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大中華金融控股有限公司
GREATER CHINA FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 431)

website: http://www.irasia.com/listco/hk/greaterchina/index.htm

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

SUMMARY OF RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Greater China Financial Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016** **HK$'000**	2015 *HK$'000*
Revenue	*4*	**75,175**	115,956
Cost of sales		**(35,636)**	–
Gross profit		**39,539**	115,956
Other income, gains and losses	*6*	**(218,969)**	121,549
Administrative and other operating expenses		**(82,187)**	(83,304)
Finance costs	*7*	**(15,200)**	(29,398)
Share of (loss) profit of associates		**(98,410)**	9,324
Impairment loss on interests in associates		**(267,410)**	–
Net loss on de-consolidation of subsidiaries		**(324,478)**	–
(Loss) profit before taxation		**(967,115)**	134,127
Income tax	*8*	**(3,435)**	(17,997)

	NOTES	2016 HK$'000	2015 HK$'000
(Loss) profit for the year	9	**(970,550)**	116,130
Other comprehensive income (expenses), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(5,968)**	(11,383)
Release of translation reserve upon disposal of subsidiaries		**–**	(39,980)
Reclassification adjustment relating to foreign operations de-consolidated during the year		**4,925**	–
Share of other comprehensive income of associates		**(6,255)**	(5,950)
Change in fair value of available-for-sale financial assets		**(110,583)**	–
Other comprehensive expense for the year		**(117,881)**	(57,313)
Total comprehensive (expense) income for the year		**(1,088,431)**	58,817
(Loss) profit for the year attributable to:			
Owners of the Company		**(970,550)**	116,130
Non-controlling interests		**–**	–
		(970,550)	116,130
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,088,431)**	58,817
Non-controlling interests		**–**	–
		(1,088,431)	58,817
		HK cents	HK cents
(Loss) earnings per share	11		
– Basic		**(26.28)**	4.93
– Diluted		**(26.28)**	4.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	**2016** **HK$'000**	2015 *HK$'000*
Non-current assets			
Property, plant and equipment		**113,916**	131,885
Prepaid lease payments		**23,288**	25,649
Goodwill	*12*	**123,612**	198,326
Intangible assets	*13*	**11,274**	–
Interests in associates	*14*	**–**	372,075
Available-for-sale financial assets		**41,724**	–
Contingent consideration receivable		**15,102**	–
Deposits		**3,325**	3,045
		332,241	730,980
Current assets			
Repossessed assets		**–**	41
Loans and interests receivables	*15*	**37,061**	359,698
Trade and other receivables	*16*	**31,379**	2,367
Prepaid lease payments		**706**	754
Prepayments and deposits		**3,573**	8,366
Available-for-sale financial assets		**16,751**	–
Tax receivables		**2**	–
Cash held on behalf of clients		**15,746**	–
Pledged bank deposits		**27,918**	35,811
Bank balances and cash		**240,969**	524,661
		374,105	931,698
Assets classified as held for sale		**–**	7,588
		374,105	939,286
Current liabilities			
Trade payables, other payables and accruals	*17*	**44,507**	31,339
Deferred consideration		**96,595**	64,020
Borrowings		**57,231**	199,945
Tax payables		**822**	6,192
		199,155	301,496
Liabilities directly associated with assets classified as held for sale		**–**	9,550
		199,155	311,046

	NOTE	2016 HK$'000	2015 HK$'000
Net current assets		**174,950**	628,240
Total assets less current liabilities		**507,191**	1,359,220
Non-current liabilities			
Deferred consideration		**24,283**	63,900
Deferred tax liability		**–**	1,100
Convertible notes		**5,070**	54,885
Borrowings		**55,835**	77,590
		85,188	197,475
Net assets		**422,003**	1,161,745
Capital and reserves			
Share capital	*18*	**4,380**	3,234
Reserves		**416,847**	1,158,511
Equity attributable to owners of the Company		**421,227**	1,161,745
Non-controlling interests		**776**	–
Total equity		**422,003**	1,161,745

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is Suites 3001-11, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Group is principally engaged in investment holding, industrial property development, general trading of consumable goods, securities brokerage, insurance brokerage, asset management and loan financing operation includes loan financing, loan referral and consultancy services.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

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

New and revised HKFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

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

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

Except as describe below, the Directors anticipate that the application of the new and revised HKFRSs will not have a material impact on the Group's financial performance and financial position.

HKFRS 9 – Financial Instruments

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

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

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

The expected credit losses model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. HKFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking. The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact of the Group's financial assets and financial liabilities. In particular, the new impairment requirements may result in earlier recognition of credit losses of the Group's trade and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of reporting period, as explanation in the accounting policy set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

De-consolidation

Since July 2016, the Group was denied access to the books and records and operating controls of Shanghai Xinsheng Pawnshop Limited (“Xinsheng”) and Shanghai Zhongyuan Pawnshop Limited (“Zhongyuan”). Existing staff and management of Xinsheng and Zhongyuan were laid off and replaced by staff and personnel assigned by Shanghai Kuailu Investment Group Company Limited (“Shanghai Kuailu”), who is one of the registered shareholder of Xinsheng.

Reference is made to the announcements of the Company dated 22 July 2016, 18 August 2016 and 23 February 2017 (“Announcements”) in relation to the legal actions taken by the Group against Xinsheng, Shanghai Kuailu and Zhongyuan to enforce its rights under the variable interest entity contracts (“VIE Contracts”) through the Shanghai Arbitration Commission (“SAC”).

Although legal actions had been instituted against Xinsheng, Shanghai Kuailu and Zhongyuan (see Note 20), the Group is unable to exercise control over the assets and operations of Xinsheng and Zhongyuan. The management considers that control over Xinsheng and Zhongyuan was lost and therefore is appropriate that these subsidiaries be de-consolidated from the Group’s financial statements. The management considered that it is appropriate to account for the deconsolidation as from 1 January 2016 instead of from the effective date of losing control, which should be at around July 2016, in spite of the Company received Xinsheng and Zhongyuan’s management accounts every month up to June 2016, however, the Company was denied to access the books and records together with supporting documents for review procedures and unable to control over the operations of Xinsheng and Zhongyuan.

Financial impact on de-consolidating Xinsheng and Zhongyuan

The de-consolidation of the Xinsheng and Zhongyuan had resulted in a net loss on de-consolidation of subsidiaries of approximately HK$324,478,000 and an impairment loss on the amounts due from the Xinsheng and Zhongyuan of approximately HK$97,484,000 as the directors were of the view that the carrying values of the amounts due from the Xinsheng and Zhongyuan were not recoverable.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Sales of goods	**36,448**	–
Warehouse storage income	**8,904**	13,651
Financial consultancy services fee	**8,359**	4,591
Interest income from		
– loans receivables	**14,519**	97,712
– margin financing	**362**	–
Commission income from		
– securities dealing	**1,686**	–
– underwriting	**308**	–
– insurance brokerage	**4,581**	–
– asset management	**8**	–
Gain on disposal of repossessed assets	**–**	2
	75,175	115,956

5. SEGMENT INFORMATION

The Group's operations are organised into securities brokerage, asset management, insurance brokerage, loan financing, industrial property development business and general trading. Information reported to the chief operating decision maker ("CODM") for the purpose of resources allocation and assessment of segment performance is prepared on such basis. The Group is organised into the following reportable and operating segments:

– Industrial property development segment represents the operation of warehouse in Taicang City, Jiangsu Province, the People's Republic of China (the "PRC").

– General trading segment includes trading of consumable goods in Taicang City, Jiangsu Province, the PRC.

– Loan financing segment represents the provision of loan financing, loan referral and consultancy services in Hong Kong and the PRC.

– Securities brokerage segment represents the operation of securities brokerage, margin financing, underwriting and placements in Hong Kong.

– Asset management segment engages in the provision of asset management services in Hong Kong.

– Insurance brokerage segment represents the provision of the insurance brokerage and agency services in Hong Kong.

Due to the establishment of insurance brokerage segment, the corresponding figures for prior year has been reclassified.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended 31 December 2016

	Industrial property development *HK$'000*	General trading *HK$'000*	Loan financing *HK$'000*	Securities brokerage *HK$'000*	Asset management *HK$'000*	Insurance brokerage *HK$'000*	Total *HK$'000*
SEGMENT REVENUE	**8,904**	**36,448**	**22,878**	**2,356**	**8**	**4,581**	**75,175**
SEGMENT RESULTS	**(7,637)**	**1,035**	**(43,568)**	**(1,217)**	**1**	**111**	**(51,275)**
Unallocated corporate income							**292**
Unallocated corporate expenses							**(57,436)**
Unallocated finance costs							**(7,679)**
Fair value change on contingent consideration							**(20,475)**
Net loss on de-consolidation of subsidiaries							**(324,478)**
Impairment loss on interests in associates							**(267,410)**
Share of loss of associates							**(98,410)**
Share-based payment expenses							**(42,760)**
Impairment loss on the amounts due from the de-consolidated subsidiaries							**(97,484)**
Loss before tax							**(967,115)**
Income tax expenses							**(3,435)**
Loss for the year							**(970,550)**

For the year ended 31 December 2015

	Industrial property development HK$'000	General trading HK$'000	Loan financing HK$'000	Securities brokerage HK$'000	Asset management HK$'000	Insurance brokerage HK$'000	Total HK$'000
SEGMENT REVENUE	13,651	–	102,305	–	–	–	115,956
SEGMENT RESULTS	(10,547)	(1,813)	64,197	–	–	(27)	51,810
Unallocated corporate income							178
Unallocated corporate expenses							(44,357)
Unallocated finance costs							(4,260)
Gain on disposal of subsidiaries							127,263
Share of profit of associates							9,324
Share-based payment expenses							(5,831)
Profit before tax							134,127
Income tax							(17,997)
Profit for the year							116,130

All of the segment revenue reported above is from external customers.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

At 31 December 2016

	Industrial property development ***HK$'000***	**General trading** ***HK$'000***	**Loan financing** ***HK$'000***	**Securities brokerage** ***HK$'000***	**Asset management** ***HK$'000***	**Insurance brokerage** ***HK$'000***	**Total** ***HK$'000***
ASSETS							
Segment assets	**165,975**	**23,731**	**143,297**	**33,057**	**236**	**3,290**	**369,586**
Unallocated bank balances and cash							**151,805**
Unallocated property, plant and equipment							**10,414**
Unallocated other receivables, prepayments and deposits							**5,171**
Unallocated goodwill							**123,612**
Unallocated available-for-sale financial assets							**30,656**
Unallocated contingent consideration receivables							**15,102**
Consolidated total assets							**706,346**
LIABILITIES							
Segment liabilities	**100,792**	**66**	**38,065**	**17,295**	**–**	**1,032**	**157,250**
Unallocated other payables							**1,145**
Unallocated convertible notes							**5,070**
Unallocated deferred consideration							**120,878**
Consolidated total liabilities							**284,343**

At 31 December 2015

	Industrial property development *HK$'000*	General trading *HK$'000*	Loans financing *HK$'000*	Securities brokerage *HK$'000*	Asset management *HK$'000*	Insurance brokerage *HK$'000*	Total *HK$'000*
ASSETS							
Segment assets	185,475	2,041	401,443	–	–	666	589,625
Unallocated bank balances and cash							481,124
Unallocated property, plant and equipment							12,911
Unallocated other receivables, prepayments and deposits							9,997
Interests in associates							372,075
Unallocated goodwill							196,946
Non-current assets classified as held for sale							7,588
Consolidated total assets							1,670,266
LIABILITIES							
Segment liabilities	126,126	2,387	184,911	–	–	10	313,434
Unallocated other payables							1,632
Unallocated convertible notes							54,885
Unallocated deferred considerations							127,920
Unallocated deferred tax liability							1,100
Liabilities directly associated with assets classified as held for sale							9,550
Consolidated total liabilities							508,521

Other information

For the year ended 31 December 2016

	Industrial property development ***HK$'000***	**General trading** ***HK$'000***	**Loans financing** ***HK$'000***	**Securities brokerage** ***HK$'000***	**Asset management** ***HK$'000***	**Insurance brokerage** ***HK$'000***	**Unallocated** ***HK$'000***	**Total** ***HK$'000***
Information included in segment results/segment assets:								
Amortisation and depreciation	**8,671**	**–**	**45**	**23**	**–**	**23**	**2,776**	**11,538**
Finance costs	**7,521**	**–**	**–**	**–**	**–**	**–**	**7,679**	**15,200**
Loss on disposal and written off of property, plant and equipment	**1**	**–**	**–**	**–**	**–**	**–**	**78**	**79**
Impairment loss on trade and other receivables	**–**	**–**	**377**	**–**	**–**	**–**	**921**	**1,298**
Impairment loss on loans and interests receivables	**–**	**–**	**62,420**	**–**	**–**	**–**	**–**	**62,420**
Interest income	**(1,162)**	**(3)**	**(68)**	**(89)**	**–**	**–**	**(103)**	**(1,425)**
Reversal of impairment loss on other receivables	**–**	**–**	**(469)**	**–**	**–**	**–**	**–**	**(469)**
Impairment loss on amounts due from de-consolidated subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**97,484**	**97,484**
Impairment loss on amount due from associates	**–**	**–**	**–**	**–**	**–**	**–**	**21**	**21**
Fair value change on contingent consideration	**–**	**–**	**–**	**–**	**–**	**–**	**20,475**	**20,475**

For the year ended 31 December 2015

	Industrial property development HK$'000	General trading HK$'000	Loans financing HK$'000	Securities brokerage HK$'000	Asset management HK$'000	Insurance brokerage HK$'000	Unallocated HK$'000	Consolidated HK$'000
Information included in segment results/ segment assets:								
Amortisation and depreciation	9,193	–	528	–	–	–	459	10,180
Finance costs	8,080	62	16,996	–	–	–	4,260	29,398
Impairment loss on loans and interests receivables	–	–	3,633	–	–	–	–	3,633
Gain on disposal of subsidiaries	–	–	–	–	–	–	(127,263)	(127,263)
Interest income	(118)	(34)	(159)	–	–	–	(84)	(395)
Written off of other receivables	65	–	–	–	–	–	–	65
Reversal of impairment loss on other receivables	–	(1,988)	–	–	–	–	–	(1,988)

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from external customers based on the locations of operations and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**21,464**	–	**164,343**	558,650
PRC	**53,711**	115,956	**167,873**	172,330
	75,175	115,956	**332,216**	730,980

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A[1]	**9,939**	N/A[2]

[1] Revenue from loan financing.

[2] The corresponding revenue did not contribute over 10% of total revenue of the Group.

6. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Fair value change on contingent consideration	**(20,475)**	–
Gain on disposal of assets classified as held for sale	**1,952**	–
Gain on disposal of subsidiaries	**–**	127,263
Handling fee income	**443**	–
Impairment loss on loans and interests receivables	**(62,420)**	(3,633)
Impairment loss on trade and other receivables	**(1,298)**	–
Impairment loss on amount due from associates	**(21)**	–
Impairment loss on amounts due from de-consolidated subsidiaries	**(97,484)**	–
Interest income	**1,425**	395
Loss on disposal and written off of property, plant and equipment	**(79)**	(22)
Net exchange gain	**131**	624
Reversal of impairment loss on other receivables	**469**	1,988
Share-based payment expenses	**(42,760)**	(5,831)
Sundry income	**1,148**	830
Written off of other receivables	**–**	(65)
	(218,969)	121,549

7. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Imputed interest on deferred consideration	**3,740**	–
Effective interest on convertible notes	**3,928**	4,260
Interest on a margin securities account	**11**	–
Interest on bank loans	**7,521**	11,680
Interest on other loans	**–**	13,458
	15,200	29,398

8. INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**4,515**	17,304
Over provision in prior years:		
PRC Enterprise Income Tax	**–**	(433)
Deferred tax:		
Current year	**(1,080)**	1,126
	3,435	17,997

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the years ended 31 December 2016 and 2015. No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong for the year ended 31 December 2015.

PRC Enterprise Income Tax ("EIT") is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiary of the Group with certain tax concession, based on existing legislation, interpretation and practice in respect thereof.

Under the Law of the People's Republic of China on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group's PRC subsidiary is 25% for both years.

9. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging the following items:

	2016	2015
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**741**	785
Amortisation of intangible assets		
(included in administrative and other operating expense)	**27**	–
Auditor's remuneration		
– audit services	**1,000**	1,000
– other services	**1,050**	970
Cost of inventories recognised as expenses	**35,621**	–
Depreciation of property, plant and equipment	**10,770**	9,395
Legal and professional fees	**11,773**	19,700
Staff costs including directors' emoluments	**23,446**	16,987

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

11. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the year attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(970,550)**	116,130
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**–**	4,260
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(970,550)**	120,390

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**3,693,379**	2,354,846
Effect of dilutive potential ordinary shares:		
– Share option	**–**	2,679
– Convertible notes	**–**	146,434
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**3,693,379**	2,503,959

The calculation of basic (loss) earnings per share is based on the (loss) profit attributable to ordinary equity shareholders of the Company, and the weighted average number of shares approximately 3,693,379,000 ordinary shares (2015: 2,354,846,000) in issue.

Diluted loss per share for the year ended 31 December 2016 did not assume the exercise of the share options during the year since the exercise would have an anti-dilutive effect. No adjustment was made in calculating diluted loss per share for the year ended 31 December 2016 as conversion of convertible notes would result in a decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company, adjusted to reflect the interest on the convertible notes for the year ended 31 December 2015. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, 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 share into ordinary shares for the year ended 31 December 2015.

12. GOODWILL

	2016	2015
	HK$'000	*HK$'000*
Cost		
Balance at beginning of the year	**198,326**	–
Acquisition of subsidiaries *(note 19)*	**121,282**	198,326
De-consolidation of subsidiaries *(note 20)*	**(195,996)**	–
Balance at end of the year	**123,612**	198,326
Accumulated impairment losses		
Balance at beginning of the year	**–**	–
Impairment loss for the year	**–**	–
Balance at end of the year	**–**	–
Carrying amounts		
Balance at end of the year	**123,612**	198,326

13. INTANGIBLE ASSETS

	Trading rights *HK$'000*	Information integration platform *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
Acquired on acquisition of subsidiaries	500	10,904	11,404
Exchange realignment	–	(104)	(104)
At 31 December 2016	**500**	**10,800**	**11,300**
Depreciation and impairment			
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
Provided for the year	–	27	27
Exchange alignment	–	(1)	(1)
At 31 December 2016	**–**	**26**	**26**
Carrying amounts			
At 31 December 2016	**500**	**10,774**	**11,274**
At 31 December 2015	–	–	–

The trading rights are retained for stock trading and stockbroking activities. The trading rights have been considered to have indefinite lives because they are expected to contribute to the net cash flows of the Group indefinitely, and are not amortised.

Information integration platform provides all the foundational building blocks of trusted information, including data integration, data warehousing, master data management, big data and information monitoring. The right of using information integration platform is capitalised on the basis of the costs incurred to acquire the specific software. These costs are amortised over their estimated useful lives of 10 years.

14. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Cost of investment in associates – unlisted	**372,075**	368,701
Share of post-acquisition (loss) profit and other comprehensive (expense) income	**(104,665)**	3,374
Less: impairment loss	**(267,410)**	–
	–	372,075

The following list contains only the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name	Place of incorporation and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest attributable to the Company				Principal activities
			2016		2015		
			Directly	Indirectly	Directly	Indirectly	
Intraday Financial Information Service Limited ("Intraday Financial") *(Note a)*	British Virgin Islands ("BVI")	Ordinary US$100	**45%**	**–**	45%	–	Investment holding
aBCD Enterprise Limited *(Note a)*	Hong Kong	Ordinary HK$3	**–**	**45%**	–	45%	Investment holding
鼎泰潤和投資諮詢(上海)有限公司 Dingtai Runhe Investment Consulting (Shanghai) Co., Ltd# ("Dingtai Runhe") *(Note a)*	PRC	Registered capital RMB31,000,000	**–**	**45%**	–	45%	Provision of consultancy service
上海當天金融信息服務有限公司 Shanghai Intraday Financial Service Limited# ("Shanghai Intraday") *(Note a)*	PRC	Registered capital RMB200,000,000	**–**	**45%**	–	45%	Operation of internet finance platform
上海融鈺融資租賃有限公司 Shanghai Rongyu Finance Lease Limited ("Shanghai Rongyu") *(Note b)*	PRC	Registered capital RMB210,000,000	**–**	**25%**	–	25%	Provision of finance leasing service

\# The English translation of Chinese name is for reference only and should not be regarded as its official English name.

Notes:

(a) On 15 April 2015, the Company entered into a conditional sale and purchase agreement with Long Tu Limited ("Long Tu"), for the acquisition of 45% issued share capital of Intraday Financial at the consideration of HK$272,840,000. The consideration would be satisfied by the issue of 71,800,000 shares of the Company at the price of HK$3.8. The acquisition was completed on 8 July 2015.

Intraday Financial is the legal and beneficial owner of the entire registered capital of Dingtai Runhe, which has entered into Contractual Agreements with Shanghai Intraday and its registered shareholders, i.e. Mr. Shao and Mr. Zhu on 15 April 2015. Through these Contractual Agreements, the Dingtai Runhe has effective control over the financial and business operations of the Shanghai Intraday, and is entitled to the economic interest and benefits of the Shanghai Intraday which is engaged in operation of an internet finance platform in Shanghai, the PRC.

The Contractual Agreements currently in effect comprise the following agreements, namely (a) the Exclusive Consulting Service Agreement, (b) the Equity Pledge Agreement, (c) the Exclusive Call Option Agreement, and (d) the Authorisation Agreement.

(b) On 3 July 2015, an indirect wholly-owned subsidiary of the Company, completed acquisition of 25% equity interests in Shanghai Rongyu at a consideration of RMB100,000. Pursuant to the amendment deed, the indirect wholly-owned subsidiary of the Company contributed RMB52,500,000 as capital contribution in respect of its 25% equity interests into Shanghai Rongyu on 29 July 2015. Following the capital contribution, the indirect wholly-owned subsidiary of the Company had 25% equity interests in Shanghai Rongyu. Shanghai Rongyu was established for the provision of finance leasing service in Shanghai, PRC. The acquisition was completed on 3 July 2015.

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

Shanghai Rongyu

	2016	2015
	HK$'000	*HK$'000*
Net assets at the beginning of the year	**262,915**	265,692
(Loss) profit for the year	**(248,635)**	12,528
Share of translation reserve	**(17,303)**	(15,305)
Net (liabilities) assets at the end of the year	**(3,023)**	262,915
Interests in associates (25%)	**–**	65,729
Carrying amounts	**–**	65,729

Intraday Group

	2016	2015
	HK$'000	*HK$'000*
Net assets at the beginning of the year	**86,525**	77,484
(Loss) profit for the year	**(82,440)**	13,760
Share of translation reserve	**(4,202)**	(4,719)
Net (liabilities) assets at the end of the year	**(117)**	86,525
Interests in associates (45%)	**–**	38,936
Goodwill	**267,410**	267,410
Impairment loss on interests in associates	**(267,410)**	–
Carrying amounts	**–**	306,346

During the year ended 31 December 2016, the Group was informed by Dangtian that one of the third party asset management companies did not have sufficient cash to repay the investment principal of certain products to the investors when the products reach their maturity dates ("Repayment Issue"). As the management of Dangtian does not want the reputation of its platform and its operation being affected by the Repayment Issue, therefore, Dangtian has, for and on behalf of the asset management company, paid certain sums of the investment principal to the investors utilising their internal resources which was subsequently reimbursed before 30 June 2016. On or around June 2016, the Repayment Issue persists and the investment principal in the internet platform drops significantly. Furthermore, Dangtian did not offer any products of those third party asset management companies for new products, therefore Dangtian did not offer any investment products on its internet platform since mid-June 2016. Consequently, operations are negatively affected and the turnover dropped significantly in current year.

15. LOANS AND INTERESTS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Pawn loans	**–**	363,331
Secured loans	**82,619**	–
Unsecured loans	**16,862**	–
	99,481	363,331
Less: impairment allowances	**(62,420)**	(3,633)
	37,061	359,698

Pawn loans receivables are arising from the Group's pawn loans business. The loan periods granted to customers are within six months. The pawn loans provided to customers bear fixed interest rates ranging from 0.27% to 0.48% per month and administrative fee rate ranging from 1.56% to 4.20% per month in the year ended 31 December 2015.

Pawn loans receivables are all denominated in RMB. The impairment allowance of pawn loans receivables are recognised based on the Group's best estimate of amounts that are potentially uncollectible.

As at 31 December 2015, renewed loans amounted to HK$170,071,000, comprising personal property backed pawn loans of HK$103,105,000, real estate backed pawn loans of HK$9,669,000 and equity interest backed pawn loans of HK$57,297,000. No renewed loans had substantially modified their original contractual terms for the year ended 31 December 2015.

The ageing of the pawn loans receivables are calculated starting from the original granting date without considering the subsequent renewal of the loans. The ageing analysis of pawn loans receivables net of provision for impairment of pawn loans receivables is set out below:

	2016	2015
	HK$'000	*HK$'000*
0 – 90 days	**–**	140,039
91 – 180 days	**–**	115,505
181 – 365 days	**–**	33,716
Over 365 days	**–**	70,438
	–	359,698

Loans receivables arising from the money lending business of the Group bear interest at rates ranging from 12% to 36% (2015: Nil) per annum. The grants of these loans were approved and monitored by the Group's management. As at 31 December 2016, certain loans receivable with an aggregate carrying amount of HK$20,199,000 were secured by the pledge of collateral and were with personal guarantees provided by certain independent third parties.

An ageing analysis of the loans and interest receivables that are individually not considered to be impaired as at the end of the reporting period, based on the payment due date, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor individually impaired	**25,980**	359,698
Less then 1 month past due	**11,081**	–
1 to 3 months past due	**–**	–
3 to 6 months past due	**–**	–
6 months to less than 1 year past due	**–**	–
	37,061	359,698

Loans receivables that were neither past due nor individually impaired relate to a number of diversified borrowers for whom there was no recent history of default.

In respect of the loans which have been past due for less than one month, the amounts mainly represent occasional delay in repayment and are not indication of significant deterioration of credit quality of these loans.

The movements in impairment allowance of loans and interests receivables are as follows:

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**3,633**	–
Impairment allowance recognised	**62,420**	3,633
Amounts written off during the year as uncollectible	**(3,633)**	–
Balance at end of the year	**62,420**	3,633

Included in the above provision for impairment of loans receivable was a provision for impaired loans receivable of HK$62,420,000 with an aggregate carrying amount of HK$62,420,000. The impaired loans receivable relate to borrowers that were in default and the loans receivables were not expected to be recoverable.

16. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables from:		
Business of dealing in securities: *(Note a)*		
– Cash clients	**349**	–
– Margin clients	**4,754**	–
– Clearing houses and brokers	**1,513**	–
Consultancy services	**377**	–
Insurance brokerage business *(Note b)*	**1,173**	–
Asset management business *(Note c)*	**55**	–
Warehouse storage business *(Note d)*	**392**	1,215
General trading *(Note e)*	**6,388**	–
	15,001	1,215
Less: Impairment loss	**(377)**	–
	14,624	1,215
Other receivables	**17,804**	1,766
Less: Impairment loss	**(1,049)**	(614)
	16,755	1,152
	31,379	2,367

Notes:

(a) For the trade receivables from cash clients, it normally takes two days to settle after trade date of securities transactions. These outstanding unsettled trades due from clients are reported as trade receivables from clients.

Trade receivables from margin clients amounting to HK$4,754,000 as at 31 December 2016 are secured by clients' pledged securities with fair value of HK$12,989,000. Management has assessed the market value of the pledged securities of each individual customer who has margin shortfall as at the year end. No impairment allowance is considered necessary for the margin loans based on the Group's evaluation of their collectability.

Trade receivables from margin clients arising from the securities brokerage business are repayable on demand subsequent to settlement date.

(b) The normal settlement terms of accounts receivable from product issuers arising from the provision of insurance brokerage services are mainly within 45 to 60 days upon the execution of the insurance policies and/or receipt of statements from product issuers.

(c) Credit terms with customers of asset management are within 30 days or a credit period mutually agreed between the contracting parties.

(d) The Group allows an average credit period of 30 days to its warehouse tenants.

(e) The Group allows an average credit period of 30 days to its trade customers.

No ageing analysis of margin loans is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

An ageing analysis of the remaining balance of trade receivables net of impairment loss as at the end of the reporting period, based on the trade date, is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**9,801**	1,192
31 – 60 days	**69**	23
61 – 90 days	**–**	–
Over 90 days	**–**	–
	9,870	1,215

An ageing analysis of the remaining balance of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**9,849**	1,192
Less than 1 month past due	**21**	23
1 to 3 months past due	**–**	–
3 to 6 months past due	**–**	–
6 months to less than 1 year past due	**–**	–
	9,870	1,215

The movements in impairment loss on trade receivables are as follows:

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	–
Amounts recognised during the year	**377**	–
Balance at end of the year	**377**	–

The movements in impairment loss of other receivables are as follows:

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**614**	3,864
Amounts recognised during the year	**921**	–
Amounts recovered during the year	**(469)**	(1,988)
Amounts written off during the year as uncollectible	**–**	(1,172)
Exchange realignment	**(17)**	(90)
Balance at end of the year	**1,049**	614

17. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Trade payables from:		
Business of dealing in securities: *(Note a)*		
– Cash clients	**14,960**	–
– Margin clients	**2,204**	–
Insurance brokerage business *(Note b)*	**1,031**	–
Total trade payables	**18,195**	–
Accrued expenses	**2,339**	7,474
Deposits received	**284**	907
Receipts in advance	**–**	3,150
Other payables	**23,689**	19,808
Total other payables and accruals	**26,312**	31,339
Total trade payables, other payables and accruals	**44,507**	31,339

Notes:

(a) Trade payables to securities brokerage clients represent the monies received from and repayable to brokerage clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

The majority of the trade payables balance are repayable on demand except for certain balances relating to margin deposits received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The settlement terms of trade payables, except for margin clients, arising from the securities brokerage business are two days after trade date.

No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business.

(b) Trade payables to consultants arising from provision of insurance brokerage service, are generally settled within 30 days to 120 days upon receipt of payments from product issuers by the Group.

An ageing analysis of trade payables from insurance brokerage business at the end of reporting period is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**990**	–
31 – 60 days	**41**	–
61 – 90 days	**–**	–
Over 90 days	**–**	–
	1,031	–

18. SHARE CAPITAL

	Number of shares	**Nominal amount**
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.005 each		
At 1 January 2015	421,978,000	2,109,890
Share subdivision	1,687,912,000	–
Ordinary shares of HK$0.001 each		
At 31 December 2015 and 31 December 2016	2,109,890,000	2,109,890
Preference shares of HK$0.005 each		
At 1 January 2015	22,000	110
Share subdivision	88,000	–
Preference shares of HK$0.001 each		
At 31 December 2015 and 31 December 2016	110,000	110
Issued and fully paid:		
Ordinary shares of HK$0.005 each		
At 1 January 2015	299,847	1,499
Placing of shares	59,600	298
Issue of shares upon acquisition of associates	71,800	359
Issue of shares upon rights issue	215,623	1,078
Share subdivision	2,587,483	–
Ordinary shares of HK$0.001 each		
At 31 December 2015 and 1 January 2016	3,234,353	3,234
Conversion of convertible notes *(Note a)*	498,990	499
Issue of new shares *(Note b)*	452,810	453
Issue of shares upon acquisition of subsidiaries *(Note c)*	194,061	194
Ordinary shares of HK$0.001 each at 31 December 2016	4,380,214	4,380

Notes:

(a) On 6 July 2016, upon the exercise of the conversion rights attached to the 2014 Convertible Note and 2015 Convertible Note in an aggregate principal amount of HK$119,758,000 at the Conversion Price of HK$0.24 per share, the Company allotted and issued 498,990,258 shares in aggregate to the noteholders.

(b) On 14 July 2016, the Company allotted and issued 452,810,000 new shares of HK$0.001 each at a subscription price of HK$0.27 upon completion of subscription of new shares.

(c) Pursuant to the agreement in respect of the acquisition as disclosed in note 19, 194,060,671 shares of HK$0.001 each in the capital of the Company were issued and allotted to the vendor under the acquisition.

19. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of the loan referral and consultancy company

On 22 December 2016, the Company had completed the acquisition of the entire issued share capital of Access China Group Limited ("Access China") and its subsidiaries ("Access Group"). Access Group is principally engaged in the business of loan referral services in the PRC.

The consideration for the acquisition is approximately HK$128,515,000, which includes (i) cash consideration of HK$80,000,000 and (ii) the allotment and issue of an aggregate of 194,060,671 ordinary shares of the Company (the "Consideration Shares") at issue price of HK$0.25 per share. The fair value of consideration shares at the date of acquisition amounted to approximately HK$45,604,000 based on the closing market price at the date of acquisition.

HK$20,000,000 of cash consideration was settled on the date of completion. The remaining cash consideration of HK$30,000,000, HK$20,000,000 and HK$10,000,000 are payable upon the next business day after issue of audited financial statements of the Access Group for year ending 31 December 2016, 2017 and 2018 respectively.

In addition, as part of the acquisition, if the actual audited consolidated net profit after tax of Access Group for the year ending 31 December 2016, 31 December 2017 and 31 December 2018 (the "Actual Profit"), is less than RMB10,000,000, RMB20,000,000 and RMB30,000,000 respectively (the "Profit Guarantee"), the vendors will compensate the Company for the shortfall for an amount equivalent to the difference between the Profit Guarantee and the Actual Profit multiplied by 1.2 times.

In such event, the Company shall have the right to deduct the compensation from the respective cash considerations payable to the vendor for financial years ending 31 December 2016, 2017 and 2018 (i.e. 2016: HK$30,000,000, 2017: HK$20,000,000; 2018:HK$10,000,000). Should the cash considerations payable to the vendor be insufficient to cover the compensation, the Company shall have the right to sell all or part of the Consideration Shares under escrow, the net proceeds from which shall be equal to the shortfall of the compensation, to the independent third parties, in the securities market.

For avoidance of doubt, should the Access Group record an actual consolidated loss for any of the financial years ending 31 December 2016, 2017 and 2018, the amount shall be deemed as zero.

Further details are set out in the Company's announcement dated 14 December 2016 and 22 December 2016.

The following table summarises the consideration paid for the acquisition of Access Group, and the fair value of assets and liabilities recognised at the acquisition date:

	HK$'000
Non-current assets	
Property, plant and equipment	367
Intangible assets	10,904
Available-for-sales investments	11,175
Current assets	
Other receivables, deposits and prepayment	19,433
Tax receivables	1
Bank and cash balances	3,868
Current liabilities	
Receipts in advance	(1,616)
Accruals and other payables	(25,664)
Amount due to a shareholder	(6,090)
Borrowings	(14,191)
Tax payables	(830)
Net identifiable assets at fair value	(2,643)
Non-controlling interests	(776)
Shareholders' loan assigned to the Group	6,090
Goodwill arising from the acquisition	100,282
Total fair value consideration	102,953
Consideration satisfied by:	
Cash paid	20,000
Fair value of consideration shares	45,604
Deferred consideration	53,238
Less: contingent consideration receivable	(15,889)
	102,953
Net cash outflow arising on acquisition:	
Cash consideration paid	20,000
Less: Cash and cash equivalent acquired of	(3,868)
	16,132

The directors have engaged an independent valuer to determine the fair value of the net tangible assets and intangible assets of Access Group, in accordance with HKFRS 13.

Goodwill arising from the acquisition represents the excess of the fair value of the considerations to be paid by the Group over the fair value of net tangible assets acquired.

(b) Acquisition of the securities brokerage service company and asset management company

According to the conditional sale and purchase agreements dated 1 September 2015, an indirect wholly-owned subsidiary of the Company has conditionally agreed to acquire the entire issued share capital of Prominence Financials Limited ("PFL") and Prominence Asset Management Limited ("PAM") for a total cash consideration of the sum of HK$38,914,000.

PFL is principally engaged in the provision of type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance in Hong Kong. PAM is principally engaged in the provision of type 9 (asset management) regulated activities under the SFO in Hong Kong.

The acquisition was completed on 9 March 2016. The net identified assets acquired and liabilities assumed, at fair value are as follows:

	PFL	**PAM**
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	25	–
Intangible asset – trading right	500	–
Other assets	250	–
Current assets		
Loans receivables	2,632	–
Trade receivables	3,086	48
Prepayments, deposits and other receivables	459	–
Amount due from a related party	–	700
Cash held on behalf of clients	16,687	–
Bank balances and cash	10,195	190
Tax receivable	–	9
Current liabilities		
Trade payables	(16,668)	–
Accruals and other payables	(161)	(12)
Obligation under finance leases	(3)	–
Tax payable	(23)	–
	16,979	935

	PFL	PAM
	HK$'000	*HK$'000*
Net identified assets acquired and liabilities assumed, at fair value	16,979	935
Goodwill arising from the acquisition	14,500	6,500
Total fair value consideration	31,479	7,435
Net cash outflow arising on acquisition:		
Cash consideration paid	31,479	7,435
Less: Cash and cash equivalent acquired of	(10,195)	(190)
	21,284	7,245

The directors have engaged an independent valuer to determine the fair value of the net tangible assets and intangible assets of PFL and PAM, in accordance with HKFRS 13. The identifiable intangible asset of trading rights is identified.

Goodwill arising from the acquisition represents the excess of the fair value of the considerations to be paid by the Group over the fair value of net tangible assets acquired.

20. DE-CONSOLIDATON OF SUBSIDIARIES

As mentioned in note 3, Xinsheng and Zhongyuan have been de-consolidated from the consolidated financial statements of the Group as from 1 January 2016.

Details of the aggregate net assets of the above-mentioned subsidiaries are set out below:

	Immediate before de-consolidation on 1.1.2016
	HK$'000
Property plant and equipment	817
Repossessed assets	41
Pawn loans receivables	359,698
Prepayment, deposits and other receivables	1,232
Cash and cash equivalents	33,834
Amounts due to the Group	(64,966)
Borrowing	(195,170)
Other payables and accruals	(11,216)
Tax payables	(713)
Net assets disposed	123,557
Goodwill	195,996
Cumulative exchange loss in respect of the net assets	4,925
Net loss on de-consolidation of subsidiaries	324,478
Analysis of net outflow of cash and cash equivalents arising from de-consolidation of subsidiaries	33,834

As at the date of this announcement, the Group had commenced legal action against Xinsheng, Shanghai Kuailu and Zhongyuan and the outcome of such legal actions remained uncertained. As the abovementioned subsidiaries have been de-consolidated, the Directors considered the legal actions will not have any adverse impact on the consolidated financial statements.

The Board resolved that the Group no longer had the power to manage the Xinsheng and Zhongyuan, and the control over the Xinsheng and Zhongyuan has been lost in July 2016. Details of the de-consolidation were set out in Group's announcement date 12 August 2016.

21. EVENTS AFTER THE REPORTING PERIOD

(i) On 2 February 2017, in relation to the acquisition of Access Group, the Company entered into a supplemental agreement (the "Supplemental Agreement") to the sale and purchase agreement with the vendors and the guarantor to amend certain terms and conditions of the sale and purchase agreement (the "Amendments"). The Amendments include the amendments to the payment terms, the amendments to the Profit Guarantee and the adjustment mechanism to the consideration. Please refer to the announcement for details of the Supplemental Agreement dated 2 February 2017.

(ii) Reference is made to the announcements of the Company dated 22 July 2016 and 18 August 2016 in relation to the legal actions taken against Xinsheng, Shanghai Kuailu and Zhongyuan.

On 22 February 2017, the legal advisers of the Company in the PRC received three decisions issued by the SAC to suspend the three arbitration claims ("Arbitration Claims") initiated by Yousheng and Shanghai Junning against Xinsheng, Shanghai Kuailu and Zhongyuan in August 2016 ("Suspension Decisions").

According to the Suspension Decisions, SAC was notified that (i) Xinsheng, Shanghai Kuailu and Zhongyuan are involved in the criminal investigation conducted by one public security authority of Shanghai City, PRC; and (ii) the shares of Xinsheng and Zhongyuan were freezed by PRC public security authority. As such, it was stated that such circumstances would create obstacles for submitting evidence to SAC, and SAC agreed to suspend the Arbitration Claims with effect from 21 February 2017.

As advised by the legal advisers of the Company in the PRC, the suspension of the Arbitration Claims shall not prejudice the rights of the Company, Yousheng and Shanghai Junning in such claims. The Board considers that the suspension of the Arbitration Claims shall not create adverse impact to the Company and its subsidiaries.

(iii) On 7 March 2017, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with vendors, pursuant to which the direct wholly owned subsidiary of the Company has conditionally agreed to acquire entire equity interest in a target company (the "Target Company"). A wholly-owned subsidiary of the Target Company is a corporation licenced and approved by the Securities and Futures Commission under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) under a licence to carry on Type 4 regulated activity under the SFO (Advising on Securities) and Type 9 regulated activity under the SFO (Asset Management). The cash consideration for Target Company is HK$8,000,000.

At the date of issuance of these consolidated financial statements, the conditions set out in the sale and purchase agreement has not yet fulfilled.

(iv) On 8 February 2017 and 6 March 2017, the share options were exercised to subscribe for a total of 195,680,000 new shares of HK$0.001 each at an exercise price of HK$0.232 per share. The Company allotted and issued 195,680,000 ordinary shares to the grantees.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following are extracted from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2016.

"Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

(a) De-consolidation of subsidiaries

As fully described in note 3 to the consolidated financial statements, due to the management and accounting personnel appointed by the Group to Shanghai Xinsheng Pawnshop Limited ("**Xinsheng**") and Shanghai Zhongyuan Pawnshop Limited ("**Zhongyuan**") being unable to exercise the right to manage the business of pawn broking and money lending in the PRC of Xinsheng and Zhongyuan under the Exclusive Consulting Service Agreements in July 2016, the Company had been unable to both i) obtain the complete sets of books and records together with the supporting documents and company chops of Xinsheng and Zhongyuan and ii) maintain and operate the business of Xinsheng and Zhongyuan. As such, the directors of the Company considered that the Company had lost its control over Xinsheng and Zhongyuan.

As a result, the directors of the Company considered it is appropriate to de-consolidate Xinsheng and Zhongyuan from the consolidated financial statements of the Group as from 1 January 2016. The de-consolidation of Xinsheng and Zhongyuan had resulted in a net loss on de-consolidation of subsidiaries of HK$324,478,000 and impairment loss on the amounts due from the de-consolidated subsidiaries, based on the management accounts, of HK$97,484,000 as the directors were of the view that the carrying values of the amounts due from Xinsheng and Zhongyuan were not recoverable.

As set out in note 38 to the consolidated financial statements, the Group had deconsolidated the balance of liabilities included in de-consolidated subsidiaries as at 1 January 2016, which consisted of amounts due to the Group, borrowing, other payables and accruals and tax payables of HK$64,966,000, HK$195,170,000, HK$11,216,000 and HK$713,000 respectively.

The directors of the Company considered that, the consolidated financial statements at 31 December 2016 and for the year then ended prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of Xinsheng and Zhongyuan. However, the de-consolidation of Xinsheng and Zhongyuan from the beginning of the year is a departure from the requirement of Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements".

We have not been provided with sufficient information and explanations on the deconsolidation of Xinsheng and Zhongyuan and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether it was appropriate to de-consolidate the assets and liabilities and cease to record results of operations of Xinsheng and Zhongyuan from the consolidated financial statements from the beginning of the financial year ended 31 December 2016. In addition, due to the unavailability of complete sets of books and records and the lack of information on the assets and liabilities of Xinsheng and Zhongyuan, we were unable to obtain sufficient appropriate audit evidences to determine whether the net loss on de-consolidation of subsidiaries and impairment loss on the amounts due from the de-consolidated subsidiaries of approximately HK$324,478,000 and HK$97,484,000 respectively, which were charged to the Group's loss for the year ended 31 December 2016, was free from material misstatement. Due to insufficient information and explanation of Xinsheng and Zhongyuan, we were unable to complete our audit procedure as to whether the de-consolidated liabilities should, to the extent unpaid, be recognised as liabilities of the Group.

(b) Contingent liabilities and commitments

As disclosed in note 3 to the consolidated financial statements, due to the lack of complete books and records of the de-consolidated subsidiaries, we have been unable to obtain sufficient appropriate evidence and explanations as to whether the contingent liabilities and commitments committed by the Company were properly recorded and accounted for and in compliance with the requirements of applicable HKFRSs including HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". There were no alternative procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in investment holding, industrial property development, general trading of consumable goods, securities brokerage, insurance brokerage, asset management and loan financing including loan referral and consultancy services.

Revenue and segment results of the Group for the year of 2016 are stated in the table below:

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Revenue from:		
Industrial property development	**8,904**	13,651
General trading	**36,448**	–
Loan financing	**22,878**	102,305
Securities brokerage	**2,356**	–
Insurance brokerage	**4,581**	–
Asset management	**8**	–
	75,175	115,956

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Segment (loss) profit from:		
Industrial property development	**(7,637)**	(10,547)
General trading	**1,035**	(1,813)
Loan financing	**(43,568)**	64,197
Securities brokerage	**(1,217)**	–
Insurance brokerage	**111**	(27)
Asset management	**1**	–
	(51,275)	51,810

Industrial Property Development

The revenue from the warehouse operation mainly represented the rental income for the warehouse storage received from the tenants. The warehouse of the Group is located in Taicang, Jiangsu Province, the PRC and the total rentable area of which is approximately 48,600 square meters.

In 2015, the warehouse was fully occupied in the majority of time. However, in the second half of 2016, certain warehouse lease agreements were expired which were either not yet renewed or new tenants were yet to identify. As a result, the income from warehouse operation was dropped by approximately HK$4.7 million to HK$8.9 million as compared to the year of 2015. Segment loss of the warehouse operation, on the other hand, was slightly improved from approximately HK$10.5 million in 2015 to approximately HK$7.6 million which is mainly contributed to the decrease in interest expenses as the partial repayment of bank loan was made together with a stringent control in overall expenses.

The Group is actively seeking potential business partners for the vacant warehouse space. With its proximity to Shanghai and its convenience in term of transportation, the warehouse maintains a key advantage in attracting new business partners. At the same time, we will also look into opportunity to utilize the warehouse to facilitate the operation of other segment including but not limited to general trading operation if possible.

General Trading

The general trading business of the Group has been inactive in 2015 due to decrease in demand of raw materials as a result of the economic slowdown in the PRC. However, the Group continued to identify opportunity to revive the general trading segment and in the second half of 2016, the Group is able to establish an cooperation with one of the major distribution agent of Moutai (i.e. a distilled Chinese liquor) and commence trading of Moutai and other popular Chinese liquors in the authorized regions in the PRC including but not limited to Jiangsu Province. Revenue from the trading segment of approximately HK$36.4 million and segment profit of approximately HK$1 milion were resulted in 2016.

Regarded as one of the most popular Chinese liquor in the PRC, the demand of Moutai is relatively stable with a consistent and steady growth on a yearly basis. In addition, the turnover of such popular product is relatively quick which helps to maintain a healthy cashflow of the operation. The Group will continue to expand and develop the trading segment and further strengthen our existing operation team to improve the efficiency of the workflow.

Loan Financing

Loan financing segment includes the provision of mortgage and other loans services and financing consultancy and loan referral services in both Hong Kong and the PRC.

In 2015, this segment also included the pawnshop operation in Shanghai which was de-consolidated from the Group with effect from 2016. Please refer to the section under heading "De-consolidation of Xinsheng and Zhongyuan" for detailed explanation of the deconsolidation.

Greater China Financing Limited, an indirect wholly-owned subsidiary of the Company, was granted the Money Lenders Licence in early 2016 to start money lending business in Hong Kong. As the Hong Kong Monetary Authority has been implementing tight controls on lending activities of the financial institutions under its surveillance, our money lending business is positioned as an alternative to licensed banks by providing mortgage loans, securities financing and other secured loan services, with the competitiveness of diversified financing and loan arrangement and quick response to the market.

In 2016, turnover of approximately HK$22.9 million was recorded which mainly represented the interest income generated from the loan portfolio in Hong Kong and the financing consultancy income received by the financing consultancy operation in Beijing newly acquired by the end of 2016. A segment loss of approximately HK$43.6 million was resulted in 2016 due to an impairment allowance is made for certain secured loans and interests receivables amounting to approximately HK$62 million. The Group has taken legal actions to recover the amount but full provision for impairment is provided in the meantime. As at 31 December 2016, the balance of the loans receivables was approximately HK$37 million. Interest rate of the loans ranged from 12% to 36% per annum.

For the loan financing operation in Hong Kong, the Group has established stringent internal loan management system, including credit assessment and risk management. In addition, we cooperate tightly with external professionals for property valuation, credit check and legal counsel.

Though Hong Kong's mortgage market has been more challenging in the past two years while the property market was experiencing downturn correction in the first half year of 2016, the quick sell-out of the first hand properties and the recent upward property price indices are sending promising signals, driven by the regain of the financial market. We will continue to actively explore more business and expand our loan products in the meanwhile elevating loan scrutiny policy and risk control.

By the end of 2016, the Group has acquired a business which provides financing consultancy and loan referral services in the PRC at a consideration of approximately HK$128.5 million. The consideration is to be settled as follows:

(i) as to HK$68,515,168 payable upon completion, in which, HK$20,000,000 shall be settled in cash and HK$48,515,168 shall be settled by way of allotment and issue of total of 194,060,671 consideration shares to the vendor at the issue price of HK$0.25 per share;

(ii) as to HK$30,000,000 (subject to adjustment) shall be settled in cash upon the next business day after the issue of 2016 audited financial statements;

(iii) as to HK$20,000,000 (subject to adjustment) shall be settled in cash upon the next business day after the issue of 2017 audited financial statements; and

(iv) as to the remaining balance of HK$10,000,000 (subject to adjustment) shall be settled in cash upon the next business day after the issue of 2018 audited financial statements.

The vendor agreed to provide a guarantee of consolidated net profit after tax of RMB10,000,000, RMB20,000,000 and RMB30,000,000 for the year of 2016, 2017 and 2018 respectively.

Following the completion of the acquisition by the end of 2016, the new operation will contribute positively to the results of the loan financing segment as well as the performance of the Group as a whole.

Securities Brokerage

Upon completion of the acquisition of a licensed company, which is licenced and approved by the Securities and Futures Commission of Hong Kong ("**SFC**") to carry out Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (the "**SFO**"), in March 2016, the Group officially ventured into the securities brokerage and dealing business. Revenue from the securities brokerage and the segment loss for the year is approximately HK$2.4 million and HK$1.2 million respectively. As the operation is newly incorporated into the Group, we are still building up the team and trying to improve the profitability of the operation including but not limited to streamline the process of the operation, leverage our existing supporting functions of the Group to lower the overall costs such as centralize the operation office in one location, etc. and identify ways to broader income stream.

The securities brokerage business will provide a variety of securities related services including securities brokerage, securities trading and margin financing. If suitable opportunity arises, we will also provide placing and underwriting services to our clients.

Insurance Brokerage

Upon the completion of the acquisition of a company with the insurance brokerage licence in late 2015, the company is formally renamed as Greater China Wealth & Risk Management Limited ("**GCWRM**") in January 2016.

Revenue from insurance brokerage and a segment profit of approximately HK$4.6 million and HK$0.1 million was resulted in 2016.

GCWRM, acting as an insurance broker, is a member of Professional Insurance Brokers Association and also a principal intermediary for carrying on MPF regulated activities. It engages in the insurance and MPF scheme brokerage business and provides a comprehensive professional insurance and financial planning services to satisfy clients' needs. As an agent of the clients, GCWRM tailor-made financial solutions to each of the clients and provide an independent advisory services in connection with insurance products. The line of businesses include long term (including linked long term) and general insurance business plus MPF regulated activities.

GCWRM establishes business relationship with the insurance companies by entering into the distribution agreements after an in-depth due diligence process. It provides financial planning services to clients through licensed representatives and the majority of the business is being generated from referrals and direct marketing.

In 2016, GCWRM commenced the insurance business by adding different insurance products, adding different business partners in order to diversify product varieties to ensure the steady growth of insurance business. GCWRM also established the wealth management team by building a full skeleton of the wealth management team which include sales and administration staffs.

With the increasing demand of insurance products in the PRC, GCWRM's client base are strategically broadened. The Group will continue to diversify the business varieties and widen the recurring income stream. In addition, general insurance will be another income stream to support the steady growth of the business in the coming future.

Asset Management

The acquisition of a licensed company, which is licensed and approved by SFC to carry out Type 9 (asset management) regulated activities under the SFO, was completed in March 2016.

The Group is setting up its asset management team with the aim to tap into the asset management market. The Group target to set up various investment fund portfolio to assist the potential high-net worth clients in managing their assets. During 2016, the results of the asset management is insignificant but the Group is optimistic about the future development of the asset management segment.

Despite the severe global stock market fluctuation in 2016, the Group believes the need for asset management by the high-net worth clients continues to rise and Hong Kong can continue to serve as a financial hub to attract investment fund from clients locally, cross border as well as in the Asian region. The asset management business of the Group is still in the start-up stage but the Group will strive to develop various investment funds in near future.

In view of this, the Group has entered into an agreement to acquire a company under a licence to carry out Type 4 (Advising on Securities) regulated activities under the SFO and Type 9 (Asset Management) regulated activities under the SFO together with its investment team at a consideration of HK$8,000,000. Currently, the company has assets under management of over US$4.5 million under management and it is believed that the asset management segment of the Group can be expanded further with the completion of the acquisition. The acquisition is still pending completion up to the date of this announcement.

The Group also intends to build up its own investment portfolio in different industries in order to generate stable source of income when and as opportunities arise. The Board considers that the setting up of its own investment portfolio is in long term investment nature with the long term goals of capital gains and investment returns. During the period under review, the Group had invested in shares of various companies listed in Hong Kong with long term investment purpose.

In particular, in late December 2015, the Group had subscribed for 40,000,000 new shares in ShiFang Holding Limited ("**ShiFang**") for a total cash consideration of HK$32 million. Subsequently, the Group continued to acquire the shares of ShiFang on the open market and a total of 70,106,000 shares of ShiFang were held by the Group up to the date of this announcement, represented approximately 4.8% of the total issued shares of ShiFang. The shares of ShiFang are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and it is principally engaged in the business of cultural media and advertising media in the PRC. During the period under review, the share price of ShiFang plummeted resulting in change in fair value of the investment portfolio of the Group to approximately HK$106 million and the Board will continue to monitor its business development and future prospect. In addition, the Board will review the investment objective and strategy of the Group's investment portfolio from time to time and devise a suitable investment plan for the Group as a whole.

Investment in Intraday Financial Group

In 2015, the Group acquired 45% of share capital of Intraday Financial Information Service Limited with a subsidiary, 鼎泰潤和投資諮詢(上海)有限公司 ("**Intraday Financial Group**"), engaging in the operation of an internet finance platform in the PRC through 上海當天金融信息服務有限公司 ("**Dangtian**") through the variable interest entity contracts (the "**VIE Contracts**").

For the operation of the internet finance platform, Dangtian enters into consulting service agreements with the asset management companies which will negotiate with companies with financing needs and develop suitable products of the companies to be placed for subscription on Dangtian's internet platform by the potential investors.

The source of revenue of Dangtian from the internet platform is the transaction fee and servicing fee collected from the asset management companies. Transaction fee represents the fee paid for the work Dangtian performs through its internet finance platform for matching the investment products. Dangtian would also provide referral service to companies with financing needs to external financing institutions and referral income would be received.

During the period under review, the Group was informed by Intraday Financial Group that one of the asset management companies did not have sufficient cash to repay the investment principal of certain products to the investors when the products reach their maturity dates (the "**Repayment Issue**"). As the management of Dangtian does not want the reputation of its platform and its operation being affected by the Repayment Issue, therefore, Dangtian has, for and on behalf of the asset management company, paid certain sums of the investment principal to the investors utilizing their internal resources which was reimbursed for the payment on or around June 2016. However, the Repayment Issue persists.

Due to the Repayment Issue, together with the overall downturn on the P2P markets, the transaction volume of investment principal in the internet platform drops significantly. At the same time, Dangtian did not offer any products on its internet platform for subscription since June 2016 as the operational staff of Dangtian focused on liaising with the investors in relation to the continued Repayment Issue. As a result, the turnover dropped significantly for the year under review and a share of loss of associates amounted to approximately HK$37 million is resulted.

Given the current status of the operation of Intraday Financial Group, the projected cash flow estimation in the future would be greatly undermined and the growth rate would be reduced significantly. As a result, the recoverable amount of the goodwill arising on acquisition of Intraday Financial Group is greatly reduced and an impairment of the goodwill of approximately HK$267 million is recorded during the year.

Deconsolidation of Xinsheng and Zhongyuan

In 2015, following the acquisitions of the 100% equity interests of two target companies with subsidiaries engaging in the pawnshop businesses in Shanghai, the PRC, the Group, through its indirect wholly-owned subsidiaries, 上海佑勝投資諮詢有限公司 ("**Yousheng**") and 上海竣凝投資諮詢有限公司, has controlled two pawnshops, namely, 上海新盛典當有限公司 ("**Xinsheng**") and 上海中源典當有限公司 ("**Zhongyuan**") respectively through the VIE Contracts.

However, on or around July 2016, the Group was informed by the senior management of Yousheng that representatives of Shanghai Kuailu Investment Group Company Limited ("**Shanghai Kuailu**"), one of the registered shareholders of Xinsheng which owned 83.13% of equity interests in Xinsheng, took possession of the business license, company seal, finance chops, and accounting books and records of Xinsheng and Zhongyuan (the "**Pawnshop Operations**") . The management staff and employees of the Pawnshop Operations appointed by Yousheng were laid off, and Shanghai Kuailu appointed the management staff and employees to take up the Pawnshop Operations. Since then, the Company is unable to access the complete sets of books and records, the business license, company seal and the finance chops of the Pawnshop Operations and is unable to continue to run the Pawnshop Operations.

Due to the fact that the Company had been unable to (i) access the complete sets of books and records together with the supporting documents of the Pawnshop Operations and (ii) maintain and operate the business of the Pawnshop Operations, the Directors considered that the Company has lost its control over the Pawnshop Operations and the accounts of the Pawnshop Operations had been de-consolidated from the Group's financial statements from 1 January 2016.

As a result of the de-consolidation, a net loss on de-consolidation of subsidiaries of approximately HK$324 million and an impairment loss on amount due from de-consolidated subsidiaries of approximately HK$97 million are recorded for the year under review.

Litigations

PRC

The Group has appointed a PRC legal advisor and the applications for arbitration to enforce the VIE Contracts have been filed and accepted by Shanghai Arbitration Commission in August 2016 (the "**Arbitration**"). Details of the applications are set out in the announcement dated 18 August 2016.

Up to the date of this announcement, the Arbitration is suspended. Nevertheless, the financial impacts of the de-consolidation is fully reflected in the financial year of 2016. Details of the suspension decision is set out in the announcement dated 23 February 2017.

Hong Kong

On 11 July 2016, the Company received two writs of summons issued by Shanghai Kuailu as plaintiff in the Court of First Instance of the High Court of Hong Kong under action numbers HCA 1806 of 2016 (the "**First Action**") and HCA 1807 of 2016 (the "**Second Action**") respectively.

In the First Action, Shanghai Kuailu is seeking a declaration that it is the beneficial owner of the convertible notes issued for the year ended 31 December 2014 ("**2014 Convertible Notes**") under the sales and purchase agreement dated 20 November 2014 in relation to acquisition of Oriental Credit Holdings Limited (the "**Oriental SPA**") and the convertible notes issued for the year ended 31 December 2015 ("**2015 Convertible Notes**") under the Oriental SPA; and (2) a declaration that 6 other defendants of the First Action have converted the 2014 Convertible Notes and the 2015 Convertible Notes to their own use. Shanghai Kuailu is also seeking various orders on the Company and other defendants in the First Action.

In the Second Action which is in relation to a dispute concerning 538,500,000 shares of the Company held by Long Tu Limited (the "**Subject Shares**"), Shanghai Kuailu claims, inter alia, for (1) a declaration that Shanghai Kuailu is the beneficial owner of the Subject Shares; and (2) a declaration that 6 other defendants of the Second Action have converted the Subject Shares to their own use. Shanghai Kuailu is also seeking various orders on the Company and other defendants in the Second Action.

The Company has acknowledged service of the two writs of summons to the Court of First Instance of the High Court of Hong Kong and up to the deadline for filing the statement of claim (i.e. 2 November 2016) for both the First Action and the Second Action, neither the Company nor the solicitors acting for the Company in the First Action and the Second Action received any statement of claim filed by Shanghai Kuailu. As such, the solicitors acting for the Company in the First Action and the Second Action applied for and obtained Court Orders that both the First Action and the Second Action against the Company be struck out with costs to be paid by Shanghai Kuailu to the Company.

FINANCIAL REVIEW

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consists of the operating expenses of each of industrial property development, general trading, loan financing, securities brokerage and insurance brokerage as well as the overall administrative expenses including but not limited to the office utilities and administration, legal and professional fee, operating lease payments, employee benefit expenses, depreciation and amortization, etc. Administrative and other operating expenses amounted to approximately HK$82.2 million during the year under review, which is decreased by HK$1.1 million as compared to last period. The decrease mainly resulted from the net effect of the increase in the management and staff cost, the share-based payment expenses due to the issuance of share options as an incentive to the employees and consultants of the Group and the office rentals as the Group had expanded into several new businesses, which were offset by the decrease in legal and professional fee and effect of de-consolidation of the Pawnshop Operations incurred during the year.

Finance Costs

In 2016, finance costs were greatly dropped from approximately HK$29.4 million in 2015 to approximately HK$15.2 million. The decrease in the finance costs was a combined effect of the deconsolidation of the Pawnshop Operations, the decrease in bank loan interest expenses as partial repayment was made during the year and the inclusion of the inputed interest of the deferred consideration in cash payable to the vendor of the financial consultancy business newly acquired by the end of 2016.

Liquidity and Financial Resources

The Group follows the policy of prudence in managing its working capital. The operation of the Group was primarily financed by internally generated cashflow and external financing.

As at 31 December 2016, the shareholders' fund and net current assets of the Group amounted to approximately HK$421,978,000 (31 December 2015: HK$1,161,745,000) and HK$174,950,000 (31 December 2015: HK$628,240,000) respectively. On the same date, the Group's bank balances and cash amounted to HK$240,969,000 (31 December 2015: HK$524,661,000) and the current ratio was 1.88 (31 December 2015: 3.02).

As at 31 December 2016, the Group's total borrowings amounted to approximately HK$113,066,000 (31 December 2015: HK$277,535,000) in which approximately HK$57,231,000 is repayable within 1 year, approximately HK$16,750,000 is repayable between 1 to 2 years and approximately HK$39,085,000 is repayable between 2 to 5 years. On the same date, the gearing ratio, measured on the basis of total borrowings over net assets, was 27% (31 December 2015: 24%).

There is no capital commitment in respect of the acquisition and construction of property, plant and equipment for the period under review (31 December 2015: nil).

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are mainly in Hong Kong dollars & Renminbi. Therefore the Group did not use any financial instruments for hedging purposes.

Capital Structure

In July 2016, upon the exercise of the conversion rights attached to the 2014 convertible note and 2015 convertible note in an aggregate principal amount of HK$119,757,662.10 at the conversion price of HK$0.24 per share, the Company allotted and issued 498,990,258 shares in aggregate to the noteholders.

In July 2016, the Company allotted and issued 452,810,000 new shares of HK$0.001 each at a subscription price of HK$0.27 upon completion of subscription of new shares under the general mandate.

In December 2016, pursuant to the acquisition agreement dated 14 December 2016 in relation to the acquisition of the entired issued share capital of a financing consultancy company, 194,060,671 shares of HK$0.001 each at an issue price of HK$0.25 in the capital of the Company were issued and allotted to the vendor under the acquisition.

Charges on Assets

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	31.12.2016 ***HK$'000***	31.12.2015 *HK$'000*
Pawn loans receivables	**–**	113,569
Property, plant and equipment	**102,882**	118,024
Prepaid lease payments	**23,994**	26,403
Bank deposits	**27,918**	35,811
	154,794	293,807

Contingent Liabilities

As the Company have been unable to get access to the complete books and records of Xinsheng and Zhongyuan for the year ended 31 December 2016, it is impossible and impracticable for the Directors to ascertain the balances for the year ended 31 December 2016. No representation is therefore made by the Directors as to the completeness, existence and accuracy of the disclosure of contingent liabilities for the current period as of the date of issuance of the consolidated financial statements.

In connection with the acquisition of Oriental Credit Holdings Limited and its subsidiaries on 21 January 2015, the Group is subject to contingent liabilities including settlement of additional consideration by issuance of convertible notes arising after 21 January 2015 on the basis of 2016 performance target. The maximum principal amount of contingent convertible notes will be HK$17,598,000. As at 31 December 2016, the Directors were of the opinion that the 2016 performance target would not likely to be met according to the business development and to the best knowledge of the directors, therefore, the probability of issuance of contingent convertible notes is remote.

Employees and Remuneration Policy

As at 31 December 2016, the Group has approximately 90 employees. Remuneration is determined by reference to their respective qualifications and experiences and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "**2017 AGM**") is scheduled to be held on Friday, 28 April 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Tuesday, 25 April 2017 to Friday, 28 April 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order for a shareholder of the Company (the "**Shareholder**") to be eligible to attend and vote at 2017 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 April 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions (the "**Code Provision(s)**") as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange, except for the following deviations:

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

  Mr. Shao Yonghua ("**Mr. Shao**") served as the chairman of the Board and Mr. Chen Ningdi ("**Mr. Chen**") served as the chief executive officer of the Company since 25 August 2015. Following the resignation of Mr. Shao and Mr. Chen in March and June 2016 respectively, Mr. Liu Kequan ("**Mr. Liu**") was elected as the chairman of the Board and chief executive officer of the Company in June 2016. The Board considers that Mr. Liu has extensive management experience and is responsible for the overall corporate strategies, planning and business development of the Company and he is under the supervision by the Board which is comprised of five independent non-executive Directors, which represent more than half of the Board, the Board considered that the interests of the Shareholders are adequately and fairly represented.

– Code Provision A.5 stipulates that a nomination committee should be established to make recommendations to the Board on the appointment and reappointment of Directors and succession planning for Director.

  The Board as a whole is responsible for the appointment of its own members. The chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidate recommended by the chairman and make recommendation of the appointment, re-election and retirement of the Directors. Candidates are appointed to the Board on the basis of their skill, competence and experience that they can contribute to the Company.

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

  Mr. Shao, the former chairman of the Board, resigned in March 2016 and due to another business engagement, Mr. Chen, the former chief executive officer, was unable to attend the annual general meeting of the Company held on 22 April 2016. However, Ms. Chan Siu Mun, a then executive Director, took the chair of that meeting and an independent non-executive Director, being the chairman of the audit committee and member of remuneration committee were present thereat and were available to answer questions to ensure effective communication with the Shareholders.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2016.

SCOPE OF WORK OF HLM CPA LIMITED

The Group's auditor, HLM CPA Limited, expressed a disclaimer opinion on the consolidated financial statements of the Group. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on the preliminary announcement.

Despite the disclaimer opinion, the auditor of the Group does not have disagreement with the Directors that the Company has lost control over Xinsheng and Zhongyuan.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry, all directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2016.

By order of the Board of
Greater China Financial Holdings Limited
Liu Kequan
Chairman

Hong Kong, 17 March 2017

As at the date of this announcement, the Board comprises Mr. Liu Kequan and Mr. Zhang Peidong as executive Directors; Mr. Jin Bingrong, Mr. Kwan Kei Chor, Dr. Rui Mingjie, Mr. Zhou Liangyu and Dr. Lu Ziang as independent non-executive Directors.