor's degree of laws and graduated in 2002 from Renmin University of China, with an undergraduate degree in Accounting.

Dr. Wong Wing Kuen, Albert ("**Dr. Wong**"), aged 66, is the independent non-executive director, chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company. Dr. Wong holds a Doctor of Philosophy in Business Administration degree from the Bulacan State University, Republic of the Philippines and a Bachelor's Degree in commerce from a joint program held by Shenzhen University, the People's Republic of China and Clayton University, Missouri, the United States of America. He also received a Bachelor's Degree in Business Management and a Master's Degree in Business Administration from Nottingham Trent University, the United Kingdom in December 2005 and December 2007, respectively. He is a fellow member of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Taxation Institute of Hong Kong, Association of International Accountants and The Institute of Certified Public Accountants in Ireland. He is an Associate of The Chartered Institute of Bankers in Scotland. He is a member of The Hong Kong Securities and Investment Institute, The Chartered Institute of Arbitrators and the Macau Society of Certified Practising Accountants. He is a Certified Tax Adviser of Hong Kong for the year 2017 by The Taxation Institute of Hong Kong.

Dr. Wong is currently the principal consultant of KND & Co. CPA Limited, a private professional accounting firm in Hong Kong. He was also the managing director of Charise Financial Planning Limited, a private professional consulting firm in Hong Kong since October 2005 to January 2014. Dr. Wong has 23 years of experience in accounting.

Dr. Wong is currently an independent non-executive director of Solargiga Energy Holdings Limited (Stock Code: 757), China Merchants Land Limited (Stock Code: 978), China VAST Industrial Urban Development Company Limited (Stock Code: 6166) and APAC Resources Limited (Stock Code: 1104), all companies listed on the Main Board of the Exchange. Dr. Wong is also an independent non-executive director of China Wan Tong Yuan (Holdings) Limited (Stock code: 8199), a company listed on the GEM of the Exchange.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Lam Fei Sui ("**Ms. Lam**"), aged 39, is the chief financial officer and authorised representative of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Ms. Lam joined the Group in July 2015. She holds a bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants. Ms. Lam has more than 14 years of experience in accounting and finance, auditing and internal audit in both Hong Kong and People's Republic of China. Prior to joining the Group, Ms. Lam has worked for an international accounting firm and a company whose shares are listed on the main board of the Exchange.

CORPORATE GOVERNANCE REPORT

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

Throughout the year ended 31 December 2017, the Company had complied with all the code provisions set out in the Appendix 15 Corporate Governance Code and Corporate Governance Report (the "CG Code") of the GEM Listing Rules with the exception of the following deviation:

CODE PROVISION A.2.1

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

THE BOARD

As at the date of this annual report, the Board comprised six Directors, including two executive Directors, namely Mr. Zhang Wei as Chairman and Chief Executive Officer and Mr. Yang Bo as Chief Operating Officer; one non-executive Director, namely Mr. Zang Wei, and three independent non-executive Directors, namely Mr. Chen Yihua, Mr. Du Hui and Dr. Wong Wing Kuen, Albert.

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

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

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

THE BOARD *(Continued)*

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

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

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

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

All independent non-executive Directors are appointed for a term of one year. They are subject to the retirement by rotation and re-election of Directors in the bye-laws of the Company (the "Bye-laws") which requires one-third of the Directors in office to retire from office by rotation but eligible for offering themselves to be re-elected at each annual general meeting.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CHAIRMAN AND CHIEF EXECUTIVE

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

THE BOARD COMMITTEES

(1) Remuneration Committee (the "RC")

The RC reviews and makes recommendations to the Board on the remunerations of Directors and senior management. To minimise any conflict of interest, any member who is interested in any given proposed motion is required to abstain from voting on such motion. The RC was set up on 20 March 2006 with written terms of references to oversee the remuneration policy and structure for all Directors and senior management. The RC is formed by a majority of independent non-executive Directors and chaired by an independent non-executive Director. During the year ended 31 December 2017 and up to the date of this annual report, the members of the RC were as follows:

Independent non-executive Directors:
Mr. Du Hui *(Chairman)*
Mr. Chen Yihua
Dr. Wong Wing Kuen, Albert *(appointed on 1 January 2018)*
Ms. Sze Sau Wan *(resigned on 1 January 2018)*

The RC held five meetings during the year ended 31 December 2017. The Company Secretary (the "Company Secretary") acts as the secretary to the RC. The roles and functions of the RC are to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The RC also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives. The RC is provided with sufficient resources by the Company to discharge its duties. No individual Director is involved in deciding his or her own remuneration.

The remuneration packages of each Directors, senior management and newly appointed Directors, were discussed, reviewed and recommended to the Board during the year ended 31 December 2017. Details of Directors' emoluments are set out in Note 8 to the consolidated financial statements in this annual report.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2017 was within the following band:

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

The Company has adopted a share option scheme since 2012 (details of which are set out in Note 30 of the consolidated financial statements in this annual report). The purpose of the said share option scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

THE BOARD COMMITTEES *(Continued)*

(2) Nomination Committee (the "NC")

The NC was set up on 1 February 2012 with written terms of reference to review the structure, size and composition (including but not limited to the gender, skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The NC is chaired by an independent non-executive Director. The NC comprises a majority of independent non-executive Directors. During the year ended 31 December 2017 and up to the date of this annual report, the members of the NC were as follows:

Independent non-executive Directors:
Mr. Chen Yihua *(Chairman)*
Mr. Du Hui
Dr. Wong Wing Kuen, Albert *(appointed on 1 January 2018)*
Ms. Sze Sau Wan *(resigned on 1 January 2018)*

Executive Director:
Mr. Zhang Wei

The NC held four meetings during the year ended 31 December 2017 to make recommendations to the Board on the appointment and re-appointment of Directors and senior management and on the re-election of Directors at the general meeting; to review the structure, size, composition and diversity of the Board members, to assess the independence of the independent non-executive Directors and to review the need to separate the roles of the Chairman and the CEO. The Company Secretary acts as the secretary to the NC. The roles and functions of the NC include to identify individuals suitably qualified to become Board members, select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors, review the Policy (as defined below) and the progress on achieving the objectives set for implementing the Policy, make recommendations to the Board on the appointment or re-appointment of Directors, and succession planning for Directors, in particular the chairman of the Board and the chief executive officer.

Board Diversity Policy

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

Measurable Objectives and Implementation

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

THE BOARD COMMITTEES *(Continued)*

(2) Nomination Committee (the "NC") (Continued)

Board Diversity Policy *(Continued)*

Monitoring and Reporting

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

Review of this Policy

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

(3) Audit Committee (the "AC")

The AC of the Company comprises all independent non-executive Directors and is chaired by an independent non-executive Director who has appropriate professional qualifications and related financial management expertise. During the year ended 31 December 2017 and up to the date of this annual report, the members of the AC were as follows:

Independent non-executive Directors:
Dr. Wong Wing Kuen, Albert *(Chairman) (appointed on 1 January 2018)*
Ms. Sze Sau Wan *(Chairman) (resigned on 1 January 2018)*
Mr. Chen Yihua
Mr. Du Hui

The AC held six meetings and passed one resolution during the year ended 31 December 2017 to review the quarterly, interim and annual reports before submission to the Board, to review the corporate governance, internal control and risk management issues and to make recommendations to the Board on the re-appointment of external auditor of the Company and the engagement of a consultancy firm for the provision of risk assessment and internal audit services and provision of environmental, social and governance services to the Group. The Company Secretary acts as the secretary to the AC. The AC performs, amongst others, the following roles and functions:

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

Review of risk management and internal control systems

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

THE BOARD COMMITTEES *(Continued)*

Review of risk management and internal control systems *(Continued)*

The AC reviewed and concurred with the management's confirmation that for the year ended 31 December 2017: (i) the Group's risk management and internal control systems were effective and adequate; and (ii) the Group had complied satisfactorily with the requirements of the CG Code in respect of risk management and internal control systems.

Review of accounting, financial reporting and internal audit functions

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

BOARD COMPOSITION AND BOARD AND COMMITTEE MEETINGS

Practices and Conduct of Meetings

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

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

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

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

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

Composition

As at 31 December 2017, the Board comprises two executive Directors and three independent non-executive Directors. The Company has met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year ended 31 December 2017.

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

Composition (Continued)

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

Meetings Held and Attendance

The composition of the Board and the Committees, and the individual attendance records of each Director at the Board and Committees' meetings during the year ended 31 December 2017 are set out below:

	Meetings attended/Meetings held				
Name of Directors	**Board meetings**	**AC meetings**	**RC meetings**	**NC meetings**	**Annual General meeting**
Executive Directors					
Mr. Zhang Wei *(Chairman and CEO)*	15/16	N/A	N/A	4/4	1/1
Mr. Yang Bo *(Chief Operating Officer) (note 1)*	3/3	N/A	N/A	N/A	N/A
Ms. Li Wei *(Chief Operating Officer) (note 2)*	13/13	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Chen Yihua	13/16	6/6	4/5	4/4	1/1
Mr. Du Hui	15/16	6/6	5/5	4/4	1/1
Ms. Sze Sau Wan *(note 3)*	13/16	6/6	4/5	3/4	1/1
Total number of meetings held	16	6	5	4	1

Notes:

1. Mr. Yang Bo was appointed as the executive Director and chief operating officer of the Company with effect from 1 October 2017.
2. Ms. Li Wei resigned as the executive Director and chief operating officer of the Company with effect from 1 October 2017.
3. Ms. Sze Sau Wan resigned as the independent non-executive Director, the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee of the Company, all with effect from 1 January 2018.

INDUCTION AND CONTINUOUS DEVELOPMENT

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

In order to keep Directors remain informed and refresh their relevant knowledge and skills (Note), the Company has funded suitable trainings and encouraged Directors to participate in continuous professional developments. During the year ended 31 December 2017, the Directors have confirmed that they have received the training as follows:–

Name of Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums
Mr. Zhang Wei *(Chairman and CEO)*	✓	
Mr. Yang Bo *(appointed on 1 October 2017)*	✓	
Ms. Li Wei *(resigned on 1 October 2017)*	✓	
Mr. Chen Yihua	✓	
Mr. Du Hui	✓	
Ms. Sze Sau Wan *(resigned on 1 January 2018)*	✓	✓

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

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

ACCOUNTABILITY AND AUDIT

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

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

ACCOUNTABILITY AND AUDIT *(Continued)*

The above statements, which should be read in conjunction with the independent auditor's report set out from pages 53 to 57 of this annual report, are made with a view to distinguishing for Shareholders how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2017. The Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are prudent and reasonable in accordance with applicable accounting standards.

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the remuneration, reviewed and approved by the AC on the audit and non-audit scope, paid or payable to the auditor in respect of audit and non-audit services provided by the auditor of the Group, Moore Stephens CPA Limited, were as follows:

	Year Ended		
	31 December 2017	31 December 2016	
	Amount	Amount	
Nature of services	HK$'000	HK$'000	
Audit services	698	680	
Non-audit services	—	120	(note)

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Board, through the AC, has delegated the internal audit function to an independent external assurance provider, who has conducted a review on the adequacy and effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2017. The review is conducted in accordance to the internal audit plan approved by the Audit Committee, which covers all material controls, including financial, operational and compliance controls. The Board considers that the Group's risk management and internal control systems are effective and adequate.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

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

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

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

The following highlights the key risk management measures under the Group's "Three Lines of Defence" model for 2017.

1st line of defence — Risk management

- Management conducted an annual Internal Control Self-Assessment for 2017. Division heads confirmed that appropriate internal control policies and procedures have been established and complied with.
- Various policies, procedures and guidelines have been adopted with defined authority for effective segregation of duties, controls and risk management, and they are subject to regular review.
- The Group's anti-bribery and anti-corruption guidelines were adopted to set out minimum standards in recognizing circumstances which may lead to or give the appearance of involving corruption or unethical business conduct, to help avoid conduct which is clearly prohibited, and to encourage everyone in the Group to seek appropriate guidance promptly when needed.
- The Group's whistleblowing policy was adopted to facilitate internal reporting of any malpractice and unethical conduct within the Group without fear of reprisal and victimisation.

2nd line of defence — Risk oversight

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

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

3rd line of defence — Independent assurance

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

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

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

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

The Company has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the management of the Group to assess the effectiveness of risk management and internal control systems at least annually and to personally certify, through the Internal Control Self-Assessment for 2017, that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Company and its business practices in the future.

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

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to approval by the Board in accordance with the Bye-laws. The Company Secretary is responsible for ensuring the Board procedures and policy are followed and Board activities are effectively conducted. The Company Secretary is also responsible for maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. Draft and final versions of minutes are disseminated to Directors for comment and filed for record purposes respectively within a reasonable time after each meeting. The Directors have full and timely access to the board papers and minutes of the Board and committees of the Company. Ms. Kwok Ka Huen ("Ms. Kwok"), delegated by an external service provider, was appointed as a joint company secretary of the Company on 13 October 2015 and was re-designated as the company secretary of the Company with effect from 1 January 2016. Ms. Kwok confirmed that she has complied with all the qualifications, experience, and professional training requirements of the GEM Listing Rules. During the year ended 31 December 2017, Ms. Kwok has taken no less than 15 hours of relevant professional training. Ms. Kwok's primary corporate contact is Ms. Lam Fei Sui, the Chief Financial Officer of the Company.

CONSTITUTIONAL DOCUMENTS

The latest version of the amended and restated Bye-laws has been published both on the websites of the Company and the Exchange since 9 March 2012 and did not made any amendments to the Bye-laws during the year ended 31 December 2017.

INVESTOR RELATIONS

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

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

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

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

SHAREHOLDERS' RIGHTS

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

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

REPORT OF THE DIRECTORS

The Directors herein submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in Note 16 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the performance of the Group for the year ended 31 December 2017 by operating segment is set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended 31 December 2017 and the financial position of the Company and the Group at that date are set out in the consolidated financial statements on pages 58 to 135.

The Board did not recommend any dividends in respect of the year ended 31 December 2017 (2016: Nil).

BUSINESS REVIEW AND COMMENTARY

Financial Results

The financial results and business review of the Group for the year ended 31 December 2017 are set out in the annual report and particular on the section of "Management Discussion and Analysis" from pages 5 to 9.

Environmental measure and performance

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

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

In order to reduce carbon footprint across the office, the Group during the year ended 31 December 2017 encouraged employees to utilise e-statement or scanning to reduce our use of paper, switch off computers and office equipment, electrical appliances and air-conditioners when they are not in use.

For details, please refer to the section of "Environmental, Social and Governance Report" from pages 10 to 17 of this annual report.

Compliance with laws and regulations

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

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

BUSINESS REVIEW AND COMMENTARY *(Continued)*

Compliance with laws and regulations (Continued)

During the year ended 31 December 2017, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

For details, please refer to the section of "Environmental, Social and Governance Report" from pages 10 to 17 of this annual report.

Key relationships

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. We enjoy good relationships with suppliers and customers with mutual trust. The Group has adopted web-based services and customer services hotline with the aim of forming effective communication channels with our customers. By gathering customer feedbacks, the Group is able to enhance and improve the services offered to the customers, strengthen customer loyalty, and enhance market penetration and expansion. During the year ended 31 December 2017, there was no material and significant dispute between the Group and its suppliers/customers.

Employees are the valuable assets of the Group. The Group strives to motivate its employees with a clear career path and improvement of their skills by providing on-the-job training to our staff members. The systematic training programs cover areas such as managerial skills, technical knowledge, risk management, customer services, workplace ethics and other areas relevant to the industries. The Group has recorded 245 training attendances and 607 training hours during the year ended 31 December 2017. In addition, the Group puts efforts into providing staff with a harmonious, positive and inspiring working environment. The Group always adheres to its people-oriented concept, values and maintains their employees' legitimate rights and interests.

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

For details, please refer to the section of "Environmental, Social and Governance Report" from pages 10 to 17 of this annual report.

Key risks and uncertainties

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

For the year ended 31 December 2017, the Group's business and earnings growth were mainly affected by the fluctuations and uncertainties in the macroeconomic situation and the amendments of laws and regulations in the PRC. Due to the economic slowdown in the PRC, the government continues to lower the lending interest rates and amend the laws and regulations. Apart from strengthening the present Beijing market, the Group will further expand its business in Shenyang, Lhasa, Hong Kong and others cities, therefore, the macroeconomic conditions of PRC and Hong Kong, such as the GDP growth rate, the unemployment rate and the request for credit facilities may create further uncertainties on the business development of the Group. Certain mitigating measures will be performed periodically and performances will be monitored from time to time.

REPORT OF THE DIRECTORS

FIVE-YEAR/PERIOD FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2017 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity on pages 62 to 63 of this annual report and in Note 27 to the consolidated financial statements, respectively.

The Company had no distributable reserve as at 31 December 2017 (2016: Nil).

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue to the Group's five largest customers accounted for approximately 16% of the total revenue for the year ended 31 December 2017. The Group has no supplier for the year ended 31 December 2017.

The Group's largest customer accounted for approximately 4% of the total revenue for the year ended 31 December 2017.

None of the Directors, their close associates or the shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has an interest in these major customers.

REPORT OF THE DIRECTORS

STRUCTURED AGREEMENTS

A *Overview*

According to the laws of the PRC, foreign investor are not allowed to invest by means of equity investment in any pawn loan companies in the PRC or micro-financing companies in Beijing, as such the Company's indirect wholly owned subsidiary, Beijing Wanchi Technology Company Limited (Beijing Wanchi), has entered into a series of structured agreements (the "Structured Agreements") with Beijing City Jinfu Pawning Company Limited ("Beijing Jinfu"), Beijing Jinlu Pawning Company Limited ("Beijing Jinlu"), Beijing City Jinshou Pawning Company Limited ("Beijing Jinshou"), Beijing City Jinxi Pawning Company Limited ("Beijing Jinxi") and Beijing Zhongjinfu Micro-financing Company Limited, (Beijing Micro-financing) and their respective owners, which enables the Group to:

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

– exercise the voting rights of 100% equity interest Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi and voting rights of 79% of equity interest of Beijing Micro-financing at the general meetings of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing respectively;

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

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

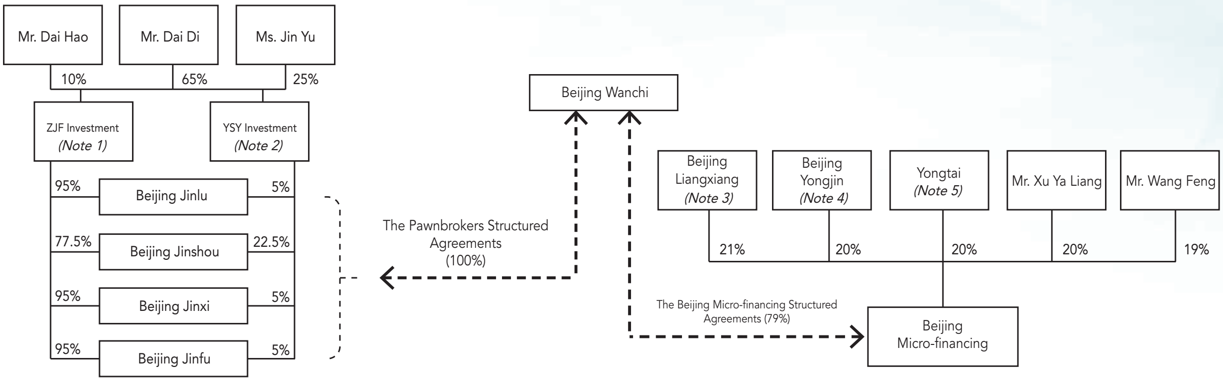
– obtain pledges over the entire equity interest of Beijing Jinfu, Beijing Jinlu, Beijing Jinshou and Beijing Jinxi and 79% equity interest of Beijing Micro-financing from their respective owners.

The Structured Agreements mainly included the Pawnbrokers Structured Agreements (please see the section headed "Continuing Connected Transactions" for the major terms) and the Beijing Micro-Financing Structured Agreements (please refer to note B below for the major terms).

STRUCTURED AGREEMENTS *(Continued)*

A Overview (Continued)

The following simplified diagram illustrates the flow of economic benefits from the Pawnbrokers and the Beijing Micro-financing to the Group stipulated under the Structure Agreements.



Note 1: 中金福(北京)投資管理有限責任公司 (Zhong Jinfu (Beijing) Investment Management Company Limited*), a company established in the PRC with limited liability

Note 2: 雲水月投資管理(北京)有限公司 (Yun Shui Yue Investment Management (Beijing) Company Limited*), a company established in the PRC with limited liability

Note 3: 北京良鄉經濟開發區實業總公司 (Beijing Liangxiang Economic Development Zone Enterprise Holding Company Limited*), a company established in the PRC with limited liability and a PRC State-owned enterprise under Liangxiang Economic Development Zone

Note 4: 北京永進基業科技孵化器有限公司 (Beijing Yongjin Jiye Technology Incubator Company Limited*), a company established in the PRC with limited liability

Note 5: 永泰房地產(集團)有限公司 (Yongtai Real Estate (Group) Company Limited*), a company established in the PRC with limited liability

B The Beijing Micro-financing Structured Agreements

The Beijing Micro-Financing Structured Agreements (collectively the Beijing Micro-financing Exclusive Service Agreement, the Beijing Micro-financing Exclusive Option Agreement, the Beijng Micro-Financing Proxy Agreement, and the Beijing Micro-financing Equity Pledge Agreement) were entered into in order to enable the Group to control and manage the business of the Beijing Micro-financing in the PRC, under which 79% of the business, financial and operating activities of Beijing Micro-financing are controlled and managed by Beijing Wanchi and 79% of the economic benefits and risks arising from the business, financial and operating activities of the Beijing Micro-financing are transferred to Beijing Wanchi by means of operation and management fees payable by Beijing Micro-financing to Beijing Wanchi.

* *English name for identification purpose only*

STRUCTURED AGREEMENTS *(Continued)*

B The Beijing Micro-financing Structured Agreements (Continued)

(1) The Beijing Micro-financing Exclusive Service Agreement

Beijing Wanchi, the Majority Shareholders (Beijing Micro-financing) and Beijing Micro-financing have entered into the Beijing Micro-financing Exclusive Service Agreement, pursuant to which, the Majority Shareholders (Beijing Micro-financing) agreed to engage Beijing Wanchi on an exclusive basis to provide operation and management services in connection with the business of Beijing Micro-financing in the PRC, the Majority Shareholders (Beijing Micro-financing) agreed, subject to compliance with the PRC laws and regulations, to pay to Beijing Wanchi the fees equivalent to 79% of the total profits after income tax of Beijing Micro-financing as audited in accordance with the HKFRSs. Beijing Wanchi shall receive the economic benefits and bear the economic risks related to the 79% of the total shares of Beijing Micro-financing and may provide financial support to Beijing Micro-financing if Beijing Micro-financing encounters operational losses or difficulties. Beijing Wanchi has the right to decide whether Beijing Micro-financing should continue operations and the Majority Shareholders (Beijing Micro-financing) should unconditionally agree and procure Beijing Micro-financing to unconditionally agree to the decision made by Beijing Wanchi for such purpose.

The Beijing Micro-financing Exclusive Service Agreement has a term of 10 years beginning from its effective date (i.e. 1 January 2013) and will expire on the date on which 79% equity interest in Beijing Micro-financing is transferred to Beijing Wanchi and/or its nominee(s).

(2) The Beijing Micro-financing Exclusive Option Agreement

Beijing Wanchi, the Majority Shareholders (Beijing Micro-financing) and Beijing Micro-financing have entered into the Beijing Micro-financing Exclusive Option Agreement, pursuant to which, the Majority Shareholders (Beijing Micro-financing) irrevocably and unconditionally granted to Beijing Wanchi the exclusive right to acquire or to nominate persons to acquire all or part of 79% equity interest in Beijing Micro-financing (i) at the consideration equivalent to the then fair value of 79% equity interest in Beijing Micro-financing; or (ii) at the consideration as agreed by negotiation between Beijing Wanchi and the Majority Shareholders (Beijing Micro-financing). Subject to compliance with the relevant PRC laws and regulations, Beijing Wanchi may exercise the options at any time and in any manner at its sole discretion. Pursuant to the Beijing Micro-financing Exclusive Option Agreement, Beijing Micro-financing may not, without the prior written consent of Beijing Wanchi, declare or distribute any dividends to the Majority Shareholders (Beijing Micro-financing). The Beijing Micro-financing Exclusive Option Agreement became effective on 1 January 2013 and will expire on the date on which 79% equity interest in Beijing Micro-financing is transferred to Beijing Wanchi and/or its nominee(s).

STRUCTURED AGREEMENTS *(Continued)*

B The Beijing Micro-financing Structured Agreements (Continued)

(3) The Beijing Micro-financing Proxy Agreement

Beijing Wanchi, the Majority Shareholders (Beijing Micro-financing) and Beijing Micro-financing have entered into the Beijing Micro-financing Proxy Agreement, pursuant to which, Beijing Wanchi or its nominee(s) is irrevocably and unconditionally authorised to exercise shareholders' rights of the Majority Shareholders (Beijing Micro-financing) in Beijing Micro-financing.

Beijing Wanchi or its nominee(s) may exercise such shareholders' rights of the Majority Shareholders (Beijing Micro-financing) without the prior consultation with the Majority Shareholders (Beijing Micro-financing). Further, the Majority Shareholders (Beijing Micro-financing) shall not exercise such shareholders' rights without the prior written consent of Beijing Wanchi.

The Beijing Micro-financing Proxy Agreement became effective on 1 January 2013 and will expire on the date on which 79% equity interest in Beijing Micro-financing is transferred to Beijing Wanchi and/or its nominee(s).

(4) The Beijing Micro-financing Equity Pledge Agreement

Beijing Wanchi, the Majority Shareholders (Beijing Micro-financing) and Beijing Micro-financing have entered into the Beijing Micro-financing Equity Pledge Agreement, pursuant to which, the first priority security interest (the "Pledged Micro-financing Equity Interest") over 79% equity interest in Beijing Micro-financing was granted to Beijing Wanchi for guaranteeing the performance of the Beijing Micro-financing Exclusive Service Agreement, the Beijing Micro-financing Exclusive Option Agreement and the Beijing Micro-financing Proxy Agreement.

The Beijing Micro-financing Equity Pledge Agreement provides that none of the Pledged Micro-financing Equity Interest may be transferred or be pledged without prior written consent of Beijing Wanchi.

The Beijing Micro-financing Equity Pledge Agreement became effective on 1 January 2013 and shall be terminated pursuant to its terms and conditions.

Details of the Beijing Micro-Financing Structured Agreements were disclosed in the circular of the Company dated 30 May 2014.

STRUCTURED AGREEMENTS *(Continued)*

C *Significance and financial contributions to the Group*

Pursuant to the Structured Agreements, the Group obtains control over and derives the economic benefits from the Pawnbrokers and Beijing Micro-Financing. The table below sets out the financial contribution of the Pawnbrokers and Beijing Micro-Financing to the Group.

	Significances and financial contribution to the Group			
	Revenue For the year ended 31 December		**Total assets As at 31 December**	
	2017	2016	**2017**	2016
Pawnbrokers and Beijing Micro-Financing	**84%**	62%	**74%**	73%

The table below sets out (i) revenue; and (ii) assets involved in the Pawnbrokers and Mico-Financing entities, they would be consolidated into the Group's financial statements pursuant to the Structural Agreements:

	Revenue HK$'000 For the year ended 31 December 2017	**Assets HK$'000 As at 31 December 2017**
Pawnbrokers and Beijing Micro-Financing	**62,683**	**450,191**

STRUCTURED AGREEMENTS *(Continued)*

D *Risks associated with the Structured Agreements and the actions taken to mitigate the risk*

In connection with the Structured Agreement, the Group is subject to certain risks and limitations, which are summarised below:

(1) Although the PRC legal adviser to the Company expressed the view that the Structured Agreement are in compliance with the relevant PRC laws and regulations, uncertainties exist regarding the interpretation and application of the current and future PRC laws, rules and regulations. The PRC legal adviser to the Company cannot assure that the PRC regulatory authorities will not determine that the Company's corporate structure and the Structured Agreement violate the PRC laws, rules or regulations. The PRC legal adviser to the Company also cannot rule out the possibility that there may be amendments to the Draft Foreign Investment Laws and the Note before promulgation and implementation of the New Foreign Investment Laws which may have a material adverse impact on the Group at the time when they take effect. If the PRC government determines that the Structured Agreement do not comply with the applicable laws and regulations of the PRC or Beijing Wanchi is found to be in violation of any future PRC foreign investment laws or regulation and/or any other laws or regulation, the relevant PRC regulatory authorities would have broad discretion in dealing with such violation including levying fines, confiscating the income, revoking the Pawnbrokers and Beijing Micro-Financing entities' business or operating license(s), to restructure the relevant ownership structure or operations, and to dispose of all or some of its equity interest in the Pawnbrokers and Beijing Micro-Financing entities. Any of these actions could cause material and adverse effect in the Group's ability to conduct business. In addition, if the imposition of any of these penalties causes the Company to lose the rights to receive its economic benefits from the Pawnbrokers and Micro-Financing entities, the Company will no longer be able to consolidate the Pawnbrokers and Micro-Financing entities. In case the Company is required to dispose of all the equity interest in the Pawnbrokers and Micro-Financing entities, the Company may record a substantial loss and the Company's financial condition and results of operation may be materially and adversely affected.

(2) The Structured Agreements may not be as effective in providing the Group with control and entitlement to the economic interests over the Pawnbrokers and Beijing Micro-financing as direct ownership. The Group can only look to and rely on the Pawnbrokers and Beijing Micro-financing and their respective registered shareholders to perform their contractual obligations under the Structured Agreements such that the Group can exercise effective control over the Pawnbrokers and Beijing Micro-financing. The registered shareholders of the Pawnbrokers and the Majority Shareholders (Beijing Micro-financing) may not act in the best interests of the Group or may not perform their obligations under the Structured Agreements. As such, the Group will face difficulties in effecting control over the Structured Entities' operation of business through Structured Agreements, which may adversely affect the Group's business efficiency.

REPORT OF THE DIRECTORS

STRUCTURED AGREEMENTS *(Continued)*

D Risks associated with the Structured Agreements and the actions taken to mitigate the risk (Continued)

(3) The Structured Agreement may be subject to scrutiny by the tax authorities and additional tax may be imposed. Pawnbrokers and Micro-Financing entities are required to pay Beijing Wanchi management fee for the services rendered by Beijing Wanchi. Such management fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities within ten years after the taxable year during which such transactions are conducted.

(4) If any of the Pawnbrokers and Beijing Micro-Financing entities fail to obtain the requisite licenses and approvals to continually operate its pawn loan and micro-financing business in the PRC, the Group's business and financial position may be adversely affected.

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Structured Agreements and the Group's compliance with the Structured Agreements:

(1) Major issues arising from the implementation and compliance with the Structured Agreements of any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(2) The Board will review the overall performance and compliance with the Structured Agreements at least once a year;

(3) The Company will disclose the overall performance and compliance with the Structured Agreements in its annual reports to update the Shareholders and potential investors;

(4) The Company will engage external legal advisors or other professional advisors, if necessary to assist the Board to review the implementation of the Structured Agreements, review the legal compliance of pawnbrokers and Beijing Micro-financing to deal with specific issues or matters arising from the Structured Agreements.

For the year ended 31 December 2017, the Board has reviewed the overall performance of the Structured Agreement and believed that the Group has complied with the Structured Agreements in all material respects.

As advised by the PRC legal advisers to the Company, the Structured Agreements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under, the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the Structured Agreements and will take all necessary actions to protect the Company's interest in the Pawnbrokers and Beijing Micro-Financing.

(iii) Material changes

During the year ended 31 December 2017, there was no material change in the Structured Agreements and/or the circumstances under which they were adopted.

(iv) Unwinding of the Structured Agreements

As of the date of this annual report, none of the Structured Agreements has been unwound as none of the restrictions that led to the adoption of Structured Agreements have been removed.

For more details of above Pawnbrokers and Beijing Micro-Financing entities' particulars, business activities, and the quantitative information including revenue and assets, please refer to note 16 to the consolidated financial statements. For more details of the Structured Agreements, please refer to the circular of the Company dated 30 May 2014.

CONTINUING CONNECTED TRANSACTIONS

Pawnbrokers Structured Agreements

During the year ended 31 December 2017, the Group had the following continuing connected transactions which are subject to the reporting requirements under Chapter 20 of the GEM Listing Rules.

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

(1) The Pawnbrokers Exclusive Service Agreements

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

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

(2) The Pawnbrokers Exclusive Option Agreements

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

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(3) The Pawnbrokers Proxy Agreements

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

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

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

(4) The Pawnbrokers Equity Pledge Agreements

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

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

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

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

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

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

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(4) The Pawnbrokers Equity Pledge Agreements (Continued)

During the year ended 31 December 2017, Beijing Wanchi was entitled to operation and management fees from the Pawnbrokers in a manner as prescribed in the Pawnbrokers Exclusive Services Agreement on 23 December 2013. The operation and management fees payable by Pawnbrokers to Beijing Wanchi are equivalent to the total profits before income tax as audited in accordance with the HKFRSs after deducting all relevant costs and reasonable expenses in connection with the business operation of the relevant Pawnbroker for the period from the acquisition completion date on 25 June 2014 to 31 December 2017. No dividend or other distribution had been made by the Pawnbrokers to its registered shareholders for the year ended 31 December 2017.

The independent non-executive Directors have reviewed the Pawnbrokers Structured Agreements and confirmed that: (1) the transactions carried out during the year ended 31 December 2017 have been entered into in accordance with the relevant provisions of the Pawnbrokers Structured Agreements and have been operated so that the total before-tax profit of the Pawnbrokers (after deducting all relevant costs and reasonable expenses in connection with their business operations) have been retained by the Group; (2) no dividends or other distributions have been made by the Pawnbrokers to its registered shareholders which are not otherwise subsequently assigned or transferred to the Group. There was no new contract or renewed contract (on the same terms as the existing Pawnbrokers Structured Agreement) entered into during the year ended 31 December 2017.

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

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

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

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

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

EQUITY-LINKED AGREEMENTS

Other than (i) the structured agreements as disclosed above and (ii) the share option scheme of the Company set out in Note 30 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisting during the year ended 31 December 2017.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this annual report were:

Executive Directors

Mr. Zhang Wei *(Chairman and CEO)*
Mr. Yang Bo (appointed on 1 October 2017)
Ms. Li Wei (resigned on 1 October 2017)

Non-executive Director

Mr. Zang Wei (appointed on 1 January 2018)

Independent Non-executive Directors

Mr. Chen Yihua
Mr. Du Hui
Dr. Wong Wing Kuen, Albert (appointed on 1 January 2018)
Ms. Sze Sau Wan *(resigned on 1 January 2018)*

In accordance with bye-law 84(1) of the Bye-laws, Mr. Chen Yihua shall retire from the Board by rotation at the forthcoming annual general meeting of the Company (the "AGM"). Mr. Chen Yihua being eligible, offer himself for re-election at the forthcoming AGM.

In accordance with bye-law 83(2) of the Bye-laws, Mr. Yang Bo, Mr. Zang Wei and Dr. Wong Wing Kuen, Albert will hold office until the forthcoming AGM and, being eligible, offer themselves, for re-election at the forthcoming AGM.

The Directors' biographical details are set out on pages 18 to 20.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals of the Group are set out in Note 8 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Mr. Chen Yihua, Mr. Du Hui and Dr. Wong Wing Kuen, Albert, the existing independent non-executive Directors; Mr. Yang Bo, the existing executive Director and Mr. Zang Wei, the existing non-executive Director have each entered into an appointment letter with the Company for a term of one year subject to retirement by rotation and re-election at the general meeting in accordance with the Bye-laws and may be terminated by not less than one month prior notice in writing served by either party to the other in accordance with the provisions set out in the respective appointment letters.

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

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

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

As at 31 December 2017, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which (i) were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were required to be notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTIONS

Particulars of the share option scheme adopted on 2 August 2012 (the "Share Option Scheme") are set out in Note 30 to the consolidated financial statements.

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the year ended 31 December 2017 and there was no share option outstanding as at 31 December 2017. As at the date of this report, a maximum of 23,050,219 shares, representing approximately 1.8% of the existing issued share capital of the Company, is available for issuance under the Share Option Scheme.

DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of Shares in or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

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

The register of substantial shareholders of the Company pursuant to Section 336 of the SFO showed that, as at 31 December 2017, the following companies and persons had interests in more than 5% of the Company's issued share capital:

Long positions in the Shares

	Number of shares interested			
Name of substantial shareholder	**Direct interests**	**Deemed interests**	**Total interests**	**Percentage of the issued share capital of the Company** *(Note 5)*
Exuberant Global Limited (note 1)	1,384,571,429	—	1,384,571,429	106.41
Mr. Dai Di (note 1)	—	1,384,571,429	1,384,571,429	106.41
Time Prestige Holdings Limited (note 2)	161,142,857	—	161,142,857	12.38
Mr. Dai Hao (notes 2 and 3)	—	563,999,999	563,999,999	43.34
Bustling Capital Limited (note 3)	402,857,142	—	402,857,142	30.96
Ms. Jin Yu (notes 2 and 3)	—	563,999,999	563,999,999	43.34
Silver Palm Limited (note 4)	71,428,571	—	71,428,571	5.49
Mr. Wang Jia Sheng (note 4)	—	71,428,571	71,428,571	5.49

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

Notes:

1. The 1,384,571,429 Shares held by Exuberant Global Limited ("Exuberant Global") represent (i) 294,200,000 Shares and (ii) 1,090,371,429 Shares to be issued upon full conversion of the convertible bonds. Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 1,384,571,429 Shares held by Exuberant Global.

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

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

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

5. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 31 December 2017 (i.e. 1,301,118,056 Shares).

Save as disclosed above, the directors of the Company are not aware of any person who, as at 31 December 2017, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken during the year ended 31 December 2017 are provided under Note 33 to the consolidated financial statements. These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as aforesaid, no contracts of significance, to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended 31 December 2017.

DIRECTORS' INDEMNITIES AND INSURANCE

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

Such permitted indemnity provision has been in force since the adoption of the amended and restated Bye-laws on 5 March 2012 and is currently in force at the time of approval of this report. The Company has also taken out and maintained directors' and officers' liability insurance throughout the year ended 31 December 2017, which provides appropriate cover for certain legal actions brought against its directors and officers.

REPORT OF THE DIRECTORS

INTERESTS IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had engaged in any business that compete or may compete either directly or indirectly with the business of the Group, or have any other conflict of interests with the Group.

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

Neither the Company, nor any its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 21 to 34.

RETIREMENT BENEFIT PLANS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the GEM Listing Rules throughout the year ended 31 December 2017.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by Mazars CPA Limited. On 29 April 2016, Mazars CPA Limited retired as the auditor of the Company from the conclusion of the AGM held on 29 April 2016 and did not seek for re-appointment while Moore Stephens CPA Limited was appointed as the auditor of the Company with effect from the conclusion of the AGM held on 29 April 2016. Save as aforesaid, there has been no change in auditors of the Company in any of the preceding three years.

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by Moore Stephens CPA Limited, the independent auditors of the Company, who shall retire, and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Zhang Wei
Chairman
Hong Kong, 13 March 2018

INDEPENDENT AUDITOR'S REPORT

MOORE STEPHENS

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大華馬施雲
會計師事務所有限公司

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

OPINION

We have audited the consolidated financial statements of Capital Finance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") (the "Consolidated Financial Statements") set out on pages 58 to 135, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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 2017, 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements as at and for the year ended 31 December 2017. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of loans to customers (please refer to Note 18 to the Consolidated Financial Statements)	
The Group had loans to customers with the aggregate carrying amount of approximately HK$536,590,000 (2016: HK$376,560,000) net of the aggregate impairment allowances of approximately HK$7,318,000 (2016: HK$5,320,000) as at 31 December 2017. The management of the Company assessed the recoverability of each of the individual significant loans to customers as at 31 December 2017 and believed that the Group had recognised sufficient impairment allowances based on their assessment. The assessment is subjective and requires significant management judgement to take into account the credit quality of each of the individual significant customers and fair value of the collaterals, if available.	Our procedures in relation to management's assessment of the recoverability of the loans to customers included: – We performed tests of control regarding the procedures on credit quality control of the customers and delinquency assessment and impairment loss of loans to customers; – We assessed the appropriateness of the methodologies applied by the management for identification of loss events and reasonableness of estimation of individual and collective impairment losses; – We examined the loan credit files and other evidence, including the credit quality information of the customers available to us, fair values of assets pledged, repayment records and subsequent settlement, obtained from the management for any objective evidence of impairment, on a sample basis; and – We checked the accuracy of the management's calculation of the impairment loss based on the historical loss experience for assets with credit risk characteristics similar to those in the portfolio.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report for the year ended 31 December 2017 annual report other than the Consolidated Financial Statements and our auditor's report thereon (the "Other Information").

Our opinion on the Consolidated Financial Statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

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

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

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

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

– 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.

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 13 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Continuing operation			
Revenue	6	**74,833**	111,927
Other income, and other gains and losses, net	6	**5,888**	7,715
Administrative and other expenses		**(36,305)**	(52,845)
Fair value gain on contingent consideration			
– consideration shares	28	**–**	1,141
Loss on early redemption of promissory notes	22	**–**	(249)
Impairment loss on goodwill	15	**–**	(151,657)
Impairment loss on intangible assets	14	**–**	(149,000)
(Provision for)/Reversal of impairment loss on loans to customers	18	**(1,534)**	1,810
Finance costs	7	**(44,336)**	(43,644)
Loss before income tax from continuing operation	7	**(1,454)**	(274,802)
Income tax (expense)/credit	9	**(10,936)**	21,374
Loss for the year from continuing operation		**(12,390)**	(253,428)
Discontinued operation			
Profit for the year from discontinued operation	10	**–**	1,654
Loss for the year		**(12,390)**	(251,774)
Attributable to:			
Owners of the Company		**(14,735)**	(254,406)
Non-controlling interests		**2,345**	2,632
		(12,390)	(251,774)
Loss per share attributable to owners of the Company	12		
From continuing and discontinued operations			
Basic and diluted (Hong Kong cents)		**(1.13)**	(21.64)
From continuing operation			
Basic and diluted (Hong Kong cents)		**(1.13)**	(21.78)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Loss for the year	**(12,390)**	(251,774)
Other comprehensive income/(expense) for the year		
Item that will be reclassified to profit or loss:		
– Reclassification adjustment of exchange reserve on disposal of interests in foreign operations	–	3,654
– Exchange differences on translation of financial statements of foreign operations	**39,855**	(51,467)
Other comprehensive income/(expense) for the year, net of tax	**39,855**	(47,813)
Total comprehensive income/(expense) for the year	**27,465**	(299,587)
Attributable to:		
Owners of the Company	**23,978**	(301,209)
Non-controlling interests	**3,487**	1,622
	27,465	(299,587)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	13	**1,668**	1,763
Available-for-sale financial assets	17	**8,405**	7,815
Deferred tax assets	25	**3,446**	2,833
Total non-current assets		**13,519**	12,411
Current assets			
Loans to customers	18	**536,590**	376,056
Trade receivables	19	**180**	167
Prepayment, deposits and other receivable		**4,616**	6,019
Cash and cash equivalents	20	**55,893**	154,012
Total current assets		**597,279**	536,254
Current liabilities			
Accrued expenses, other payables and deposits received		**13,180**	15,087
Tax payable		**3,311**	2,085
Dividend payable to non-controlling interests		**2,541**	–
Amount due to a shareholder	21	**2,749**	–
Interest-bearing borrowings	24	**–**	11,834
Total current liabilities		**21,781**	29,006
Net current assets		**575,498**	507,248
Total assets less current liabilities		**589,017**	519,659

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Promissory notes	22	**21,532**	19,779
Convertible bonds – liability component	23	**527,378**	518,324
Total non-current liabilities		**548,910**	538,103
Net assets/(liabilities)		**40,107**	(18,444)
Capital and reserves			
Issued capital	26	**13,012**	11,812
Reserves	27	**10,870**	(45,435)
Equity attributable to owners of the Company		**23,882**	(33,623)
Non-controlling interests	16	**16,225**	15,179
Total equity/(Capital deficiency)		**40,107**	(18,444)

The consolidated financial statements on pages 58 to 135 were approved and authorised for issue by the Board of Directors on 13 March 2018 and were signed on its behalf by

Zhang Wei
Director

Yang Bo
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company											
	Issued capital HK$'000 (Note 26)	Share premium HK$'000 (Note 27(i))	Contributed surplus HK$'000 (Note 27(ii))	Capital reserve HK$'000 (Note 27(ii))	Exchange reserve HK$'000 (Note 27(iii))	Convertible bonds reserve HK$'000 (Note 27(iv))	Other reserve HK$'000 (Note 27(v))	Statutory reserve HK$'000 (Note 27(vi))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity/ (Capital deficiency) HK$'000
As at 1 January 2016	11,547	534,438	131,109	120,794	(40,837)	754,090	9,544	13,936	(1,267,035)	267,586	15,335	282,921
(Loss)/Profit for the year	–	–	–	–	–	–	–	–	(254,406)	(254,406)	2,632	(251,774)
Other comprehensive expense												
Item that will be reclassified to profit or loss												
Reclassification adjustment of exchange reserve on disposal of interests in foreign operations	–	–	–	–	3,654	–	–	–	–	3,654	–	3,654
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(50,457)	–	–	–	–	(50,457)	(1,010)	(51,467)
Other comprehensive expense for the year	–	–	–	–	(46,803)	–	–	–	–	(46,803)	(1,010)	(47,813)
Total comprehensive (expense)/ income for the year	–	–	–	–	(46,803)	–	–	–	(254,406)	(301,209)	1,622	(299,587)
Transfer to statutory reserve	–	–	–	–	–	–	–	2,848	(2,848)	–	–	–
Transactions with owners												
Issuance of new shares upon fulfilment of guaranteed profit (Note 26(i))	265	9,279	–	–	–	–	(9,544)	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,778)	(1,778)
Transactions with owners	265	9,279	–	–	–	–	(9,544)	–	–	–	(1,778)	(1,778)
As at 31 December 2016	11,812	543,717	131,109	120,794	(87,640)	754,090	–	16,784	(1,524,289)	(33,623)	15,179	(18,444)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company											
	Issued capital HK$'000 (Note 26)	Share premium HK$'000 (Note 27(i))	Contributed surplus HK$'000 (Note 27(ii))	Capital reserve HK$'000 (Note 27(ii))	Exchange reserve HK$'000 (Note 27(iii))	Convertible bonds reserve HK$'000 (Note 27(iv))	Other reserve HK$'000 (Note 27(v))	Statutory reserve HK$'000 (Note 27(vi))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	(Capital deficiency)/ Total equity HK$'000
As at 1 January 2017	11,812	543,717	131,109	120,794	(87,640)	754,090	-	16,784	(1,524,289)	(33,623)	15,179	(18,444)
(Loss)/Profit for the year	-	-	-	-	-	-	-	-	(14,735)	(14,735)	2,345	(12,390)
Other comprehensive income												
Item that will be reclassified to profit or loss												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	38,713	-	-	-	-	38,713	1,142	39,855
Other comprehensive income for the year	-	-	-	-	38,713	-	-	-	-	38,713	1,142	39,855
Total comprehensive income for the year	-	-	-	-	38,713	-	-	-	(14,735)	23,978	3,487	27,465
Transfer to statutory reserve	-	-	-	-	-	-	-	4,258	(4,258)	-	-	-
Transactions with owners												
Issue of shares on conversion of convertible bonds (Note 23)	1,200	73,111	-	-	-	(40,784)	-	-	-	33,527	-	33,527
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(2,441)	(2,441)
Transactions with owners	1,200	73,111	-	-	-	(40,784)	-	-	-	33,527	(2,441)	31,086
As at 31 December 2017	13,012	616,828	131,109	120,794	(48,927)	713,306	-	21,042	(1,543,282)	23,882	16,225	40,107

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Operating activities			
Loss before income tax			
– Continuing operation		**(1,454)**	(274,802)
– Discontinued operation	10	**–**	1,648
Waive of interest expenses on promissory note	6	**–**	(1,600)
Interest income	6	**(825)**	(1,259)
Interest expense	7	**44,411**	44,469
Loss on disposal of property, plant and equipment	6	**125**	15
Gain on disposal of subsidiaries	29	**–**	(2,033)
Fair value gain on contingent consideration			
– consideration shares	28	**–**	(1,141)
Loss on early redemption of promissory notes	22	**–**	249
Impairment loss on goodwill	15	**–**	151,657
Impairment loss on intangible assets	14	**–**	149,000
Provision for/(Reversal of) impairment loss on loans to customers	18	**1,534**	(1,810)
Amortisaion of intangible assets	7	**–**	370
Depreciation of property, plant and equipment	7	**925**	1,275
Exchange differences		**1,648**	1,007
		46,364	67,045
Changes in working capital:			
Loans to customers		**(128,467)**	(16,833)
Trade receivables		**–**	(2,512)
Prepayments, deposits and other receivables		**1,134**	1,262
Accrued expenses, other payables and deposits received		**(1,193)**	2,886
Cash (used in)/generated from operations		**(82,162)**	51,848
Interest received		**825**	1,259
Income tax paid		**(10,779)**	(18,856)
Interest paid		**(77)**	(825)
Net cash (used in)/generated from operating activities		**(92,193)**	33,426

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Investing activities			
Proceeds from disposal of the Auto-serve Group (as defined in Note 10), net of cash disposed of	29	–	20,992
Purchase of property, plant and equipment	13	**(869)**	(772)
Net cash (used in)/generated from investing activities		**(869)**	20,220
Financing activities			
Proceeds from interest-bearing borrowings		**2,248**	15,307
Repayments of interest-bearing borrowings		**(14,176)**	(7,595)
Repayment of principal of promissory notes	22	–	(15,000)
Advance from shareholder		**2,749**	–
Dividends paid to non-controlling interests		–	(1,778)
Net cash used in financing activities		**(9,179)**	(9,066)
Net (decrease)/increase in cash and cash equivalents		**(102,241)**	44,580
Cash and cash equivalents at beginning of the year		**154,012**	119,091
Effect of foreign exchange rate changes, net		**4,122**	(9,659)
Cash and cash equivalents at end of the year		**55,893**	154,012
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	20	**55,893**	154,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS

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

During the year ended 31 December 2017, the Company is principally engaged in investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of short-term financing services in the People's Republic of China (the "PRC") and Hong Kong ("Short-term Financing Services"). The Group was also engaged in business of development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC ("Development and Sales of Software"), which was discontinued during the year ended 31 December 2016. Further details of which are set out in Note 10.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2017:

(i) Amendments to HKAS 7 Disclosure Initiative

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Reconciliations of various types of the Group's financing liabilities are disclosed in Note 36 to the consolidated financial statements. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements.

(ii) Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised losses

The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference. The application of the amendments has not had any material effect on the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(iii) Annual Improvements to HKFRSs 2014-2016 Cycle Amendments to a number of HKFRSs

Annual improvements to HKFRSs (2014-2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 Non-current Assets held for Sale and Discontinued operations, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 Disclosure of Interests in Other Entities. The application of the amendments has not had any material effect on the consolidated financial statements.

The Group has not early applied any of the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or joint Venture[3]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective date not yet determined
4 Effective for annual periods beginning on or after 1 January 2021

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments

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

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognised in profit or loss, except that the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

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

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the Group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

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

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the Group when it applies HKFRS 9 in the year ending 31 December 2018.

The amendments to HKFRS 9 Prepayment Features with Negative Compensation mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the "solely payment of principal and interest' test.

HKFRS 9 requires the Group to recognise and measure a 12-month expected loss or lifetime expected credit loss, depending on the facts and circumstances at the end of the reporting period. The Directors expected that the application of the expected credit loss model will result in earlier recognition of credit losses. The Directors will perform a more detailed analysis including taking into account all reasonable and supportable information including forward-looking elements, for estimation of expected credit losses on its loans to customers and trade receivables upon the application of HKFRS 9.

Regarding the application of classification and measurement requirements of HKFRS 9, the Group considers that its investments in equity instruments currently classified as available-for-sale financial assets will have to be measured at fair value under HKFRS 9. The Directors will perform a more detailed analysis upon the application of HKFRS 9.

HKFRS 15 Revenue from Contracts with Customers

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

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

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

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

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

HKFRS 15 contains a number of transitional provisions as well as practical expedients to help preparers so through the transition. Please refer to HKFRS 15 for details.

The majority of the Group's revenue as set out in Note 6 are interest income from loans to customers. Since there will not be material change in recognition requirement of interest income, the Directors do not expect that the application of HKFRS 15 will have a material impact on the Group's consolidated financial statements. Regarding other types of income which are not material for the year, the Directors will perform a more detailed assessment upon the application of HKFRS 15.

HKFRS 16 Leases

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

With regards to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 Leases *(Continued)*

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

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

The total operating lease commitments of the Group in respect of leased premises as at 31 December 2017 are set out in Note 31 to the consolidated financial statements. The Group anticipates that under HKFRS 16, it may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-to-use asset will be recognised in the profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

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

The amendments clarify the following:

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

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements also comply with the applicable disclosure requirements by the Rules Governing the Listing of Securities on the GEM of the Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

The consolidated financial statements have been prepared under the historical cost basis except where otherwise described in the accounting policies set out below.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2016 except for the adoption of certain new and revised HKFRSs that are relevant to the Group and effective from the current period as set out in Note 2.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries).

(a) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Generally control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the aquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis. Non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the events of liquidation are measured at either fair value or the present ownership interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

(b) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of the consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra group transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset, in which case the loss is recognised in the profit or loss. When necessary, amounts reported by subsidiaries have been adjusted to confirm with the Group's accounting policies.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

(d) Disposal of subsidiaries

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

(e) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets, liabilities and contingent liabilities acquired. It is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

For the goodwill arising on an acquisition in a reporting period, each units or group of units to which the goodwill is allocated represents the lowest level within the equity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at not higher than operating segment level. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Discontinued operations

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

Property, plant and equipment

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

Intangible assets (other than goodwill)

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from being indefinite to finite is accounted for on a prospective basis (see the accounting policy in respect of impairment losses on non-financial assets below).

Intangible assets with finite useful lives are tested for impairment as described below.

Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of reporting period. All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

Loans and receivables

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets (Continued)

Available-for-sale financial assets

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

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

Impairment loss on financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets (Continued)

Impairment loss on financial assets *(Continued)*

If, in a subsequent period, the amount of the estimated impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

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

(ii) Financial liabilities

The Group classifies its financial liabilities at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

After initial recognition, they are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. The effective interest amortisation is included in finance cost in the profit or loss.

(iii) Effective interest method

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

(iv) Convertible bonds

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(iv) Convertible bonds (Continued)

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

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

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

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(vi) Equity instruments

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(vii) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

Cash and cash equivalents

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

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided in the ordinary course of the business and the use by others of the Group's assets yielding interests and dividends. Revenue is shown net of value— added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(i) Interest income

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

(ii) Financial consultancy income

Financial consultancy income is recognised when the services are rendered.

(iii) Service income

Service income is recognised when the services are rendered.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions entered into by each of the group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

Impairment of non-current assets excluding goodwill

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

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

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

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

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

Government grants

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

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

Operating leases payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from leased asset are consumed.

Borrowing costs

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

Employee benefits

(i) Short term employee benefits

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

(ii) Pension scheme contributions

A pension scheme is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of pension scheme are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature. The Group participates in the pension scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are made based on a percentage of employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the relevant local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes. The Group has no further payment obligations once the contribution has been made.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's holding company.

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

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

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

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

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

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

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

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a holding company of the entity).

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements requires the Directors 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Key sources of estimation uncertainty

(a) Impairment of loans to customers

The Group reviews portfolio of loans to customers 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 measureable decrease in the estimated future cash flows for loans to customers. It also includes observable data indicating adverse changes in the repayment status of the borrowers (e.g. decline in collateral value or payment delinquency or default), or change in national or local economic conditions that causes the default in payment.

The impairment loss for loans to customers that is individually assessed for impairment is the net decrease in the estimated discounted cash flows of the 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 experience.

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

Key sources of estimation uncertainty (Continued)

(a) Impairment of loans to customers *(Continued)*

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

Critical accounting judgements

(b) Subsidiaries governed under structured agreements

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

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

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

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

* English name for identification purpose only

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

Critical accounting judgements (Continued)

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

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

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

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

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

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

Critical accounting judgements (Continued)

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

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

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

5. SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment of the Group's various lines of business and geographical locations.

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

Summary details of the operating segments are as follows:

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

(b) Development and sales of software segment comprised development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC.

5. SEGMENT INFORMATION *(Continued)*

The Group completed the disposal of development and sales of software business on 31 March 2016. Accordingly, the development and sales of software segment was classified as a discontinued operation, details of which are set out in Note 10. As such, the Group has determined that it only has one reportable operating segment which is the provision of short-term financing services. As this is the only operating segment of the Group no further analysis for segment information is presented.

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

Geographical segments

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

	Revenue from external customers Year ended 31 December		Specified non-current assets As at 31 December	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operation				
Hong Kong	**–**	–	**573**	484
PRC	**74,833**	111,927	**1,095**	1,279
	74,833	111,927	**1,668**	1,763

Information about major customers

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

The customer base in short-term financing services segment is diversified and none of the (2016: two) customer individually contributed to 10% or more of the Group's revenue for the year ended 31 December 2017. (2016: approximately HK$13,061,000 and HK$11,892,000 respectively).

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

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

	Notes	**2017** HK$'000	2016 HK$'000
Continuing operation			
Revenue			
Interest income from loans to customers		**72,137**	83,055
Financial consultancy income		**2,771**	29,697
Interest expense on funds for loans to customers	7	**(75)**	(825)
Short-term financing services income, net		**74,833**	111,927
Other income, and other gains and losses, net			
Bank interest income		**825**	1,255
Waive of interest expenses on promissory notes	22	**–**	1,600
Loss on disposal of property, plant and equipment		**(125)**	(15)
Sundry income		**5,188**	4,208
Government grants		**–**	667
		5,888	7,715

7. LOSS BEFORE INCOME TAX

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

	Notes	**2017 HK$'000**	2016 HK$'000
Finance costs			
Continuing operation			
Effective interest expenses on			
– convertible bonds	23	**42,581**	41,874
– promissory notes	22	**1,753**	1,770
– others		**2**	—
Interest expense on funds for loans to customers		**75**	825
		44,411	44,469
Less: interest expense included in revenue	6	**(75)**	(825)
		44,336	43,644
Other items			
Continuing operation			
Staff costs (excluding directors' emoluments)			
Salaries, allowance and other benefits	8(a)	**14,025**	16,128
Pension scheme contributions		**1,948**	6,063
		15,973	22,191
Auditor's remuneration			
– Audit services		**883**	841
– Non-audit services		**—**	120
Depreciation of property, plant and equipment	13	**925**	1,152
Minimum lease payments under operating leases for land and buildings		**5,731**	8,549
Exchange difference, net		**647**	(435)
Discontinued operation			
Staff costs (excluding directors' emoluments)			
Salaries, allowance and other benefits	8(a)	–	1,201
Pension scheme contributions		–	975
		–	2,176
Amortisation of intangible assets	14	–	370
Depreciation of property, plant and equipment	13	–	123
Minimum lease payments under operating leases for land and buildings		–	184

8. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

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

Year ended 31 December 2017

Name of Directors	Fees HK$'000	Salaries, allowance and other benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Zhang Wei (Note 1)	960	515	58	1,533
Mr. Yang Bo (appointed on 1 October 2017) (Note 2)	30	98	15	143
Ms. Li Wei (resigned on 1 October 2017)	630	361	47	1,038
Independent non-executive directors				
Mr. Chen Yihua	200	–	–	200
Mr. Du Hui	180	–	–	180
Ms. Sze Sau Wan (resigned on 1 January 2018)	144	–	–	144
	2,144	974	120	3,238

8. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

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

Year ended 31 December 2016

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

Notes:

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

2. Mr. Yang Bo is also the Chief Operating Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Operating Officer.

Dr. Wong Wing Kuen, Albert and Mr. Zang Wei have been appointed as independent non-executive director and non-executive director of the Company on 1 January 2018, respectively.

(b) *Five highest paid individuals*

Of the five highest paid individuals in the Group, three (2016: two) individuals were Directors and whose emoluments are set out in Note 8(a) above. The emoluments of the remaining two (2016: three) non-director individuals are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries, allowance and other benefits	**794**	1,759
Pension scheme contributions	**116**	48
	910	1,807

8. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals (Continued)

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

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	**2**	3

There was no arrangement under which a director, the five highest paid individuals waived or agreed to waive any remuneration during the year ended 31 December 2017 (2016: Nil). In addition, no emolument was paid by the Group to the any of the directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2016: Nil).

9. INCOME TAX EXPENSE/(CREDIT)

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

	2017	2016
	HK$'000	HK$'000
Continuing operation		
Current tax		
PRC		
Current tax charge for the year	**11,430**	15,251
(Over)/Under-provision in respect of prior years	**(111)**	172
Deferred tax credit (Note 25)	**(383)**	(36,797)
Income tax expense/(credit) for continuing operation	**10,936**	(21,374)
Discontinued operation		
Current tax		
Hong Kong		
Deferred tax credit (Note 25)	**–**	(71)
PRC		
Deferred tax expense (Note 25)	**–**	65
Income tax credit for discontinued operation	**–**	(6)
Total income tax expense/(credit) for continuing and discontinued operations	**10,936**	(21,380)

9. INCOME TAX EXPENSE/(CREDIT) *(Continued)*

(a) The Company is exempted from payment of the Bermuda income tax.

(b) The subsidiaries of the Group established in the PRC save for below are subject to enterprise income tax ("EIT") of the PRC at 25% (2016: 25%).

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

(c) For the year ended 31 December 2017, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in Hong Kong (2016: Nil).

(d) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding income tax at a tax rate of 10% (2016: 10%).

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

	2017 **HK$'000**	2016 HK$'000
Continuing operation		
Loss before income tax	**(1,454)**	(274,802)
Tax calculated at the rates applicable to the tax jurisdiction concerned	**2,376**	(41,890)
Tax effect on income not taxable for tax purpose	**(757)**	(1,522)
Tax effect on expenses not deductible for tax purpose	**10,382**	24,054
Tax concession received	**(954)**	(2,188)
(Over)/Under-provision in respect of prior years	**(111)**	172
Income tax expense/(credit) for the year	**10,936**	(21,374)

10. DISCONTINUED OPERATION

Development and Sales of Software Operation

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

The results of the abovementioned discontinued operation has been presented separately in the consolidated income statement.

	Note	2016 HK$'000
Revenue		4,730
Cost of sales		(1,384)
Gross profit		3,346
Other gains and losses, net		403
Administrative and other expenses		(4,134)
Operating loss		(385)
Gain on disposal of subsidiaries	29	2,033
Profit before income tax		1,648
Income tax credit		6
Profit for the year		1,654

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

	2016 HK$'000
Net cash used in generated from operating activities	(2,031)
Net cash used in investing activities	(296)
Net decrease in cash and cash equivalents	(2,327)

10. DISCONTINUED OPERATION *(Continued)*

Development and Sales of Software Operation (Continued)

The earnings per share information of the discontinued operation was as follows:

	2016
Earnings per share for the discontinued operation attributable to owners of the Company:	
Basic and diluted (Hong Kong cents)	0.14

The basic and diluted earnings per share for the discontinued operation are calculated by dividing the profit for the year from the discontinued operation attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. The denominators used are the same as those detailed in Note 12.

11. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2017 (2016: Nil). The Directors do not recommend for payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

12. LOSS PER SHARE

The calculations of basic loss per share for the current year and prior year are based on the loss for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year ended 31 December 2017 are set forth below.

The calculations of diluted loss per share for the year ended 31 December 2017 are based on the loss for the year attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2017 and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the year ended 31 December 2017, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic loss per share calculation, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted loss per share for the year ended 31 December 2017 are equal.

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

12. LOSS PER SHARE *(Continued)*

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

	Continuing operation		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss)/Profit						
(Loss)/Profit attributable to owners of the Company, used in basic (loss)/earnings per share calculation	**(14,735)**	(256,060)	**–**	1,654	**(14,735)**	(254,406)
Adjustment of (loss)/profit attributable to owners of the Company: Interest saving of the convertible bonds	**–***	–*	**–**	–*	**–***	–*
(Loss)/Profit attributable to owners of the Company, used in the diluted(loss)/earnings per share calculation	**(14,735)**	(256,060)	**–**	1,654	**(14,735)**	(254,406)

	Continuing operation		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	'000	'000	**'000**	'000	**'000**	'000
Share						
Weighted average number of ordinary shares for basic (loss) earnings per share calculation	**1,298,488**	1,175,685	**–**	1,175,685	**1,298,488**	1,175,685
Effect of dilutive potential ordinary shares: Conversion of convertible bonds	**–***	–*	**–**	–*	**–***	–*
Weighted average number of ordinary shares for diluted (loss) earnings per share calculation	**1,298,488**	1,175,685	**–**	1,175,685	**1,298,488**	1,175,685

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
As at 1 January 2016	1,066	3,244	1,147	5,457
Additions	–	772	–	772
Disposal/Written off	–	(236)	–	(236)
Disposal through disposal of subsidiaries (Note 29)	–	(1,584)	(385)	(1,969)
Exchange realignments	–	(71)	(47)	(118)
As at 31 December 2016 and 1 January 2017	1,066	2,125	715	3,906
Additions	505	137	227	869
Disposal/Written off	(1,065)	(459)	(52)	(1,576)
Exchange realignments	–	96	61	157
As at 31 December 2017	**506**	**1,899**	**951**	**3,356**
Accumulated depreciation				
As at 1 January 2016	563	740	420	1,723
Disposal/Written off	–	(221)	–	(221)
Disposal through disposal of subsidiaries (Note 29)	–	(483)	(113)	(596)
Charge for the year	399	649	227	1,275
Exchange realignments	–	(8)	(30)	(38)
As at 31 December 2016 and 1 January 2017	962	677	504	2,143
Disposal/Written off	(1,028)	(374)	(49)	(1,451)
Charge for the year	230	545	150	925
Exchange realignments	–	29	42	71
As at 31 December 2017	**164**	**877**	**647**	**1,688**
Net carrying amount				
As at 31 December 2017	**342**	**1,022**	**304**	**1,668**
As at 31 December 2016	104	1,448	211	1,763

14. INTANGIBLE ASSETS

	Pawn Licences HK$'000	Product Trademarks HK$'000	Product Licences HK$'000	System Software HK$'000	Total HK$'000
Cost					
As at 1 January 2016	159,317	15,022	2,840	1,050	178,229
Disposal through disposal of subsidiaries (Note 29)	–	(15,128)	(2,861)	(1,057)	(19,046)
Exchange realignments	(10,317)	106	21	7	(10,183)
As at 31 December 2016 and 1 January 2017	149,000	–	–	–	149,000
Exchange realignments	11,251	–	–	–	11,251
As at 31 December 2017	**160,251**	**–**	**–**	**–**	**160,251**
Accumulated amortisation and impairment losses					
As at 1 January 2016	–	–	910	30	940
Charge for the year	–	–	283	87	370
Impairment loss	149,000	–	–	–	149,000
Disposal through disposal of subsidiaries (Note 29)	–	–	(1,203)	(118)	(1,321)
Exchange realignments	–	–	10	1	11
As at 31 December 2016 and 1 January 2017	149,000	–	–	–	149,000
Exchange realignments	11,251	–	–	–	11,251
As at 31 December 2017	**160,251**	**–**	**–**	**–**	**160,251**
Net carrying amount					
As at 31 December 2017	**–**	**–**	**–**	**–**	**–**
As at 31 December 2016	–	–	–	–	–

14. INTANGIBLE ASSETS *(Continued)*

Pawn Licences

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

The impairment assessment of the Pawn Licences was included in the impairment assessment of the Short-term Financing CGU that includes goodwill (as defined in Note 15). As at 31 December 2016, the recoverable amount of the Short-term Financing CGU fell below its carrying amount, resulting in an impairment loss on the Pawn Licences of approximately HK$149,000,000 and goodwill of approximately HK$151,657,000 (Note 15). The impairment losses had been charged to profit or loss during the year ended 31 December 2016, and the corresponding decrease in deferred tax liabilities was approximately HK$37,250,000.

Trademarks

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

Product Licences

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

System Software

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

Auto-serve Group was disposed of on 31 March 2016 (Note 29).

15. GOODWILL

	Short-term Financing CGU HK$'000	Software CGU HK$'000	Total HK$'000
Cost			
As at 1 January 2016	671,848	60,900	732,748
Disposal through disposal of subsidiaries (Note 29)	–	(61,329)	(61,329)
Exchange realignments	(43,507)	429	(43,078)
As at 31 December 2016 and 1 January 2017	628,341	–	628,341
Exchange realignments	47,446	–	47,446
As at 31 December 2017	**675,787**	**–**	**675,787**
Accumulated impairment losses			
As at 1 January 2016	509,691	41,089	550,780
Disposal through disposal of subsidiaries (Note 29)	–	(41,140)	(41,140)
Impairment loss	151,657	–	151,657
Exchange realignments	(33,007)	51	(32,956)
As at 31 December 2016 and 1 January 2017	628,341	–	628,341
Exchange realignments	47,446	–	47,446
As at 31 December 2017	**675,787**	**–**	**675,787**
Net carrying amount			
As at 31 December 2017	**–**	**–**	**–**
As at 31 December 2016	–	–	–

Goodwill arising in prior years related to the acquisitions of equity interest in (i) Prima Finance Holdings Limited and its subsidiaries (collectively referred to as the "Prima Finance Group") and was allocated to the short-term financing CGU ("Short-term Financing CGU"); and (ii) the Auto-serve Group and was allocated to the software CGU ("Software CGU").

15. GOODWILL *(Continued)*

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

Short-Term Financing CGU

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

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

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

A 3-year financial budget was adopted for the Short-term Financing CGU with the following assumptions.

	2016
Interest rates	16.9% – 20.5%
Perpetual growth rate	3.0%
Post-tax discount rate	13.3% – 15.3%

15. GOODWILL *(Continued)*

Software CGU

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

Other information on fair value measurement of the CGUs

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

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

There were no transfers into or out of level 3 for the above fair value measurement of the CGUs during the year ended 31 December 2016.

16. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

Particulars of the Company's subsidiaries which are all private companies with limited liability as at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Country/ place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up share capital/ paid-up capital	Percentage of equity attributable to the Company	
Directly held:				**2017**	2016
Star Coal International Development Company Limited	BVI	Investment holding, Hong Kong	US$1	**100%**	100%
Fortune Front Holdings Limited	BVI	Investment holding, Hong Kong	US$1	**100%**	100%
Capital Finance Innovative Technology Limited	BVI	Investment holding, Hong Kong	US$1	**100%**	100%
Star Capital Global Limited	BVI	Investment holding, Hong Kong	US$1	**100%**	100%
UTD Fortune Holdings Limited	BVI	Investment holding, Hong Kong	US$1	**100%**	100%
Indirectly held:					
United Tone Investments Limited	BVI	Investment holding, Hong Kong	US$1	**100%**	100%
Sunny Bridge Investments Limited	BVI	Investment holding, Hong Kong	US$1	**100%**	100%
Fortune Front Investments Limited	Hong Kong	Provision of financing consultancy services, Hong Kong	HK$1	**100%**	100%
UTD Fortune (Hong Kong) Limited	Hong Kong	Provision of money lending services (to be commenced), Hong Kong	HK$1	**100%**	100%
Prima Finance Holdings Limited	Cayman Islands	Investment holding, Hong Kong	HK$1	**100%**	100%
Century Epoch Holdings Limited	Hong Kong	Investment holding, Hong Kong	HK$1	**100%**	100%
Beijing Wanchi	PRC	Provision of entrusted loan and financial consultancy service, PRC	Paid-up capital of HK$3,000,000	**100%**	100%

16. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/ place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid up share capital/ paid-up capital	Percentage of equity attributable to the Company	
Indirectly held: (Continued)				**2017**	2016
拉薩嘉德財務顧問有限公司 Lhasa Jiade Financial Consultant Company Limited*	PRC	Provision of entrusted loan and financial consultancy service, PRC	Paid-up capital of Renminbi ("RMB") 5,000,000	**100%**	100%
Beijing Jinfu#	PRC	Provision of pawn loan services in Beijing, PRC	Paid-up capital of RMB40,000,000	**100%**	100%
Beijing Jinlu#	PRC	Provision of pawn loan services in Beijing, PRC	Paid-up capital of RMB15,000,000	**100%**	100%
Beijing Jinshou#	PRC	Provision of pawn loan services in Beijing, PRC	Paid-up capital of RMB40,000,000	**100%**	100%
Beijing Jinxi#	PRC	Provision of pawn loan services in Beijing, PRC	Paid-up capital of RMB15,000,000	**100%**	100%
Beijing Micro-financing#	PRC	Provision of microfinancing services, PRC	Paid-up capital of RMB50,000,000	**79%**	79%

* English name for identification purpose only.

\# These subsidiaries are held through certain structured agreements (Note 4b).

16. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

The companies accounted for as subsidiaries through certain structured agreements including Beijing Jinfu, Beijing Jinlu, Beijing Jinshou, Beijing Jinxi and Beijing Micro-financing are identified as the Group's short-term financing services segment comprising pawn loan business and micro-financing business. They, in aggregate, contributed revenue of approximately HK$62,683,000 (2016: HK$69,787,000) to the Group, representing approximately 84% (2016: 62%) of the Group's total revenue arising from the continuing operations for the year ended 31 December 2017, and the total assets and total liabilities for this segment are approximately HK$450,191,000 (2016: HK$400,709,000) and HK$18,014,000 (2016: HK$24,101,000), representing approximately 74% (2016: 73%) and approximately 3% (2016: 4%) of the Group's total assets and total liabilities as at 31 December 2017, respectively.

None of the subsidiaries had any debt security outstanding at the year or at any time during the year.

Financial information of a subsidiary with individually material NCI

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

	Beijing Micro-financing	
	2017	2016
Proportion of NCI's ownership interests	**21%**	21%

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Summarised statement of financial position		
Current assets	**120,504**	113,775
Non-current assets	**763**	296
Current liabilities	**(4,309)**	(13,770)
Non-current liabilities	**(39,695)**	(28,020)
Net assets	**77,263**	72,281
Carrying amount of NCI	**16,225**	15,179

16. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Summarised income statement		
Revenue/Other income	**20,388**	21,698
Expenses	**(9,221)**	(9,165)
Profit	**11,167**	12,533
Profit attributable to NCI	**2,345**	2,632
Dividends paid to NCI	**–**	(1,778)
Summarised statement of cash flows		
Net cash flows generated from operating activities	**7,173**	4,614
Net cash flows used in investing activities	**(112)**	(35)
Net cash flows (used in)/generated from financing activities	**(15,168)**	5,940

Amounts due from subsidiaries were unsecured, non-interest bearing and had no fixed repayment terms.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	HK$'000	HK$'000
Unlisted investment, at cost	**8,405**	7,815

As at 31 December 2017, the Group holds 7% (2016: 7%) equity interest of 瀋陽金融商貿開發區互聯小額貸款有限公司 (Shenyang Hulian Micro-financing Company Limited*), a private entity incorporated in the PRC, which is principally engaged in the provision of micro financing services business. It is measured at cost less any accumulated impairment losses at the end of reporting period because the range of reasonable fair value measurements is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed. The Directors are of the opinion that its fair value cannot be measured reliably.

* English name for identification purpose only

18. LOANS TO CUSTOMERS

	2017 HK$'000	2016 HK$'000
Principal and interest receivable:		
Pawn loans	**316,862**	255,935
Micro-credit loans	**120,964**	104,144
Entrusted loans	**106,082**	21,297
Loans to customers, gross	**543,908**	381,376
Less: Provision for impairment losses		
– Individually assessed	**(2,511)**	(1,394)
– Collectively assessed	**(4,807)**	(3,926)
	(7,318)	(5,320)
Loans to customers, net	**536,590**	376,056

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

The effective interest rates of the pawn loans, micro-credit loans and entrusted loans charged by the Group are summarised below:

	2017 % per year	2016 % per year
Pawn loans (Note a)	**4.1 to 85.9**	4.5 to 75.3
Micro-credit loans (Note b)	**22.6 to 27.0**	22.5 to 27.0
Entrusted loans (Note c)	**17.5 to 20.5**	19.3

Notes:

(a) As at 31 December 2017, pawn loans advanced to customers bore interest at fixed rates ranging from 0.1% per month to 0.4% per month (2016: 0.1% per month to 0.4% per month). They are also subject to administrative fee rates payable by customers. Further, penalty interests are charged on outstanding loan balances that have been past due, ranging from 0.003% to 0.06% on a daily basis (2016: 0.003% to 0.03% on a daily basis).

(b) As at 31 December 2017, micro-credit loans advanced to customers bore interest at fixed rates ranging from 1.5% per month to 2.0% per month as at 31 December 2017 (2016: 1.5% per month to 2.0% per month).

(c) As at 31 December 2017, entrusted loans advanced to customers bore interest at fixed rates ranging from 15.6% per annum to 17.4% per annum (2016: 17.4% per annum).

18. LOANS TO CUSTOMERS *(Continued)*

For loans that have been past due, the Group charges the same interest rates stipulated in the respective loan contracts but penalty interests will be imposed on a daily basis stipulated in the respective loan contracts on the outstanding loan balances.

Loans to customers are all denominated in RMB.

Movements of impairment allowances are as follows:

	2017			2016		
	Individually assessed HK$'000	**Collectively assessed HK$'000**	**Total HK$'000**	Individually assessed HK$'000	Collectively assessed HK$'000	Total HK$'000
At the beginning of the year	**1,394**	**3,926**	**5,320**	4,211	3,326	7,537
Provision for/(Reversal of) impairment loss charged/(credited) to profit or loss	**972**	**562**	**1,534**	(2,663)	853	(1,810)
Exchange realignments	**145**	**319**	**464**	(154)	(253)	(407)
At the end of the year	**2,511**	**4,807**	**7,318**	1,394	3,926	5,320

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

Aging analysis of loans to customers (after impairment allowances) at the end of the reporting period prepared based on loan commencement date set out in the relevant contracts, is as follows:

	2017 HK$'000	2016 HK$'000
Less than 30 days	**98,780**	138,666
31 to 90 days	**75,590**	58,917
91 to 180 days	**112,642**	40,739
181 days to 365 days	**150,740**	68,305
Over 365 days	**98,838**	69,429
	536,590	376,056

18. LOANS TO CUSTOMERS *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**106,081**	21,296
Not yet past due	**289,345**	295,281
1 to 30 days past due	**83,632**	34,691
31 to 90 days past due	**14,386**	7,293
91 to 180 days past due	**20,878**	5,768
181 to 365 days past due	**13,690**	4,272
Over 365 days past due	**8,578**	7,455
	536,590	376,056

Past due loans as at the end of the reporting period represented loans to customers, of which the whole or part of the principal or interest has been past due for one day or more.

The management of the Company reviews and assesses for impairment individually based on customers' repayment history and the fair values of the collaterals, if any. As at 31 December 2017, the Group has provided impairment loss of approximately HK$2,511,000 (2016: approximately HK$1,394,000) on loans with the aggregate gross carrying amount of approximately HK$146,901,000 (2016: approximately HK$59,479,000) on an individual assessment basis. Impairment loss of approximately HK$4,807,000 (2016: approximately HK$3,926,000) was provided on a collective assessment basis.

A summary of the loans to customers (net of impairment) by the type of collaterals at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
Collateralised (Note a)		
With guarantor	**69,888**	21,296
Without guarantor	**414,877**	291,872
Non-collateralised (Note b)		
With guarantor	**49,140**	60,358
Without guarantor	**2,685**	2,530
Total	**536,590**	376,056

18. LOANS TO CUSTOMERS *(Continued)*

Notes:

(a) The collaterals obtained by the Group mainly consists of building ownership rights or movable properties such as equipment and ownership interests in entities. All collaterals are registered in accordance with the relevant laws and regulations. The management of the Company inspects the collaterals and assesses the changes in the value of collaterals regularly during the year and as at the end of the reporting period. In the event of default by customers, the Group might sell the collaterals, the management of the Company monitors the market value of collaterals to ensure the market value of collaterals at the end of reporting period is sufficient to cover the respective outstanding loans to customers. The management of the Company assessed and concluded that, since the fair value of collateral of each individual loan as at the end of the reporting period was not less than the outstanding amount of the relevant loan and interest, no further impairment was necessary.

(b) At the end of the reporting period, the management of the Company performs credit evaluation and due diligence procedures to determine whether the guarantors have the ability to repay the Group in the event of default by customers.

The past due loans to customers of approximately HK$22,816,000 (2016: approximately HK$9,615,000) as at 31 December 2017 has been subsequently settled.

The Group has certain concentration risk on entrusted loans as it has five (2016: two) customers with outstanding balances of approximately HK$106,081,000 (2016: approximately HK$21,296,000), representing approximately 19.8% (2016: 5.7%) of the total loans to customers (net of impairment) as at 31 December 2017.

For the pawn-broker and micro-financing businesses, the Group has a diversified customer portfolio with more than 400 (2016: 600) customers with principal amount ranging from approximately HK$840 to HK$12,007,000 (2016: approximately HK$610 to HK$11,164,000). In the opinion of the Directors, the credit risk of the pawn loans and micro-credit loans is reduced with such a large amount of customers with a relatively small loan size.

19. TRADE RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade receivables from third parties	**180**	167

19. TRADE RECEIVABLES *(Continued)*

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

	2017	2016
	HK$'000	HK$'000
Less than 365 days	**–**	–
Over 365 days	**180**	167
	180	167

The Group normally allows an average credit term of 30 to 90 days (2016: 30 to 90 days).

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

	2017	2016
	HK$'000	HK$'000
At the beginning of the year	**–**	572
Disposal of subsidiaries	**–**	(560)
Exchange realignments	**–**	(12)
At the end of the year	**–**	–

The aging analysis of trade receivables (after impairment allowances) prepared based on due day is as follows:

	2017	2016
	HK$'000	HK$'000
Over 365 days past due	**180**	167

Receivables that were past due but not impaired related to customers that have good track record with the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered fully recoverable. The Group does not hold any collateral over the balances.

20. CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents, represented by bank balances and cash, were denominated in:		
HK$	**1,306**	4,848
RMB	**54,587**	149,164
	55,893	154,012

Cash at banks earn interest at floating rates based on daily bank deposit rates.

21. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder was unsecured, interest-free and repayable on demand.

22. PROMISSORY NOTES

	Notes	2017 HK$'000	2016 HK$'000
At the beginning of the year		**19,779**	34,360
Early redemption of promissory notes	(ii)	**–**	(14,751)
Accrued effective interest expense		**1,753**	1,770
Waive of interest expenses	6	**–**	(1,600)
Carrying value at the end of the year	(i)	**21,532**	19,779
Face value, at the end of the year		**20,000**	20,000

(i) As at 31 December 2017, the promissory notes bore interest of 8% (2016: 8%) per annum and mature in 5 years from the date of issue of 6 February 2015. The effective interest rate of the promissory notes were determined to be approximately 9.01% (2016: 9.01%) per annum. The promissory notes were classified under non-current liabilities and measured at amortised cost.

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

23. CONVERTIBLE BONDS

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

Principal terms of convertible bonds as below:

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

23. CONVERTIBLE BONDS *(Continued)*

On 9 January 2017, the holder of 2020 CB exercised his rights to convert the zero-coupon convertible bonds with the principal amount of HK$42,000,000 into new ordinary shares of the Company.

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

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

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on the convertible bonds is calculated using effective interest rates ranging from 8.72% to 8.87% (2016: 8.72% to 8.87%) per annum.

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

	2017 **HK$'000**	2016 HK$'000
Equity component		
At the beginning of the year	**754,090**	754,090
Conversion during the year	**(40,784)**	–
At the end of the year	**713,306**	754,090
Liability component		
At the beginning of the year	**518,324**	476,450
Effective interest expenses	**42,581**	41,874
Conversion during the year	**(33,527)**	–
At the end of the year	**527,378**	518,324
Face value, at the end of the year	**581,200**	623,200

24. INTEREST-BEARING BORROWINGS

	2017 **HK$'000**	2016 HK$'000
Short-term bank borrowings, secured and repayable within one year	**–**	11,834

24. INTEREST-BEARING BORROWINGS *(Continued)*

Bank borrowings are denominated in RMB.

As at 31 December 2016, the short-term bank borrowings were denominated in RMB and secured by corporate guarantee of an independent third party at a fee amounting to approximately HK$463,000. The short-term bank borrowings borne a fixed interest at 6% per annum and have been fully repaid in January 2017.

On 22 January 2017, the Group entered into a bank loan agreement of RMB2,000,000 (equivalent to HK$2,248,000) at a fixed interest rate of 5.655% per annum with a maturity date on 24 January 2018. On 8 June 2017, the Group had fully settled the aggregate principal and accrued interests of approximately HK$2,295,000.

25. DEFERRED TAX

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

	2017 **HK$'000**	2016 HK$'000
At the beginning of the year	**2,833**	(40,188)
Disposal of subsidiaries (Note 29)	**–**	3,872
Credited to profit or loss (Note 9)	**383**	36,803
Exchange realignments	**230**	2,346
At the end of the year	**3,446**	2,833

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

	2017 **HK$'000**	2016 HK$'000
Impairment losses	**1,829**	1,330
Accrued revenue and charges	**1,617**	1,503
Deferred tax assets	**3,446**	2,833
Amounts expected to be recovered more than 12 months	**3,446**	2,833

As at 31 December 2017, the Group has estimated unused tax losses of approximately HK$592,000 (2016: approximately HK$592,000) available for offsetting against future profits, which are subject to the agreement from the tax authority. No deferred tax asset has been recognised in respect of the above tax losses due to the uncertainty over the availability of future profit streams of the Group. Such losses may be carried forward indefinitely.

25. DEFERRED TAX *(Continued)*

As at 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the Directors, having considered the future funding requirements of the Group's subsidiaries established in the PRC, it is probable that the earnings will not be distributed in the foreseeable future. Unremitted earnings amounted to approximately HK$331,330,000 (2016: approximately HK$281,166,000) as at 31 December 2017.

26. SHARE CAPITAL

	Note	Number of shares '000	Amount HK$'000
Authorised:			
As at 1 January 2016, 31 December 2016 and 31 December 2017, ordinary shares of HK$0.01 each		10,000,000	100,000
Issued and fully paid:			
As at 1 January 2016, ordinary shares of HK$0.01 each		1,154,606	11,547
Issue of new shares upon fulfillment of guaranteed profit	(i)	26,512	265
As at 31 December 2016, ordinary shares of HK$0.01 each		1,181,118	11,812
Shares issued upon conversion of convertible bonds	(ii)	120,000	1,200
As at 31 December 2017, ordinary shares of HK$0.01 each		1,301,118	13,012

Notes:

(i) Being issuance of approximately 26,512,000 shares of the Company on 16 March 2016, of which approximately HK$265,000 was credited to share capital and the remaining balance of approximately HK$9,279,000 was credited to share premium account in relation to the settlement of the contingent shares for the acquisition of Auto-serve Group (Note 27(v)).

(ii) On 9 January 2017, convertible bonds with principal value of HK$42,000,000 have been converted into 120,000,000 new ordinary shares of the Company at a conversion price of HK$0.35 per share (Note 23).

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

27. RESERVES

(i) Share premium

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

(ii) Contributed surplus and capital reserve

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

(iii) Exchange reserve

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

(iv) Convertible bonds reserve

The convertible bonds reserve represents the equity component (conversion right) of the convertible bonds issued (Note 23).

(v) Other reserve

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

(vi) Statutory reserve

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

28. CONTINGENT CONSIDERATION

	2017	2016
	HK$'000	HK$'000
As at beginning of the year	–	27,382
Fair value change on contingent consideration	–	(1,141)
Termination of contingent consideration payable	–	(26,241)
At the end of the year	–	–

On 13 January 2015, Beijing Wanchi and United Tone Investments Limited, the wholly-owned subsidiaries of the Company, as purchasers, entered into a conditional sale and purchase agreement (the "Auto-serve Agreements") to purchase the entire equity interest in Auto-serve Group. Pursuant to the Auto-serve Agreements, the maximum nominal consideration is RMB55,000,000 (equivalent to approximately HK$68,750,000) which comprises of and to be satisfied by an initial consideration of RMB9,000,000 (equivalent to approximately HK$11,250,000) and a contingent consideration.

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

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

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

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

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

28. CONTINGENT CONSIDERATION *(Continued)*

The final settlement value of the 2015 Contingent Shares of HK$9,544,000 was revalued at 31 December 2015 with reference to the fulfilment of the 2015 Guaranteed Profit. The final settlement value of the 2015 Contingent Shares is accounted for as an equity instrument and is determined with reference to the trading price of the Company's shares at 31 December 2015 and the numbers of new shares confirmed to be allotted (Note 26(i)). In addition, the Directors have made an assessment about the Auto-serve Group's 2016 profit forecast and concluded the 2016 Guaranteed Profit could not be fully achieved. The estimated settlement value of the 2016 Contingent Shares was approximately HK$27,382,000, a fair value change of approximately HK$25,574,000 was recognised to the profit or loss for the nine-months ended 31 December 2015.

In relation to the disposal of Auto-serve Group (Note 29), a termination agreement was entered by the Company and the vendors, who is also the purchasers of Auto-serve Group, where the contingent consideration shares payable of approximately HK$26,241,000 by the Company were terminated on 24 March 2016. Further details of the agreement are set out in the announcement of the Company dated 24 March 2016.

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

29. DISPOSAL OF SUBSIDIARIES

Disposal of the Auto-serve Group

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

	2016 HK$'000
Intangible assets (Note 14)	17,725
Goodwill (Note 15)	20,189
Property, plant and equipment (Note 13)	1,373
Deferred tax assets (Note 25)	324
Trade and other receivables, and prepayment	9,511
Tax recoverable	496
Amount due from a Group's subsidiary	994
Amount due from a related party	1
Cash and cash equivalents	3,958
Other payables and receipt in advance	(3,877)
Deferred tax liabilities (Note 25)	(4,196)
Net assets of the Auto-serve Group	46,498
Termination of contingent consideration payable (Note 28)	(26,241)
Exchange reserve released on disposal	3,654
Direct costs incurred for the disposal	264
Gain on disposal of subsidiaries (Note 10)	2,033
Total cash consideration received	26,208
Net cash inflow arising on disposal:	
Cash consideration	26,208
Repayment of amount due to Vibrant Youth	(994)
Costs directly attributable to the disposal	(264)
Cash and cash equivalents disposed of	(3,958)
	20,992

30. SHARE OPTION SCHEME

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

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

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

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

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

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

No option has been granted or exercised under the Scheme during the year ended 31 December 2017 (2016: Nil).

31. OPERATING LEASE COMMITMENTS

As lessee

The Group leases its office premises and staff's quarters under operating lease arrangements where applicable, with leases negotiated for initial terms ranging from one to twenty years (2016: one to twenty years). None of the leases includes contingent rentals.

The Group had total future minimum lease payments under non-cancellable operating leases falling due in respect of properties owned by non-controlling interest (Note 33) and certain independent third parties at the end of each reporting period, is as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**5,790**	5,692
In the second to fifth years, inclusive	**8,468**	8,544
Over five years	**2,882**	2,903
	17,140	17,139

32. CAPITAL COMMITMENT

As at 31 December 2017, the Group had no capital commitment which is contracted but not provided for in respect of purchase of property, plant and equipment (2016: HK$330,000).

33. RELATED PARTY TRANSACTIONS

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

(a) Operating lease payments of approximately HK$231,000 (2016: HK$234,000) were paid to a non-controlling interest of non-wholly owned subsidiary of the Group during the year ended 31 December 2017. The operating leases were charged at approximately HK$19,000 (2016: HK$19,000) per month and the lease terms will be expired on 31 December 2034, and the future minimum lease payments under non-cancellable operating lease in respect of such property was approximately HK$3,922,000 (2016: HK$4,207,000) as at 31 December 2017.

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

	2017	2016
	HK$'000	HK$'000
Salaries, allowances and other benefits	**4,061**	5,066
Pension scheme contributions	**256**	141
	4,317	5,207

34. CAPITAL RISK MANAGEMENT

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

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

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

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

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Market risk

i. Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk in relation to bank deposits and fair value interest rate risk in relation to loans to customers and bank borrowings, respectively. The Group currently does not have a policy to hedge against the interest rate risk as management does not expect any significant interest rate risk as at the end of the reporting period.

Most of the Group's interest-bearing assets and liabilities including loans to customers and bank borrowings bore fixed interest rate, the income and operating cash flows of the Group are substantially independent of change in market interest rates.

No interest rate sensitivity is disclosed as in the opinion of the Directors as the exposure arising from financial assets or liabilities that are subject to cash-flow interest rate risk is insignificant at the end of the reporting period.

ii. Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Such exposures arise from the business operations in the PRC and Hong Kong denominated in RMB and US$ respectively. As at 31 December 2017, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies, i.e. RMB and US$ (2016: RMB and US$), used by the respective group entities, or in the US$ for the respective group entities with HK$ being the functional currency.

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

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk

Credit risk refers to the risk of the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. Credit risk is primarily attributable to loans to customers, trade and other receivables and bank balances.

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

Short-term financing business

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

1. *Credit risk mitigation policies*

Pawn-broker business

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

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

Collateral

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

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

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

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk (Continued)

Short-term financing business *(Continued)*

1. *Credit risk mitigation policies (Continued)*

Micro-financing business

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

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

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

Impairment and provisioning policies

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

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

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk (Continued)

Short-term financing business *(Continued)*

1. *Credit risk mitigation policies (Continued)*

Impairment and provisioning policies (Continued)

Collectively assessed impairment allowances are provided for: (i) portfolios of outstanding loans that have been individually assessed with no objective evidence of impairment by homogenous collateral type; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques. Please refer to Note 18 for individually assessed and collectively assessed impairment allowances arising from loans to customers.

As at 31 December 2017, the Group had a concentration of credit risk as 6.7% (2016: 5.9%) and 20.2% (2016: 22.2%) of the total loans to customers (net of impairment) and trade receivables were made up by the Group's largest loan customer's and the five largest loan customers' outstanding balances respectively.

The credit risk on bank balances is limited because the counterparties are banks with high-credit rating.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Liquidity risk (Continued)

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

		2017		
	Total carrying value HK$'000	**Total contractual undiscounted cash flows HK$'000**	**Within 1 year or on demand HK$'000**	**1-5 year(s) HK$'000**
Accrued expenses, other payables and deposits received	**13,180**	**13,180**	**13,180**	**–**
Promissory notes	**21,532**	**24,800**	**1,600**	**23,200**
Convertible bonds	**527,378**	**610,260**	**–**	**610,260**
	562,090	**648,240**	**14,780**	**633,460**

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

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

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) *Fair value measurements recognised in the consolidated statement of financial position*

Financial instruments not measured at fair value

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

36. MOVEMENT OF THE GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank borrowings	Amounts due to shareholder	Promissory notes	Convertible bonds	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	11,834	–	19,779	518,324	549,937
Financing cash flows (Note)	(12,005)	2,749	–	–	(9,256)
Finance costs recognised	77	–	1,753	42,581	44,411
Conversion of convertible bonds (Note 23)	–	–	–	(33,527)	(33,527)
Exchange difference, net	94	–	–	–	94
At 31 December 2017	–	2,749	21,532	527,378	551,659

Note: The financing cash flows represented in the net cash flow of new bank borrowings raised, advance from shareholder, repayments of bank borrowings and payment of finance costs.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**540**	443
Interests in subsidiaries	16	**–**	–
Amounts due from subsidiaries	16	**516,549**	517,604
Total non-current assets		**517,089**	518,047
Current assets			
Prepayments, deposits and other receivables		**763**	2,246
Cash and cash equivalents		**754**	2,434
Total current assets		**1,517**	4,680
Current liabilities			
Accrued expenses and other payables		**460**	871
Amount due to a shareholder		**2,749**	–
Total current liabilities		**3,209**	871
Net current (liabilities)/assets		**(1,692)**	3,809
Total assets less current liabilities		**515,397**	521,856
Non-current liabilities			
Promissory notes		**21,532**	19,779
Convertible bonds – liability component		**527,378**	518,324
Total non-current liabilities		**548,910**	538,103
Net liabilities		**(33,513)**	(16,247)
Capital and reserves			
Issued capital		**13,012**	11,812
Reserves	(a)	**(46,525)**	(28,059)
Capital deficiency		**(33,513)**	(16,247)

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

(a) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Convertible bonds reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2016	534,438	131,109	120,794	754,090	9,544	(1,278,664)	271,311
Loss and total comprehensive expense for the year	–	–	–	–	–	(299,105)	(299,105)
Transactions with owners							
Issue of new shares upon fulfilment of guaranteed profit	9,279	–	–	–	(9,544)	–	(265)
Transactions with owners	9,279	–	–	–	(9,544)	–	(265)
As at 31 December 2016 and 1 January 2017	543,717	131,109	120,794	754,090	–	(1,577,769)	(28,059)
Loss and total comprehensive expense for the year	–	–	–	–	–	(50,793)	(50,793)
Transactions with owners							
Issue of shares on conversion of convertible bond	73,111	–	–	(40,784)	–	–	32,327
Transactions with owners	73,111	–	–	(40,784)	–	–	32,327
As at 31 December 2017	616,828	131,109	120,794	713,306	–	(1,628,562)	(46,525)

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December		Nine months ended 31 December	Year ended 31 March	
	2017	2016	2015	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue (Note)					
Continuing operations	**74,833**	111,927	103,395	122,589	–
Discontinued operation	**–**	4,730	46,603	78,158	90,159
	74,833	116,657	149,998	200,747	90,159
(Loss)/Profit before income tax from continuing and discontinued operations	**(1,454)**	(273,154)	33,759	(938,326)	(62,550)
Income tax credit/(expense) from continuing and discontinued operations	**(10,936)**	21,380	(13,158)	(20,675)	904
(Loss)/Profit attributable to:					
Owners of the Company	**(14,735)**	(254,406)	19,000	(959,988)	(61,057)
Non-controlling interests	**2,345**	2,632	1,601	987	(589)
(Loss)/Profit for the year/period	**(12,390)**	(251,774)	20,601	(959,001)	(61,646)

ASSETS AND LIABILITIES

	As at 31 December			As at 31 March	
	2017	2016	2015	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**13,519**	12,411	335,862	349,149	10,157
Current assets	**597,279**	536,254	503,594	473,320	17,162
Assets held for sale	**–**	–	52,530	235,509	202,816
Current liabilities	**21,781**	29,006	23,867	113,038	16,397
Liabilities held for sale	**–**	–	7,177	63,971	42,927
Net current assets	**575,498**	507,248	525,080	531,820	160,654
Non-current liabilities	**548,910**	538,103	578,021	611,723	–
Total equity/(Capital deficiency)	**40,107**	(18,444)	282,921	269,246	170,811

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