Flying Financial Service Holdings Limited
匯聯金融服務控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 8030

ANNUAL REPORT 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zheng Weijing *(Chairman and Chief Executive Officer)*
Mr. Zhang Gongjun
Ms. Guo Chanjiao

Independent Non-executive Directors

Mr. Vincent Cheng
Mr. Leung Po Hon
Dr. Miao Bo

COMPANY SECRETARY

Mr. Chow Chi Wing

COMPLIANCE OFFICER

Mr. Zheng Weijing

AUTHORIZED REPRESENTATIVES

Mr. Zheng Weijing
Mr. Chow Chi Wing

AUDIT COMMITTEE

Mr. Vincent Cheng *(Chairman)*
Mr. Leung Po Hon
Dr. Miao Bo

REMUNERATION COMMITTEE

Mr. Leung Po Hon *(Chairman)*
Mr. Zhang Gongjun
Dr. Miao Bo

NOMINATION COMMITTEE

Mr. Zheng Weijing *(Chairman)*
Mr. Vincent Cheng
Mr. Leung Po Hon
Dr. Miao Bo
Ms. Guo Chanjiao

PRINCIPAL BANKER

Industrial and Commercial Bank of China
Shenzhen Excellence Century Centre Branch
1/F, No. 3, Excellence Century Centre
Fuhua Three Road
Futian District
Shenzhen, China

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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Grand Cayman KY1–1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 801A and 807B, 8/F
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Tsim Sha Tsui
Kowloon
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

18th Floor, Block C, Building 1
Shenzhen Software Industry Base
High-tech Industrial Park
Nanshan District
Shenzhen, China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1–1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.flyingfinancial.hk

STOCK CODE

8030

FINANCIAL HIGHLIGHTS

	2016 RMB'000	2015 RMB'000	Changes
OPERATING RESULTS			
Revenue	**289,162**	108,528	**166.44%**
Profit for the year attributable to owners of the Company	**101,323**	43,146	**134.84%**
Basic earnings per share	**RMB6.17 cents**	RMB3.92 cents	**57.40%**
FINANCIAL POSITION			
Total assets	**988,169**	530,964	**86.11%**
Bank balances and cash	**34,689**	154,507	**–77.55%**
Net assets	**771,691**	489,953	**57.50%**
Dividends			
– Interim dividend paid (per share)	**HK 1 cent**	–	**N/A**
– Proposed final dividend (per share)	**HK 1 cent**	–	**N/A**
	HK 2 cents	–	**N/A**

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Flying Financial Service Holdings Limited ("Flying Financial" or the "Company"), I hereby report the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

In 2016, major adjustments of global economy remained, resulting in increase in risks brought about by a heap of changes. Growth in the global economy slowed down as compared to 2015, in particular, growth in developed economies showed signs of divergence, while concrete growth in emerging and developing economies was gradually achieved. In 2016, nationwide sales amount and gross floor area of commodity property sold increased by approximately 34.8% and 22.5% respectively. In 2016, rapid growth in sales performance of top 100 companies materially expanded profit scale. In addition, Internet consumer finance services have increasingly attracted attention in the market. Internet finance was included in the Five-Year Plan of the People's Republic of China ("PRC" or "China") for the first time in November 2015, which sets out regulation requirements for the development of Internet finance. In March 2016, the "Guiding Opinions on Increasing Financial Support for New Consumption Sectors" (the "Opinions") was jointly issued by the People's Bank of China and China Banking Regulatory Commission, which clearly describes a number of measures on refined policies for supporting new consumption sectors. The Opinions recognises the technical advantages of Internet in the consumer financial sector and encourages traditional companies to adopt information technology for risk management, with an aim to expand their customer base and geographical presence online. Having benefitted from a number of favourable factors, such as policies, technologies and market demand, the Internet consumer financial sector was set for explosive growth in 2016. With ongoing increase in the number of participants and innovation of models, Internet consumer financial industry may maintain rapid growth for at least three to five years. It is expected that the industry will expand to a trillion-class market in 2017.

ON-GOING TRANSFORMATION OF FLYING FINANCIAL

Thanks to the concerted effort of all our colleagues, the Group achieved an outstanding performance, recording a revenue of over RMB289 million in 2016, representing about 2.66 times of the revenue in 2015. Net profit for the year attributable to the owners of the Company was over RMB101 million, representing about 2.35 times of that in 2015.

In 2016, the Group attached greater importance to providing real estate developers with tailor-made financial services. Under the circumstances of on-going increase in investments in real estate, decrease in industry profitability, demand for transformation and upgrade, urgency for inventory clearance and demand for optimization of financial structure, we have increasingly introduced certain innovative products of property finance tailor-made for the demand from well-known developers in China, providing them with quality financial advising services. In addition, the Group and Country Garden, a leading property developer, have jointly invested in over 10 property projects located in Shenzhen and other cities in China. The completion of certain projects has brought to the Group a good investment return, and the Group expected that its shareholders will continue to be provided with good investment gain upon the completion of the remaining projects on annual basis.

With the favourable policies on Internet finance launched by the PRC government, our persistence in strategic transformation successfully upgraded Flying Financial from a company providing entrusted loan and pawn loan to a company engaging consumer credit business in finance and technology sectors and assets management business. In addition to significant expansion of our assets management business, Flying Financial has been exploring innovative and diversified products and services in the consumer finance credit sector with revenue from Internet finance accounting for approximately 25% of our total revenue in 2016, sufficiently demonstrating the prominent effectiveness of the Group's transformation strategies. After two years of preparation for online operation, our technical finance platform and consumer credit business will commence its online operation soon, we believe the on-going development of the business segment will increasingly generate revenue for the Group.

Trust and support of our Shareholders are the cornerstone to our success, and their encouragement is our motivation for achievement. Our commitment and responsibility are supported by our shareholders and the stakeholders in the society. Last but not least, I, on behalf of the board, the management and all staff members of the Company, would like to express my sincerest gratitude and highest appreciation to all our shareholders for their long-term trust and support.

Zheng Weijing
Chairman

Hong Kong, 23 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in investment in property development projects, operation of financial services platforms, provision of entrusted loan, pawn loan and other loan services, financial consolidation services, and finance lease and factoring services in the PRC.

Investments in property development projects

The Group commenced its business of investment in property development projects during the year ended 31 December 2015. As at 31 December 2016, the Group had invested in thirteen (2015: four) property development projects in, among others, Dongguan, Shenzhen, Fujian, Xiangyang and Wuhan in the PRC. As at 31 December 2016, the Group had invested the property development projects which were classified as available-for-sale investments with aggregated investment amount of RMB419.0 million (2015: RMB98.0 million).

Some of the property development projects had brought considerable returns to the Group for the year ended 31 December 2016. During the year ended 31 December 2016, the Group generated investment income and relevant financial consultation services income from the property development projects of approximately RMB135.1 million and RMB65.3 million, respectively (2015: approximately RMB45.0 million and RMB20.4 million, respectively).

Financial services platforms

On 30 September 2015, the Company completed its acquisition of 51% indirect interest in 深圳市融鑫電子商務有限公司 (Shenzhen Yongxin Electric Commerce Company Limited*), a project company operating a financial service platform, "匯理財". Additionally, "匯聯易家" (www.hlej.com), a financial service platform website for the PRC real estate industry, officially commenced operations on 29 December 2015. There are three major channels under "匯聯易家": (1) "匯有房", a channel for professional services in property finance; (2) "匯生活", a channel for professional services in community finance; and (3) "匯理財", a channel for professional services in financial management.

Among others, 匯理財 is the most active financial services platform of the Group during the year ended 31 December 2016. Number of registered members of 匯理財 was approximately 578,000 as at 31 December 2016, among that, increment of approximately 380,000 contributed during the year ended 31 December 2016. The transaction value of 匯理財 achieved RMB2.2 billion for the year ended 31 December 2016 (from October 2015 to December 2015: RMB327.4 million).

During the year ended 31 December 2016, the Group generated platform services income and relevant financial consultation services income from the financial services platform of approximately RMB30.4 million and RMB40.4 million, respectively (2015: approximately RMB5.3 million and RMB6.8 million, respectively).

* *For identification purposes only*

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group's revenue increased by approximately 166.5% from approximately RMB108.5 million for the year ended 31 December 2015 to approximately RMB289.2 million. The increase in the revenue was mainly due to increase in income from the Group's investments in property development projects, operation of financial services platforms and increase in financial consultation service income.

Investment income from investment in property development projects

For the year ended 31 December 2016, the Group's revenue generated from the investment income from the property development projects increased by 200.2% from approximately RMB45.0 million for the year ended 31 December 2015 to approximately RMB135.1 million.

Platform services income

For the year ended 31 December 2016, the Group's revenue from the operation of financial services platforms increased by approximately 473.6% from approximately RMB5.3 million for the year ended 31 December 2015 to approximately RMB30.4 million.

Financial consultation services income

For the year ended 31 December 2016, the Group's revenue from provision of financial consultation services increased by approximately 110.2% from approximately RMB52.0 million for the year ended 31 December 2015 to approximately RMB109.3 million. The Group's financial consultation service income for the year ended 31 December 2016 mainly related to the property development projects and financial services platforms.

Finance lease and factoring services

For the year ended 31 December 2016, the Group's revenue from provision of finance lease and factoring services increased by approximately 488.9% from approximately RMB1.8 million for the year ended 31 December 2015 to approximately RMB10.6 million.

Finance costs

For the year ended 31 December 2016, the Group's interest expenses increased by approximately 39.3% from approximately RMB5.6 million for the year ended 31 December 2015 to approximately RMB7.8 million. Such increase in interest expenses was mainly attributable to the issuance of the convertible bonds during the year under review.

Other income

The Group's other income primarily comprised bank interest income, investment income and exchange gain.

Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprised salaries and staff welfare, rental expenses and marketing and advertising expenses. The Group's administrative and other operating expenses for each of the two years ended 31 December 2016 and 31 December 2015 were approximately 127.0 million and approximately RMB55.4 million, respectively. The increase of approximately 129.2% was mainly attributed to increase of salaries of the staff and market and advertising expenses during the year under review.

Profit for the year attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB101.3 million as compared to profit attributable to owners of the Company of approximately RMB43.1 million for the year ended 31 December 2015, representing an increase of approximately 135.0%, mainly due to increase in income from the Group's investments in property development projects, operation of financial services platforms and relevant financial consultation services.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

Please also refer to the Environmental, Social and Governance Report in this report for further details of the Group's environmental performance and relationship with its employees, suppliers and customers.

BUSINESS OUTLOOK

The Group sees challenges and opportunities in 2017. As the PRC government launched a number of policies on cooling down property market, controlling exchange, tightening capital and increasing interest rate in 2017, we may put more resources and effort to explore opportunities amid challenges, with an aim to achieve success in stability. Meanwhile, as Internet economy has become more important in the structural reform of China's economy, the Group is confident in the industry outlook and our performance in 2017. In particular, the Group will adhere to the following:

Focusing on Consumer Finance Services

- Establishing consumer finance and technology platform to principally elevate the value of our consumer credit business.

- Developing mortgage services to overseas property buyers with domestic property developer by fully taking advantage of the synergies created by the Group, Country Garden and foreign buyers, providing the property buyers with the services they required.

Focusing on Assets Management Development

- Jointly developing quality property projects in Shenzhen and Wuhan with Country Garden.

Focusing on Development of Finance Lease Business

- Developing construction machinery leasing business.

- Developing leasing and factoring business for large-scale property developers with sales of over RMB10 billion.

The Group has faith in every employee and expect surprising results through their devotion and progress.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks related to the property market in the PRC

The Group's investment in property development projects are largely dependent on the performance of property market in the PRC. A number of factors would affect the property market in the PRC, including changes in governmental policies, legal environment, social economy and consumers' confidence and preferences. Default on the part of the Group's business partners in the property development projects may also have significant and negative impact on the result of the Group's investments.

The Group pays attention and monitors closely to ensure the process of the property development projects and the compliance of terms and conditions of the cooperation agreements by its business partners.

Competition on the financial services platform

The financial services platform of the Group operates in markets and industries which are open to competition and with low threshold of entry capital investment. It leads to increased competition, pricing pressure, and increase promotional, marketing and customer acquisition expenditures. The Group has to adapt its business strategies in light of the competitive landscape and fast-changing marketplace.

Risks related to cyber security

The Group handles significant amounts of personal data information and credit information of its customers which are susceptible to cyber threats. The Group's operations, reputation and financial performance could be adversely impacted if the Group suffers from cyber-attacks that disrupt its operations.

The Group makes extensive use of multiple channels to keep informed of emerging cyber security threads to identify and implement measures intended to mitigate the occurrence and/or consequences of such risk.

MAJOR INVESTMENTS

During the year ended 31 December 2016, the Group continued to invest in property development projects. As at 31 December 2016, the Group's investments in certain limited partnerships, which engage in the business of property development in the PRC, amounted to RMB419 million. Please refer to the paragraph headed "Business Review" in the section headed "Directors' Report" in this annual report for the performance of the property development projects during the year ended 31 December 2016. In 2017, the property development projects of certain limited partnerships will enter into the pre-sale stage. The Group expects to recognise valuable returns from those investments in 2017.

FINAL DIVIDEND

Encouraging results were achieved by virtue of the efforts spent by the management and the Group's staff during the year of 2016. To share the fruits of the Company's development with its shareholders, the Board has proposed to pay the shareholders of the Company ("Shareholders") a final dividend of HK1 cent per Share for the year ended 31 December 2016 (the "Final Dividend"). Subject to the proposed Final Dividend being approved by the Shareholders at the forthcoming annual general meeting of the Company to be held on 16 May 2017 (the "AGM"), together with the interim dividend of HK1 cent per Share, total dividends for the year ended 31 December 2016 will be HK2 cents per Share (2015: nil). On the basis that the Group's future results shall enjoy steady growth, it is hoped that the Company can continue to distribute returns to its shareholders who support the Company continuously by way of payment of dividends.

Subject to the approval of the Shareholders at the AGM, it is expected that the proposed Final Dividend will be paid on or around 22 June 2017 to the Shareholders whose names appear in the register of members of the Company on 8 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had bank balances and cash of approximately RMB34.7 million (2015: approximately RMB154.5 million). During the year under review, the Group did not use any financial instruments for hedging purposes. As at 31 December 2016, the Group's borrowings were approximately RMB109.2 millon (2015: nil). The gearing ratio representing the ratio of total borrowings to total assets of the Group was approximately 11.0% as at 31 December 2016 (2015: nil). In the opinion of the Directors, the Group will have sufficient working capital to meet its financial obligation in full as they fell due in the foreseeable future.

As at 31 December 2016:

– the maturity profile of the Group's borrowings falling due within one year was 82.9% (2015: nil) and more than one year was 17.1% (2015: nil);

– approximately 80.4% and 19.6% of the Group's borrowings were denominated in Hong Kong dollars and Renminbi , respectively (2015: nil); and

– approximately 80.4% and 19.6% of the Group's borrowings were subject to fixed and floating interest rate, respectively (2015: nil).

Further details of the Group's borrowings are set out in notes 27 and 28 to the consolidated financial statements.

COOPERATION AGREEMENT WITH COUNTRY GARDEN IN RELATION TO FOREST CITY

During the reporting period, 前海匯聯金融服務（深圳）有限公司 (Qianhai Flying Financial PRC Service (Shenzhen) Limited*) ("Qianhai Flying Financial"), a wholly-owned subsidiary of the Company, and 佛山市碧桂園投資服務諮詢有限公司 (Foshan Country Garden Investment Service Advisory Co., Ltd.*) ("Foshan Country Garden"), a wholly-owned subsidiary of Country Garden, entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which Qianhai Flying Financial will provide associated financial services to property purchasers who are obtaining financing to invest in Forest City.

The Directors believe that the entering into of the Cooperation Agreement with Foshan Country Garden will enable the Group to expand its financial services as well as income base taking into account the sizeable development of Forest City. With 20 years of expected development of Forest City, the Group will be able to develop a sustainable financial service business. In addition, the cooperation with Foshan Country Garden, a leading enterprise in the real estate industry, will elevate the brand effect of the Group in the Greater China Region and build up an extensive network of customers with well-established relationship, laying the Group a concrete foundation for sustainable development of its real estate related financial service business in the region. The Directors believe that the cooperation with Foshan Country Garden is in line with the long-term strategic plan of the Group, delivering long-term and solid returns to the Company's shareholders.

CAPITAL STRUCTURE

On 13 May 2016, the Company entered into shares subscription agreements (the "Shares Subscription Agreements") with certain independent third parties, pursuant to which the independent third parties have agreed to subscribe for, and the Company has agreed to allot and issue, a total of 200,000,000 new ordinary shares of the Company ("Shares") at the subscription price of HK$0.945 per Share (the "Share Subscriptions").

The aggregate nominal value of the 200,000,000 subscription Shares was HK$20,000,000 and the net issue price per subscription Share was approximately HK$0.9425. The price of the Company's shares on the date the subscription price was fixed, being the date of the Shares Subscription Agreements, as quoted on the Stock Exchange, was HK$1.06.

* *For identification purposes only*

Completion of each of the Share Subscriptions was subject to (i) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the respective subscription Shares; and (ii) the Company having complied with the applicable requirements under the GEM Listing Rules.

The Directors were of the view that the Share Subscriptions could strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The Share Subscriptions also represented a good opportunity to broaden the shareholders' base and the capital base of the Company.

On 10 June 2016, completion of the Share Subscriptions took place. Further details of the above are set out in the Company's announcements dated 13 May 2016 and 10 June 2016.

The net proceeds from the Share Subscriptions after deducting the related expenses in connection with the Share Subscriptions of approximately HK$188.8 million, equivalent to approximately RMB161.6 million, were intended to be used for investments in potential property development projects and general working capital of the Group. As at the date of this report, the entire net proceeds had been fully utilized in the investments of property development projects and general working capital of the Group.

ISSUE OF CONVERTIBLE BONDS

On 14 July 2016, the Company entered into a subscription agreement (the "Convertible Bonds Subscription Agreement") with Central China International Company Limited (the "Convertible Bonds Subscriber"), pursuant to which the Convertible Bonds Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 7% convertible bonds due 2018 (the "Convertible Bonds") in the aggregate principal amount of HK$100,000,000 at 100% of the principal amount of the Convertible Bonds convertible into 99,009,900 Shares (the "Conversion Shares") at an initial conversion price of HK$1.01 per Share. Mr. Zheng Weijing joined as a party to the Convertible Bonds Subscription Agreement as guarantor to guarantee the performance of the obligations of the Company pursuant to the Convertible Bonds Subscription Agreement. On 27 July 2016, the Convertible Bonds were issued by the Company to the Convertible Bonds Subscriber.

Based on the initial conversion price of HK$1.01, the maximum aggregate nominal value of the Conversion Shares is HK$9,900,990. Assuming the convertible rights are exercised in full at the initial conversion price, the net subscription price for each Conversion Share is approximately HK$1.00.

The Directors considered that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since (i) they will not have an immediate dilution effect on the shareholding of existing Shareholders; and (ii) if the conversion rights are exercised, the shareholder base of the Company will be enlarged and the financial position of the Group will be improved for establishing and strengthening the existing and future business of the Group.

The Conversion Shares will be allotted and issued pursuant to the general mandate (the "General Mandate") granted to the Directors at the annual general meeting held on 16 May 2016. Under the General Mandate, the Company is authorised to issue up to 306,166,500 new Shares until the revocation, variation or expiration of the General Mandate. The Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the entering into of the Convertible Bonds Subscription Agreement. Pursuant to the terms of the Convertible Bonds, in the event that the number of Conversion Shares fall to be issued upon the exercise of the conversion rights based on the conversion price of the Convertible Bonds as adjusted in accordance with the conditions of the Convertible Bonds exceeds 100,000,000 Shares (the exceeded number of Conversion Shares shall be referred to as "Exceeded Conversion Shares"), no conversion rights shall attach to the outstanding principal amount of the Convertible Bonds attributable to the Exceeded Conversion Shares ("Unconverted Amount") (which shall be calculated by multiplying the number of Exceeded Conversion Shares with the conversion price in effect on the relevant conversion date), and the Unconverted Amount shall be redeemed by the holders of the Convertible Bonds in accordance with the conditions of the Convertible Bonds. The General Mandate was sufficient to issue the Conversion Shares at the initial conversion price as at 31 December 2016.

Further details of the Convertible Bonds subscription, including the terms and the conditions precedent, are set out in the Company's announcements dated 14 July 2016 and 27 July 2016.

The net proceeds from the issue of the Convertible Bonds after deducting the related expense in connection with the issue of the Convertible Bonds of approximately HK$99.5 million, equivalent to approximately RMB85.6 million, were intended to be used for the Group's finance lease business and/or investment in potential property development projects. As at the date of this report, the entire net proceeds had been fully utilized in the Group's financial lease business and investments in property development projects.

No conversion right of the Convertible Bonds was exercised by the Convertible Bonds Subscriber during the year ended 31 December 2016. No redemption right was exercised by the Convertible Bonds Subscriber or the Company during the year ended 31 December 2016.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

There was no specific plan for material investments or capital assets as at 31 December 2016.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities (2015: nil).

CHARGES ON GROUP ASSETS

As at 31 December 2016, investment properties of the Group with an aggregate carrying amounts of approximately RMB44.5 million were pledged for bank facilities (2015: nil).

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had no significant capital commitments (2015: nil).

FOREIGN EXCHANGE EXPOSURE

The Group is mainly exposed to the fluctuation of Hong Kong dollars ("HK$") against RMB as its certain bank balances are denominated in HK$ which is not the functional currency of the relevant group entities. The Group has not made other arrangement to hedge against the exchange rate risk. However, the Directors and management will continue to monitor the foreign exchange exposure and will consider utilizing applicable derivatives to hedge out the exchange risk when necessary.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its customers. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total of 387 staff (2015: 286). Total staff costs (including Directors' emoluments) were approximately RMB48.1 million for the year ended 31 December 2016 (2015: RMB23.1 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, and contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

The emoluments of the Directors are reviewed by the remuneration committee of the Board, having regard to the relevant Director's experience, responsibility, workload and the time devoted to the Group, the Group's operating results and comparable market statistics.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 11 May 2017 to Tuesday, 16 May 2017, both dates inclusive, during which no transfer of shares will be registered. In order to ascertain shareholders' eligibility to attend and vote at the AGM, all transfers documents accompanied by the relevant Shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Wednesday, 10 May 2017.

For the purpose of determining the shareholders' entitlement to the proposed Final Dividend, the register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed Final Dividend, all transfer documents accompanied by the relevant Shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 2 June 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zheng Weijing (鄭偉京先生), aged 45, the co-founder of the Group, is the Chairman and Chief Executive Officer. Mr. Zheng has been the Vice President of the Company since September 2008 and was appointed as an executive Director on 4 May 2011 and re-designated as Chairman and Chief Executive Officer on 4 November 2014. He is responsible for strategic planning and overseeing the overall operation, general management and risk control of the Group.

Mr. Zheng finished the professional postgraduate course in Finance from Finance faculty of Graduate School of The Chinese Academy of Social Sciences in May 2007, and he has been attending courses for Executive Master of Business Administration of Peking University HSBC School of Business since February 2010. In the three years preceding the date of this annual report, Mr. Zheng did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Zheng is the chairman of the nomination committee of the Board. He is also a director of certain subsidiaries of the Company.

Mr. Zheng is a director of Ming Cheng Investments Limited, which is interested in the shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Mr. Zhang Gongjun (張公俊先生), aged 51, was appointed as an independent non-executive Director on 20 December 2011 and re-designated to an executive Director on 15 July 2015. Mr. Zhang obtained the certificate of master's degree in business administration from the Peking University in July 2013.

Prior to being re-designated as an executive Director, Mr. Zhang was the managing director of Shenzhen Sino-investment Management Company Limited, responsible for overall operational management. From August 2008 to January 2012, Mr. Zhang served as a non-executive director of Sino Grandness Food Industry Group Limited, a company incorporated in the Republic of Singapore whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited with stock code T4B. Save as disclosed herein, in the three years preceding the date of this annual report, Mr. Zhang did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Zhang is a member of the remuneration committee of the Board.

Ms. Guo Chanjiao (郭嬋嬌女仕), aged 37, was appointed as an executive Director on 26 June 2015. Ms. Guo graduated with a master's degree in business administration from the New York Institute of Technology in May 2012, and a bachelor's degree in international trading in Nankai University in 2003.

Ms. Guo was the assistant to chairman of the board and corporate development director of China Fortune Land Development Co. Ltd. from 2006 to 2008. She was the assistant to chairman of the board of Shenzhen Efung Capital Fund Management Co. Ltd. from 2009 to 2010. From 2011 to 2013, Ms. Guo was the corporate development director of Sino Singapore Tianjin Eco-City. Currently, Ms. Guo is the Chief Operating Officer and Vice President of the Company. In the three years preceding the date of this report, Ms Guo did not hold any directorship in other listed public companies in Hong Kong or overseas. Ms. Guo is a member of the nomination committee of the Board.

Independent non-executive Directors

Mr. Vincent Cheng (鄭嘉福先生), aged 54, *FCPA (Aust)*, *FCPA (HK)*, *FCIS*, *FTI (HK)*, was appointed as our independent non-executive Director on 20 December 2011. Mr. Cheng obtained a master degree in business administration from Deakin University in Australia, and a bachelor of arts degree in accountancy from the City University of Hong Kong. Mr. Cheng was admitted as a fellow of CPA Australia, the Institute of Chartered Secretaries and Administrators, Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong.

From December 1987 to September 2000, Mr. Cheng was employed by a financial planning firm and the last post was finance director. During October 2000 and February 2002, he worked as project manager to assist a company to seek its listing status in Hong Kong. From May 2003 to July 2010, he joined a listed company in Hong Kong and acted as qualified accountant and company secretary.

On 10 August 2013, Mr. Cheng was appointed as an independent non-executive director of Nanjing Sinolife United Company Limited* (南京中生聯合股份有限公司), a company which is a nutritional supplements retailer and listed on Main Board of The Stock Exchange of Hong Kong Limited (stock code: 3332). He is the independent non-executive Director who has the qualifications and experience (as mentioned above) to meet the requirements under Rules 5.05(2) of the GEM Listing Rules. Save as disclosed herein, in the three years preceding the date of this annual report, Mr. Cheng did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Cheng is the chairman of the audit committee of the Board and a member of the nomination committee of the Board.

Mr. Leung Po Hon (梁寶漢先生), aged 52, *FCCA*, *CPA (Practising)*, was appointed as our independent non-executive Director on 15 August 2014. Mr. Leung graduated and obtained a Professional Diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1987. Mr. Leung holds a Master Degree in Business Administration of University of Bradford of the United Kingdom. He is also a member of Hong Kong Institute of Certified Public Accountant and a fellow member of Chartered Association of Certified Accountants.

Mr. Leung is currently a practicing accountant. Mr. Leung has more than 20 years of experience in accounting, auditing and financial management.

Mr. Leung currently is also the independent non-executive Director of each of the following companies listed on the Main Board of the Stock Exchange:

Company	Stock code	Appointment date
Kingbo Strike Limited	1421	13 November 2015
China Graphene Group Limited (formerly known as Winfoong International Limited)	63	6 November 2015
MediNet Group Limited	8161	19 May 2016

Mr. Leung was an independent non-executive director of Success Dragon International Holdings Limited (formerly known as CY Foundation Group Limited) (stock code: 1182), a company listed on the Main Board of the Stock Exchange, from 16 July 2015 to 29 August 2016. He was also an independent non-executive director of China Investment Fund Company Limited (stock code: 612), a company listed on the Main Board of the Stock Exchange, from 1 May 2015 to 9 May 2016.

Save as disclosed herein, in the three years preceding the date of this annual report, Mr. Leung did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Leung is the chairman of the remuneration committee of the Board and a member of each of the audit committee and the nomination committee of the Board.

* *For identification purposes only*

Dr. Miao Bo (苗波博士), aged 39, was appointed as an independent non-executive Director on 15 July 2015. Dr. Miao graduated with a bachelor of laws from the China University of Political Science and Law in 2000, a master of laws in Tsinghua University in 2003 and a doctor of philosophy in laws from the Macquarie University in 2007.

From 2008 to present, Dr. Miao is an assistant professor in the Department of Asian and International Studies from the City University of Hong Kong. In the three years preceding the date of this report, Dr. Miao did not hold any directorship in other listed public companies in Hong Kong or overseas. Dr. Miao is a member of each of the audit committee, remuneration committee and nomination committee of the Board.

SENIOR MANAGEMENT

Mr. Chow Chi Wing (周志榮先生), aged 39, was appointed as the Company Secretary and Chief Financial Officer of the Company on 16 July 2015. Mr. Chow is responsible for the overall financial and company secretarial matters of the Group. Mr. Chow holds a Bachelor Degree of Business Administration (Hons.) (majoring in Accountancy) from The Hong Kong Baptist University. He is a fellow member of the Association of Chartered Certified Accountants and member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow has extensive experience in auditing with an international accounting firm.

COMPANY SECRETARY

Mr. Chow Chi Wing (周志榮先生), who is also our Chief Financial Officer, is our company secretary. Please refer to his biography above for details.

COMPLIANCE OFFICER

Mr. Zheng Weijing (鄭偉京先生), who is also an executive Director, is our compliance officer. Please refer to his biography above for details.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied and complied with the principles and code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2016 save as the deviation as mentioned in the section headed "Chairman and Chief Executive Officer" in this report.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made all reasonable enquires, all the Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the year under review.

A. THE BOARD

A.1 Board of Directors

The Company is governed by the Board which has the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to developing its business and enhancing shareholder value.

A.2 Board composition

The Board currently comprises the following Directors:

Executive Directors:

Mr. Zheng Weijing *(Chairman and Chief Executive Officer)*
Mr. Zhang Gongjun
Ms. Guo Chanjiao

Independent Non-executive Directors:

Mr. Vincent Cheng
Mr. Leung Po Hon
Dr. Miao Bo

The biographical details of the Directors and senior management are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group.

During the year ended 31 December 2016, the Company has complied with Rules 5.05(1) and (2) and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has received an annual confirmation of independence from each of the independent non-executive Directors. The Company considers all the independent non-executive Directors to be independent.

A.3 The Board

The Board is responsible for the leadership and control of, and promoting the success of the Company. This is achieved by setting up corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Company.

All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

There is no relationship, including financial, business, family or other material/relevant relation(s) among members of the Board and between the Chairman and the Chief Executive Officer of the Company.

Formal service agreements and letters of appointment have been entered into with the executive Directors and the independent non-executive Directors respectively setting out the key terms and conditions of their respective appointments.

The insurance cover in respect of legal action against the Company's Directors and senior officers is covered by the existing Directors & Officers Liability Insurance Policy of the Company.

A.4 Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zheng Weijing acts as both the Chairman and the Chief Executive Officer of the Company. The Company is in the process of identifying a suitable person to act as the Chief Executive Officer and shall make the announcement as and when appropriate. Since the Directors meet regularly to consider major matters affecting the operations of the Company, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe that this structure will enable the Company to make and implement decisions promptly and efficiently.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

A.5 Responsibilities and delegation of functions

The Company has formalised and adopted written terms on the division of functions reserved to the Board and those delegated to the management of the Group. The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (the "Company Secretary") and senior management of the Company, with a view to ensuring compliance with the Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The day-to-day management, administration and operations of the Company are delegated to the executive Directors and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of the Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance duties, which included:

(1) developing and reviewing the policies and practices on corporate governance of the Group;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

(3) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

A.6 Appointment, re-election and removal of directors

Mr. Zheng Weijing, being the executive Director, has entered into a service contract with the Company dated 20 December 2011 for an initial fixed term of three years commencing from 1 January 2012 and his service contract has been renewed on 1 January 2015 for a term of three years. Each of Mr. Zhang Gongjun and Ms. Guo Chanjiao, being the executive Directors, has entered into a service contract with the Company for a term of three years commencing from 15 July 2015 and 26 June 2015, respectively. The aforementioned service contracts with the Company for each of the executive Directors shall be terminated by not less than three months' notice in writing served by either party.

Each of Mr. Leung Po Hon, Mr. Vincent Cheng and Dr. Miao Bo, being the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of two years commencing from 15 August 2014, 20 December 2014 and 15 July 2015, respectively. The aforementioned appointment letters with the Company for each of the independent non-executive Directors shall be automatically renewed and extended for successive term of one year and may be terminated either after the initial term or after one year of the initial term by either party by giving at least three months' notice in writing.

The Directors are subject to retirement by rotation in accordance with the Company's articles of association. According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that each Director shall be subject to retirement by rotation at least once every three years. The Directors to retire every year shall be those who have been longest in office since their last re-election or appointment.

A.7 Board meeting, general meeting and procedures

During the year ended 31 December 2016, the Board convened a total of eight board meetings and one general meeting was held. The following is the Directors' attendance record of meetings held by the Board and general meeting:

	Number of attendance/ number of board meeting	Number of attendance/ number of general meeting
Mr. Zheng Weijing	8/8	1/1
Mr. Zhang Gongjun	8/8	1/1
Ms. Guo Chanjiao	8/8	1/1
Mr. Vincent Cheng	8/8	1/1
Mr. Leung Po Hon	8/8	1/1
Dr. Miao Bo	8/8	1/1

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for annual Board meeting and draft agenda of each Board meetings are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final version are open to Directors for inspection. The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

A.8 Continuous professional development

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

During the year ended 31 December 2016, all Directors had participated in continuous professional development in the following manner in compliance with Paragraph A.6.5 of the Code:

	Type of training
Mr. Zheng Weijing	A, B
Mr. Zhang Gongjun	A, B
Ms. Guo Chanjiao	A, B
Mr. Vincent Cheng	A, B
Mr. Leung Po Hon	A, B
Dr. Miao Bo	A, B

A: attending seminars/courses/conference to develop professional skills and knowledge

B: reading materials in relation to regulatory update

A.9 Corporate governance functions

The Board is responsible for performing the corporate governance duties and has reviewed the Company's policies and practices on corporate governance and compliance with the Code, reviewed and monitored the continuous professional development of the Directors and reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements during the year as well as the disclosures in this report.

B. BOARD COMMITTEES

During the year ended 31 December 2016, the Board has established three Board committees, namely, the audit committee (the "Audit Committee"), nomination committee (the "Nomination Committee") and remuneration committee (the "Remuneration Committee") with written terms of reference, which are available for viewing on the websites of the Company and the Stock Exchange, to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

B.1 Audit Committee

The audit committee ("Audit Committee") was established by the Board on 20 December 2011 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the Code. The terms of reference were last updated on 31 December 2015 and maintained on both the websites of the Company and the Stock Exchange. The primary duties of the Audit Committee are mainly to (i) review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors before submission to the Board; (ii) review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

As at 31 December 2016, the Audit Committee has three members comprising Mr. Vincent Cheng (Chairman), Mr. Leung Po Hon and Dr. Miao Bo, all of whom are independent non-executive Directors. During the year ended 31 December 2016, the Audit Committee had reviewed the annual results and reports of the Company for the year ended 31 December 2015, the interim results and report of the Company for the six months ended 30 June 2016 and first and third quarterly results and reports of the Company for the periods ended 31 March 2016 and 30 September 2016 respectively. Subsequent to 31 December 2016 and up to the date of this report, all members of the Audit Committee attended a meeting to review the Group's internal controls, risk management and the Structured Agreements (as set out in the section headed "Report of the Directors" of this annual report) for the year ended 31 December 2016. The Group's final results and the annual results announcement for the year ended 31 December 2016 and this annual report had been reviewed by the Audit Committee before submission to the Board for approval. Members of Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

During the year ended 31 December 2016, four meetings of the Audit Committee were held and the attendance of each member of the Audit Committee is contained in the following table:

	Number of attendance/ number of meetings
Mr. Vincent Cheng	4/4
Mr. Leung Po Hon	4/4
Dr. Miao Bo	4/4

B.2 Nomination Committee

The Company has established the Nomination Committee on 20 December 2011 with written terms of reference in compliance with the Code. The primary duties of the Nomination Committee are mainly to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of independent non-executive Directors.

As at 31 December 2016, the Nomination Committee has five members comprising of two executive Directors, Mr. Zheng Weijing (Chairman) and Ms. Guo Chanjiao and three independent non-executive Directors, Mr. Vincent Cheng, Mr. Leung Po Hon and Dr. Miao Bo. During the year ended 31 December 2016, one meeting of the Nomination Committee were held to review the structure and composition of the Board and assess the independence of independent non-executive Directors. The attendance of each member of the Nomination Committee is contained in the following table:

	Number of attendance/ number of meetings
Mr. Zheng Weijing	1/1
Ms. Guo Chanjiao	1/1
Mr. Vincent Cheng	1/1
Mr. Leung Po Hon	1/1
Dr. Miao Bo	1/1

The Board adopted on 29 August 2013 a board diversity policy (the "Board Diversity Policy") and the Nomination Committee had made recommendations to the Board on the measurable objectives for implementing the Board Diversity Policy. The Board recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The measurable objectives recommended by the Nomination Committee and adopted by the Board include the following:

(i) At least 33% of the members of the Board shall be non-executive Directors or independent non-executive Directors;

(ii) At least 80% of the members of the Board shall have attained bachelor's degree or above;

(iii) At least 33% of the members of the Board shall have obtained accounting or other professional qualifications;

(iv) At least 33% of the members of the Board shall have more than seven years of experience in the industry he/she is specialised in; and

(v) At least 33% of the members of the Board shall have China-related work experience.

B.3 Remuneration Committee

The Company established the Remuneration Committee on 20 December 2011 with written terms of reference in compliance with the Code. The Remuneration Committee adopted the approach under Paragraph B.1.2(c)(ii) of the Code and primary duties of the Remuneration Committee are mainly to (i) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) make recommendations on the remuneration packages of executive Directors and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

As at 31 December 2016, the Remuneration Committee has three members comprising two independent non-executive Directors, Mr. Leung Po Hon (Chairman) and Dr. Miao Bo, and an executive Director, Mr. Zhang Gongjun. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. During the year ended 31 December 2016, one meeting of the Remuneration Committee were held to review the remuneration package of the Directors and senior management of the Company, the attendance of each member of the Remuneration Committee is contained in the following table:

	Number of attendance/ number of meetings
Mr. Leung Po Hon	1/1
Mr. Zhang Gongjun	1/1
Dr. Miao Bo	1/1

C. REMUNERATION OF SENIOR MANAGEMENT

The biographical details of the senior management are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

The remuneration paid/payable to senior management other than the directors of the Company for the year ended 31 December 2016 fell within the following band:

	Number of individuals
Nil to HK$1,000,000	1

D. DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year and to ensure that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about their responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report on page 42 of this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

E. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the risk management and internal control systems of the Group. The Board has developed its systems of internal control and risk management and is also responsible for reviewing the systems on an annual basis and maintaining adequate internal control and risk management systems to safeguard the interests of the shareholders and the assets of the Company.

The Company currently does not have an internal audit department, and engages independent professional service provider to review the Group's internal control system, policy and procedures and report to the Audit Committee their findings and recommendations. The Board has reviewed the need for an internal audit function and is of the view that in light of the size and nature of the business of the Group, instead of setting up an internal audit department, it would be more cost effective to appoint external independent professionals to perform independent carry and evaluation to the internal control system, and the risk management system of the Group on an on-going basis. The Board will review at least annually the need for setting up an internal audit function.

The Board, having taken into account the recommendations of the independent professional service provider and the Audit Committee, has conducted a review of the effectiveness of the internal control and risk management systems of the Group for the year ended 31 December 2016, and considered the risk management and internal control systems effective and adequate. The systems of risk management and internal control are designed to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

F. INDEPENDENT AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditors of the Group for the year ended 31 December 2016 is set out as follows:

Services rendered	Paid/payable RMB'000
Statutory audit services	1,154.5
Non-statutory audit services	–
Total	1,154.5

G. COMPANY SECRETARY

Mr. Chow Chi Wing ("Mr. Chow") was appointed as the Company Secretary on 16 July 2015. The biographical details of Mr. Chow are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. According to the requirements of Rule 5.15 of the GEM Listing Rules, Mr. Chow has taken no less than 15 hours of relevant professional training during the year ended 31 December 2016.

H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent and timely disclosure of the Group's information will enable shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing investors.

The Company maintains a website at "www.flyingfinancial.hk" as a communication platform with shareholders and investors, where the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at Room 801A and 807B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong or via email to "info@flyingfinancial.hk" for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board considers that general meetings of the Company provide an important channel for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Board committees will endeavor to be available at the meetings to answer any questions raised by shareholders.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

I. SHAREHOLDERS' RIGHTS

Procedures for convening extraordinary meeting on requisition

Shareholders of the Company (the "Shareholders") shall follow the following procedures as prescribed in Article 64 of the Articles of Association of the Company to convene an extraordinary general meeting of the Company (the "EGM"):

(1) One or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings (the "Requisitionist(s)") shall have the right, by written requisition (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) The Requisition shall be made in writing to the Directors or the Company Secretary of the Company at both of the following addresses:

Principal place of business of the Company in Hong Kong

Address: Room 801A and 807B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong

Attention: Board of Directors/Company Secretary

Registered office of the Company
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1–1111
Cayman Islands
Attention: Board of Directors/Company Secretary

(3) The EGM shall be held within two months after the deposit of the Requisition.

(4) If the Directors fail to proceed to convene the EGM within twenty-one (21) days of deposit of the Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong (the "Branch Share Registrar"), Tricor Investor Services Limited, details of which are as follows:

Tricor Investor Services Limited

Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence addresses, email addresses and enquiry hotlines of the Company:

Attention:	Board of Directors/Company Secretary
Address:	Room 801A and 807B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong
Email:	info@flyingfinancial.hk
Tel:	(852) 2152 9937
Fax:	(852) 2152 9927

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures for Shareholders to put forward proposals at general meeting

To put forward proposals at a general meeting of the Company, Shareholder(s) should lodge a written notice of his/her proposal (the "Proposal") with his/her detailed contact information at the Company's principal place of business in Hong Kong as specified above.

The Proposal will be verified with the Branch Share Registrar in Hong Kong and upon their confirmation that the Proposal is proper and in order, the board of Directors will be asked to include the Proposal in the agenda for the general meeting. Whether a proposal will be put to a general meeting will be decided by the Board in its discretion, unless the proposal put forward by a Shareholder is (i) pursuant to a requisition by a Shareholder to convene an EGM or (ii) as special business to be considered at an annual general meeting as described in Article 67(A).

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholder(s) concerned at the general meeting varies according to the nature of the Proposal as follows:

(a) not less than twenty-one (21) days' notice and not less than twenty (20) clear business days' notice in writing if the Proposal requires approval by way of any resolution of the Company in its annual general meeting;

(b) not less than twenty-one (21) days' notice and not less than ten (10) clear business days' notice in writing if the Proposal requires approval by way of a special resolution of the Company in the EGM; or

(c) not less than fourteen (14) days' notice and not less than ten (10) clear business days' notice in writing if the Proposal requires approval by way of any resolution of the Company other than those specified in paragraphs (a) and (b) above.

J. NON-COMPETITION UNDERTAKING

Details on the compliance of the Non-Competition Undertaking by the Controlling Shareholders for the year ended 31 December 2016 is set out in the paragraph headed "Non-Competition Undertaking" of the section headed "Report of the Directors" of this annual report.

K. CONSTITUTIONAL DOCUMENTS

The Board confirm that there is no changes in the Company's constitutional documents. The Company's memorandum and articles of association is available on both the websites of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

The Board of Directors of the Company is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are investment in property development projects, operation of a financial services platform, provision of entrusted loan, pawn loan and other loan services, financial consultation services, and finance lease and factoring services in the PRC.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and the Company's environmental, social and corporate responsibility, can be found in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in Hong Kong and the PRC while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC laws and applicable laws in the jurisdictions where it has operations. During the year ended 31 December 2016 and up to the date of this annual report, the Group has complied with all the relevant laws and regulations in the PRC and Hong Kong.

The Directors are not aware of any laws and regulations which are industry specific, and have material implication or impact to the business and operation of the Group.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 58 to 129.

In consideration of satisfactory results, the Board has proposed to pay the shareholders of the Company a final dividend of HK1 cent per Share for the year ended 31 December 2016. Subject to the proposed final dividend being approved by the Shareholders at the forthcoming annual general meeting of the Company to be held on 16 May 2017, together with the interim dividend of HK1 cent per Share, total dividends for the year ended 31 December 2016 will be HK2 cents per Share (2015: nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary on page 130 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 29 and 31 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distributional to equity holders comprising share premium account less accumulated losses, amounted to approximately RMB179 million (2015: nil).

MAJOR CUSTOMERS

For the year ended 31 December 2016, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

–	The largest customer	22.1%
–	The total of five largest customers	68.7%

As far as the Directors aware, neither the Directors nor their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers of the Group.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Zheng Weijing
Mr. Zhang Gongjun
Ms. Guo Chanjiao

Independent Non-executive Directors

Mr. Vincent Cheng
Mr. Leung Po Hon
Dr. Miao Bo

Pursuant to Article 105(A) of the Company's articles of association (the "Articles of Association"), at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

By virtue of Article 105(A) of the Articles of Association, Mr. Zheng Weijing and Mr. Leung Po Hon will retire at the forthcoming annual general meeting of the Company. Mr. Zheng Weijing and Mr. Leung Po Hon, being eligible, will offer themselves for re-election at the annual general meeting.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years unless and until (i) terminated by either party thereto giving not less than three months' prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the executive Director not being re-elected as a Director or being removed by shareholders at general meeting of the Company in accordance with the Articles of Association.

Each of the independent non-executive Directors was appointed for an initial term of two years (as set out in the section headed "Corporate Governance Report" of this annual report) and shall be subject to retirement, re-election and removal in accordance with the Articles of Association.

CHANGES IN DIRECTORS' INFORMATION

There were no changes to the Directors' information since the date of the 2016 third quarterly report of the Company required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from all three independent non-executive Directors pursuant to the Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the interests of Mr. Zheng Weijing in 廣東匯金典當股份有限公司 (Guangdong Huijin Pawn Stock Company Limited*), being a party to the transactions as disclosed in the paragraph headed "Non-excempt Continuing Connected Transactions" and the paragraph headed "Directors' and Chief Executive's Interests and Short Position in the Shares, Underlying Shares and Debentures" below, no directors or controlling shareholders (as defined in the GEM Listing Rules) of the Company had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 11 to the consolidated financial statements.

* *For identification purposes only*

EMPLOYEE RETIREMENT SCHEMES

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of approximately 14% of eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes. No forfeited contribution is available to reduce the contribution payable in future years.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors, controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the business of the Group or any other conflicts of interest which any person may have with the Group as at 31 December 2016.

NON-COMPETITION UNDERTAKING

As disclosed in the prospectus of the Company dated 20 April 2012 ("Prospectus"), Ming Cheng Investments Limited and Mr. Zheng Weijing (collectively, the "Substantial Shareholders"), among others, has executed a deed of non-competition (the "Non-competition Undertaking") through which they have irrevocably warranted and undertaken to the Company, not to, among others, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the business of the provision of (i) pawn loan services; (ii) entrusted loan services; (iii) financial consultation services and business ancillary to any of the foregoing in Hong Kong, the PRC and any other country or jurisdiction to which the Group provides such services and/or in which any member of the Group carries on business mentioned above from time to time.

The Substantial Shareholders have confirmed to the Company in respect of their compliance with the Non-competition Undertaking during the financial year ended 31 December 2016 and up to the date of this annual report.

The independent non-executive Directors have reviewed the compliance with the Non-competition Undertaking during the financial year ended 31 December 2016 and up to the date of this annual report based on information and confirmation provided by or obtained from the Substantial Shareholders, and were satisfied that the Substantial Shareholders have duly complied with the Non-competition Undertaking.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS AS DISCLOSED IN THE PROSPECTUS

As disclosed in the Prospectus, as a provider of pawn loan services to the customers, Guangdong Huijin Pawn Stock Company Limited ("Guangdong Huijin") is subject to the requirements of the Measures for the Administration of Pawning (典當管理辦法) (the "Pawning Measures"). The Pawning Measures prescribe certain thresholds which pawn loan providers have to comply with in respect of the pawn loans advanced to customers and it also governs the rate of interest and total fees that may be charged by a pawn loan provider.

The Pawning Measures provide that the rate of interest charged on a loan provided in respect of pawned property must not exceed the interest rate for a six-month loan as published by the People's Bank of China (the "PBOC") as discounted by the pawn loan period. It further provides that the combined monthly total fees (excluding the consultation fee and the amount of loan repayment) (being administration fee in the business) payable by the pledgor must not exceed 4.2% of the loan amount in respect of loans secured by pledged movable property, 2.7% of the loan amount in respect of loans secured by mortgaged real estate and 2.4% of the loan amount in respect of loans secured by pledged property rights.

As regards the other thresholds, the Pawning Measures provide that the maximum outstanding amount owing on property pledged or mortgaged by any one legal person or natural person to a pawn loan provider must not exceed 25% of the registered capital of the pawn loan provider; and that the total outstanding amount owing in respect of property right pledged by customers must not exceed 50% of the registered capital of a pawn loan provider. It is also provided in the Pawning Measures that, if the registered capital of a pawn loan provider is more than RMB10 million, the maximum loan amount that may be provided for a single real estate backed loan must not exceed 10% of the registered capital of the pawn loan provider.

For the two years ended 31 December 2011, there were nine incidents where the loans granted by Guangdong Huijin were not in compliance with relevant thresholds prescribed by the Pawning Measures. According to the PRC legal adviser of the Company, Guangdong Huijin may subject to administrative penalty as a result of its past non-compliance; the maximum potential penalty that may be imposed by the relevant government authorities on the Group for such non-compliance would be an order to correct the non–compliance and a fine of up to RMB30,000 for each non-compliant transaction. As administrative penalty for illegal acts shall be imposed within two years from the date such illegal act is committed, no administrative penalty for the nine incidents of non-compliant transactions occurred during the two years ended 31 December 2011 shall be imposed after June 2013. As advised by the PRC legal adviser of the Company, customers of the non-compliant transactions are entitled to claim against Guangdong Huijin for overcharged interests and administrations fees within two years commencing from the full repayment of the pawn loans. All of the customers have signed confirmation letters and agree, among other things, not to take any action against Guangdong Huijin for their rights and entitlements in regard to the non-compliant loans granted by Guangdong Huijin.

As at the date of this annual report, the Directors confirm that the Group had not received any order to correct the non-compliance nor any notice of fine from the relevant PRC government authorities. To the best knowledge of the Directors, as at the date of this annual report, the Group had not received any claims against Guangdong Huijin from its customers for overcharged interests and administration fees in respect of the past non-compliance.

Since November 2010, to ensure ongoing compliance with the Pawning Measures and other relevant laws and regulations, the Group has implemented the following measures:

(i) in the loan approval process, the business team will fill in details of each loan application, including the party, amount, rate of administration fees and interest of each loan application, in order to ensure all loan application are in compliance with the Pawning Measures;

(ii) the risk management team, with the assistance of the legal and compliance team, will cross-check the loan application, in particular the loan amount and the rate of interest and administration fees to be charged, to ensure compliance with the Pawning Measures;

(iii) the legal and compliance team will keep themselves aware of any changes to the official rate prescribed by the PBOC and notify the management if there may be any risk of breach of any of the threshold(s) prescribed by the Pawning Measures; and they will obtain updates on relevant laws and regulations from time to time and to check whether the existing practice is in compliance with these updates and if not, to conduct remedial measures; and

(iv) the Group will consult the external legal advisers and seek their advice on compliance matters as and when required.

For further details of the past non-compliance and ongoing compliance measures with the Pawning Measures, please refer to pages 147 to 152 of the Prospectus.

As at the date of this annual report, based on information and confirmation provided by or obtained from the Group, the independent non-executive Directors were satisfied that the Group have duly complied with the prescribed thresholds under the Pawning Measures for the year ended 31 December 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

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

(i) Interests in the Shares

	Number of Shares held *(Note 1)*				
Name of Director	**Beneficial interest**	**Interest of spouse**	**Interest of controlled corporation**	**Total**	**Approximate percentage of shareholding in the Company (%)**
Mr. Zheng Weijing	40,630,202	–	367,739,567 *(Note 2)*	408,369,769	23.59

Notes:

1. These represent the Directors' long position in the Shares.

2. These Shares are held in the name of Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing.

(ii) Interests in the underlying Shares

Name of Director	Capacity/ Nature of interest	Number of underlying Shares		Approximate percentage of shareholding in the Company
		Long position *(Note 1)*	Short position	(%)
Mr. Zheng Weijing	Beneficial owner	1,000,000	–	0.06
	Interest in controlled corporation	–	20,000,000 *(Note 2)*	1.16
Mr. Zhang Gongjun	Beneficial owner	8,000,000	–	0.46
Ms. Guo Chanjiao	Beneficial owner	8,000,000	–	0.46
Mr. Vincent Cheng	Beneficial owner	500,000	–	0.03
Mr. Leung Po Hon	Beneficial owner	500,000	–	0.03
Dr. Miao Bo	Beneficial owner	500,000	–	0.03

Notes:

1. Being unlisted physically settled share options to acquire ordinary shares of the Company, further details of which are set out in the section headed "Share Option Scheme" below.

2. This short position in unlisted physically settled options is held by Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing.

(iii) Interests in associated corporation – 廣東匯金典當股份有限公司 (Guangdong Huijin Pawn Stock Company Limited*) ("Guangdong Huijin")

Name of Director	Nature of interest	Equity interest (Long position)	Approximate percentage of equity interest (%)
Mr. Zheng Weijing	Interest of controlled corporation *(Note)*	RMB71,240,000	70.53

Note: Such registered capital was contributed by 匯聯資產管理有限公司 (Huilian Assets Management Company Limited*) ("Huilian Assets Management"). 深圳市智匯投資諮詢有限公司 (Shenzhen Zhihui Investment Consulting Company Limited*) ("Shenzhen Zhihui") was interested in 72% of the entire equity interest of Huilian Assets Management. Shenzhen Zhihui was owned as to 45% by Mr. Zheng Weijing.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

* *For identification purposes only*

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

As at 31 December 2016, so far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

(i) Interests in the Shares

	Number of Shares held *(Note 1)*					
Name of Shareholder	Beneficial Interest	Interest of spouse	Security interest	Interest of controlled corporation	Total	Approximate percentage (%)
Ming Cheng Investments Limited	367,739,567 *(Note 2)*	–	–	–	367,739,567	21.24
Ms. Zhang Chushan	–	409,369,769 *(Note 3)*	–	–	409,369,769	23.64
Sino-Africa Resources Holdings Limited	255,676,042 *(Note 4)*	–	–	–	255,676,042	14.77
Peace Bloom Limited	145,429,087 *(Note 5)*	–	–	–	145,429,087	8.40
Upsoar Limited	155,518,650 *(Note 6)*	–	–	–	155,518,650	8.99
Mr. Huang Xiguang	–	–	–	255,676,042 *(Note 4)*	255,676,042	14.77
Mr. Hu Jinxi	22,200,000	–	–	145,429,087 *(Note 5)*	167,629,087	9.68
Ms. Fu Shanping	–	–	–	155,518,650 *(Note 6)*	155,518,650	8.99
GF Investments (Hong Kong) Company Limited *(Note 7)*	20,000,000	–	399,649,769	–	419,649,769	24.24
GF Holdings (Hong Kong) Corporation Limited *(Note 7)*	–	–	–	419,649,769	419,649,769	24.24
GF Securities Co., Ltd. *(Note 7)*	–	–	–	419,649,769	419,649,769	24.24

Notes:

1. These represent the corporation's/person's long position in the Shares.

2. Ming Cheng Investments Limited is a company wholly-owned by Mr. Zheng Weijing.

3. Ms. Zhang Chushan is the spouse of Mr. Zheng Weijing. By virtue of the provisions of Part XV of the SFO, Ms. Zhang Chushan is deemed to be interested in all the interests in which Mr. Zheng Weijing is interested or deemed to be interested in.

4. Sino-Africa Resources Holdings Limited is a company wholly-owned by Mr. Huang Xiguang.

5. Peace Bloom Limited is a company wholly-owned by Mr. Hu Jinxi.

6. Upsoar Limited is a company wholly-owned by Ms. Fu Shanping.

7. Based on the notices of disclosure of interests filed by each of GF Investments (Hong Kong) Company Limited ("GF Investments"), GF Holdings (Hong Kong) Corporation Limited and GF Securities Co., Ltd. on 29 September 2016, these long positions in the Shares are held by GF Investments which is directly wholly-owned by GF Holdings (Hong Kong) Corporation Limited, which in turn is wholly-owned by GF Securities Co., Ltd. Under the SFO, GF Holdings (Hong Kong) Corporation Limited and GF Securities Co., Ltd. are deemed to be interested in these long positions in the Shares held by GF Investments.

(ii) Interests in the underlying Shares

Name of shareholder	Capacity/ Nature of interest	Number of underlying Shares		Approximate percentage of shareholding in the Company
		Long position	Short position	(%)
Ming Cheng Investments Limited	Beneficial owner	–	20,000,000 *(Note 1)*	1.16
Ms. Zhang Chushan	Interest of spouse	–	20,000,000 *(Note 2)*	1.16
Central China International Investment Company Limited (Note 3)	Beneficial interest	99,009,900	–	5.72
Central China International Financial Holdings Company Limited *(Note 3)*	Interest of controlled corporation	99,009,900	–	5.72
Central China Securities Co., Ltd. *(Note 3)*	Interest of controlled corporation	99,009,900	–	5.72

Notes:

1. Being short position in unlisted physically settled options. Ming Cheng Investments Limited is a company wholly-owned by Mr. Zheng Weijing.

2. Ms. Zhang Chushan is the spouse of Mr. Zheng Weijing. By virtue of the provisions of Part XV of the SFO, Ms. Zhang Chushan is deemed to be interested in all the interests or short positions in which Mr. Zheng Weijing is interested or deemed to be interested in.

3. Based on the notices of disclosure of interests filed by each of Central China International Investment Company Limited, Central China International Financial Holdings Company Limited and Central China Securities Co., Ltd. on 29 July 2016, these long positions in unlisted cash settled derivatives are held by Central China International Investment Company Limited which is directly wholly-owned by Central China International Financial Holdings Company Limited, which in turn is wholly-owned by Central China Securities Co., Ltd. Under the SFO, Central China International Financial Holdings Company Limited and Central China Securities Co., Ltd. are deemed to be interested in these long positions in the underlying Shares held by Central China International Investment Company Limited.

Save as disclosed above, as at 31 December 2016, there was no person who had any interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolution of the shareholders of the Company on 20 December 2011 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Details of the Share Option Scheme are as follows:

1. Purpose of the Share Option Scheme	As incentive or rewards to eligible participants for their contribution to the Group.
2. Eligible participants of the Share Option Scheme	Any eligible employee (whether full-time or part-time, including any executive Director), any non-executive Director, any shareholder, any supplier and any customer of the Company or any of its subsidiaries or any entity in which any member of the Group holds any equity interest, and any other party having contribution to the development of the Group.
3. Total number of Shares available for issue under the Share Option Scheme and percentage to the issued share capital as at the date of this annual report	100,000,000 shares (approximately 5.78% of the total issued share capital as at the date of this annual report).
4. Maximum entitlement of each participant under the Share Option Scheme	Not exceeding 1% of the issued share capital of the Company for the time being in any 12-month period. Any further grant of options in excess of such limit must be separately approved by the Company's shareholders in general meeting.

5. The period within which the Shares must be taken up under an option	A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by the Directors to the grantee thereof.
6. The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Directors, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.
7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made	A remittance in favour of the Company of HK$1.00 on or before the date of acceptance (which may not be later than 21 days from the date of offer).
8. The basis of determining the exercise price	Being determined by the Directors and being not less than the highest of: a. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; b. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and c. the nominal value of the Shares.
9. The remaining life of the Share Option Scheme	The Scheme is valid and effective for a period of 10 years commencing on 20 December 2011 (being the date of adoption of the Share Option Scheme).

On 17 December 2015, options to subscribe for an aggregate of 76,000,000 shares of the Company have been granted by the Company to the existing directors, employees and advisors of the Group under the Share Option Scheme; 30% of share options have an exercise period from 1 June 2016 to 19 December 2021 ("Share Option 1"); 30% of share options have an exercise period from 1 June 2017 to 19 December 2021 ("Share Option 2"); and the remaining share options have an exercise period from 1 June 2018 to 19 December 2021 ("Share Option 3"). All share options are subject to the fulfillment of relevant profit targets by the Company, as set out below, and share options shall not be vested if any of the profit targets is failed to meet.

Details of the specific categories of options are as follows:

	Date of grant	Vesting date	Exercise period	Exercise price HK$	Vesting conditions
Share Option 1	17 December 2015	31 May 2016	1 June 2016 to 19 December 2021	1.046	Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2015: – Equal to or more than RMB35 million, 100% of Share Option 1 shall be vested; – Equal to or more than RMB25 million but less than RMB35 million, 50% of Share Option 1 shall be vested; and – Less than RMB25 million, no Share Option 1 shall be vested.
Share Option 2	17 December 2015	31 May 2017	1 June 2017 to 19 December 2021	1.046	Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2016: – Equal to or more than RMB65 million, 100% of Share Option 2 shall be vested; – Equal to or more than RMB50 million but less than RMB65 million, 50% of Share Option 2 shall be vested; and – Less than RMB50 million, no Share Option 2 shall be vested.
Share Option 3	17 December 2015	31 May 2018	1 June 2018 to 19 December 2021	1.046	Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2017: – Equal to or more than RMB100 million, 100% of Share Option 3 shall be vested; – Equal to or more than RMB80 million but less than RMB100 million, 50% of Share Option 3 shall be vested; and – Less than RMB80 million, no Share Option 3 shall be vested.

On 31 May 2016, options to subscribe for an aggregate of 22,800,000 Shares, being 100% of Share Option 1, have been vested to the grantees of the options.

As at 31 December 2016, the total number of securities available for issue under the Share Option Scheme pursuant to its terms was 63,900,000 Shares, representing in aggregate approximately 3.7% of the Company's issued share capital.

Details of movements of the share options granted under the Share Option Scheme for the year ended 31 December 2016 were as follows:

		Number of share options				
Name	**Date of grant**	**Outstanding as at 1 January 2016**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding as at 31 December 2016**
Executive Directors						
Mr. Zheng Weijing	17 December 2015	1,000,000	–	–	–	**1,000,000**
Mr. Zhang Gongjun	17 December 2015	8,000,000	–	–	–	**8,000,000**
Ms. Guo Chanjiao	17 December 2015	8,000,000	–	–	–	**8,000,000**
Independent non-executive Directors						
Mr. Vincent Cheng	17 December 2015	500,000	–	–	–	**500,000**
Mr. Leung Po Hon	17 December 2015	500,000	–	–	–	**500,000**
Dr. Miao Bo	17 December 2015	500,000	–	–	–	**500,000**
Sub-total		18,500,000	–	–	–	**18,500,000**
Employees in aggregate	17 December 2015	51,500,000	–	**(600,000)**	**(11,500,000)**	**39,400,000**
Advisors in aggregate	17 December 2015	6,000,000	–	–	–	**6,000,000**
Total		76,000,000	–	**(600,000)**	**(11,500,000)**	**63,900,000**

For the 600,000 share options exercised during the year ended 31 December 2016, the weighted average closing price of the Shares immediately before the date of which such option were exercised is HK$1.097.

There was no share option cancelled during the year ended 31 December 2016.

Further details of the share options are set out in note 31 to the consolidated financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

PERMITTED INDEMNITY PROVISION

The Company has arranged for insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior officers arising out of corporate activities. During the year ended 31 December 2016 and up to the date of this annual report, save that (i) pursuant to the service contract of each of the executive Directors, the Company shall indemnify such Directors against, to the extent permitted by laws, all losses, claims, compensations, liabilities or expenses incurred as a result of such Directors performing his/her duties and responsibilities under such contracts, including but not limited to any legal proceedings against such Directors and except for wilful default or negligence; and (ii) pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty, no other permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was or is being in force for the benefit of any of the Directors (whether made by the Company or otherwise) or any of the directors of an associated company (if made by the Company).

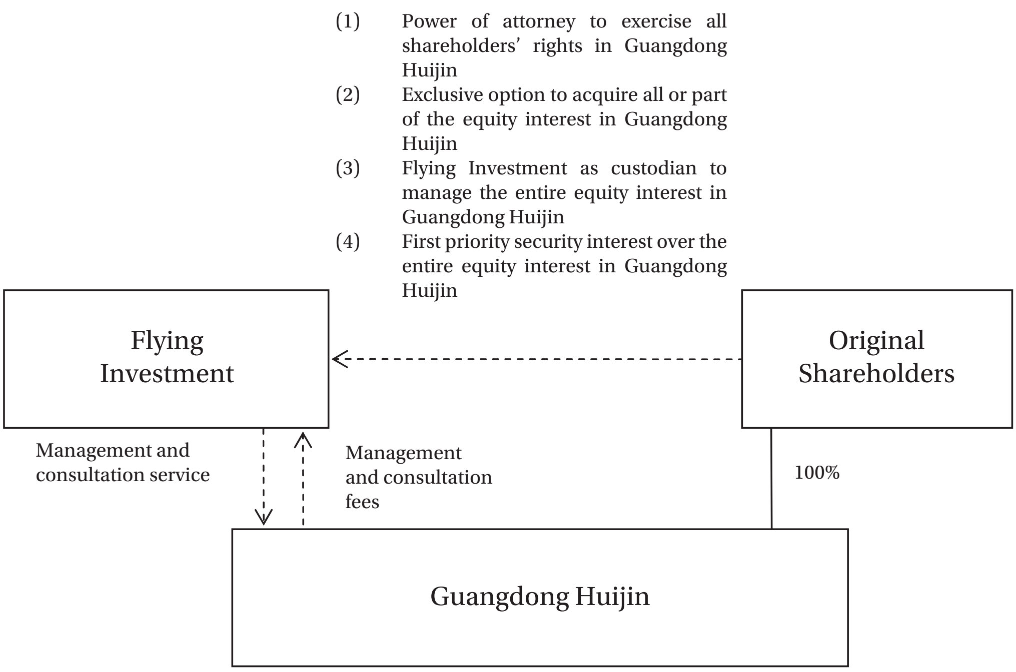
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

Structure contracts

Arrangement under the Structured Agreements

The following simplified diagram illustrates the flow of economic benefits from Guangdong Huijin to Flying Investment Services (Shenzhen) Company Limited ("Flying Investment") stipulated under the Exclusivity Agreement (as defined in the Prospectus and set out below), the Equity Pledge Agreement (as defined in the Prospectus and set out below), the Exclusive Option and Equity Custodian Agreement (as defined in the Prospectus and set out below), the Power of Attorney (as defined in the Prospectus and set out below) and the Supplemental Agreement (as defined in the Prospectus) (collectively, the "Structured Agreements"):



" ——— " denotes direct legal and beneficial ownerships in the equity interest and " - - - - -> " denotes contractual relationship.

Operation of the Structured Agreements

In accordance with the Structured Agreements, the Original Shareholders (as defined in the Prospectus), being immediate shareholders who are interested in, in aggregate, the entire equity interest in Guangdong Huijin, have granted an exclusive and irrevocable option to Flying Investment or its nominee(s) to acquire all or part of the equity interest in Guangdong Huijin held by the Original Shareholders as permitted by the then PRC laws and regulations. The Group has the intention to acquire Guangdong Huijin or the pawn business it is carrying on when PRC laws and regulations allow the operation of such business by foreign invested enterprises. When Flying Investment or its nominee(s) exercise the option and acquire all of the equity interest in Guangdong Huijin, the Structured Agreements will be terminated. The PRC legal adviser of the Company confirmed that it is sufficient for all immediate shareholders of Guangdong Huijin (but not tracing to the ultimate beneficial owners of the corporate shareholders of Guangdong Huijin) to enter into the Structured Agreements. Subject to compliance with the PRC laws, Flying Investment or its nominee(s) may exercise the option mentioned above at any time and in any manner at their sole discretion.

The Structured Agreements, taken as a whole, enable the financial results of Guangdong Huijin and the economic benefits of its business to flow onto Flying Investment. In addition, all the directors, general manager and senior management staff of Guangdong Huijin (except those elected by the employee representatives) are to be nominated by Flying Investment. Through its control over and supervision of the directors, general manager and senior management of Guangdong Huijin, Flying Investment is able to effectively manage the business, financial and operating activities of Guangdong Huijin so as to obtain benefits from its activities and to ensure due implementation of the Structured Agreements. The Structured Agreements also enable Flying Investment to, if and when permitted by PRC law, acquire the equity interests in Guangdong Huijin in accordance with PRC law. The Directors are of the view that the Structured Agreements enable the Group to be managed coherently with the power to govern the business, financial and operating activities of Guangdong Huijin for the benefit of the Group as a whole. Based on the Structured Agreements, taken as a whole, the Directors consider that, notwithstanding the lack of equity ownership in Guangdong Huijin, our Group controls Guangdong Huijin in substance. On this basis, the Group is regarded as a continuing entity resulting from these Structured Agreements such that the financial position and operating results of Guangdong Huijin are included in the Group's consolidated financial statements.

The following is a summary of the principal terms of the Structured Agreements:

(1) Exclusivity Agreement

Flying Investment and Guangdong Huijin entered into the Exclusivity Agreement (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters:

- Guangdong Huijin agreed to engage Flying Investment on an exclusive basis irrevocably to provide management and consultation services in connection with its operations, including but not limited to assisting in formulating the company management mode and operation plans, assisting in formulating market development plans, providing market information and customer source information, being appointed to conduct specific market research and investigation, providing staff training, assisting in establishing sales channel, providing management, financial or other services in relation to Guangdong Huijin's operations, assisting in locating suitable fund-raising channels for Guangdong Huijin's operational capital needs, assisting in provision of customer maintenance and management and assisting in provision to the clients of Guangdong Huijin of feasible fund-raising solutions and procuring the implementation of such solutions;

- unless Flying Investment consents in writing in advance, Guangdong Huijin shall not accept management and consultation services provided by any third party;

- the board of directors of Guangdong Huijin shall be nominated by Flying Investment, and such board of directors shall determine the corporate management and business development and expansion strategy of Guangdong Huijing according to the actual circumstances of its operations;

- Flying Investment shall be solely responsible for selection of Guangdong Huijin's senior management and employees, its finance, management and daily operations, and Guangdong Huijin shall comply with all directions and opinions from Flying Investment; and

- Guangdong Huijin shall pay to Flying Investment on a monthly basis (or other methods agreed by both parties), management and consultation fees equivalent to the total revenue less all the related costs, expenses and taxes payable by Guangdong Huijin. Flying Investment shall be entitled to appoint its employees or external auditors to inspect the financial conditions of Guangdong Huijin to audit the exact amount of the management and consultation fees.

The Exclusivity Agreement (as supplemented by the Supplemental Agreement) commenced from 1 August 2011 and will expire on the date on which all the equity interests in Guangdong Huijin are transferred to Flying Investment or its nominee(s) and such transfers are registered.

(2) Equity Pledge Agreement

Flying Investment, Guangdong Huijin and the Original Shareholders entered into the Equity Pledge Agreement (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters:

- the Original Shareholders agreed to grant to Flying Investment a first priority security interest over all their respective direct equity interest in Guangdong Huijin and all related rights and revenue for guaranteeing the performance of obligations of the Original Shareholders and Guangdong Huijin under the Exclusivity Agreement and the Exclusive Option and Equity Custodian Agreement, such obligations include, among others, payment of management and consultation fees for the management and consultation service, interests, compensation etc.;

- during the term of the pledge, Flying Investment shall be entitled to all dividends or distribution in any other forms derived from the pledged equity interests and to exercise its right to deal with the pledged equity interest in a manner permitted by the relevant PRC laws if Guangdong Huijin and/or the Original Shareholders cannot fully perform their respective obligations under the Exclusivity Agreement and/or the Exclusive Option and Equity Custodian Agreement; and

- during the term of the Equity Pledge Agreement, the Original Shareholders shall not transfer, create or permit the existence of other security interest over the pledged equity interests in Guangdong Huijin without prior written consent of Flying Investment.

The Equity Pledge Agreement (as supplemented by the Supplemental Agreement) is effective from the date on which it has been executed by the parties thereto while the pledge created thereunder shall become effective upon such pledge having been duly registered in Guangdong Huijin's register of members and having been duly registered with the relevant Administration for Industry and Commerce of the PRC, and it will remain effective until the termination of either the Exclusivity Agreement (as supplemented by the Supplemental Agreement) or the Exclusive Option and Equity Custodian Agreement (as supplemented by the Supplemental Agreement), whichever is later. The pledges under the Equity Pledge Agreement were duly registered on 5 August 2011 with 河源市工商行政管理局 (Heyuan Administration for Industry and Commerce Bureau).

(3) Exclusive Option and Equity Custodian Agreement

Flying Investment, Guangdong Huijin and the Original Shareholders entered into the Exclusive Option and Equity Custodian Agreement (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters:

- the Original Shareholders granted, at nil consideration, an exclusive and irrevocable option to Flying Investment or its nominee(s) to acquire all or part of the equity interest in Guangdong Huijin held by the Original Shareholders as permitted by the then PRC laws and regulations during the term of the Exclusive Option and Equity Custodian Agreement at nil consideration or the minimum amount as permitted by the applicable PRC laws. The Original Shareholders further covenant that if such minimum amount is required to be paid by Flying Investment or its nominee(s) to the Original Shareholders as consideration for the acquisition of the equity interest of Guangdong Huijin, such amount would be waived by the Original Shareholders subject to compliance with the then PRC laws and hence there should not be any cash outflow or adverse financial impact on our Group. If such option is exercised in full by Flying Investment or its nominee(s), our Group will be interested in the entire equity interest of Guangdong Huijin;

- subject to compliance with the PRC laws, Flying Investment or its nominee(s) may exercise the option mentioned above at any time and in any manner at their sole discretion;

- pending the acquisition of the entire equity interest in Guangdong Huijin by Flying Investment or its nominee(s), the Original Shareholders shall not, among other matters, transfer, pledge or grant a custodian right over such equity interest in Guangdong Huijin to any third parties without prior written consent of Flying Investment and Guangdong Huijin;

- the Original Shareholders, jointly and severally, irrevocably granted, at nil consideration, a right to Flying Investment or its nominee(s) to manage the entire equity interest in Guangdong Huijin as custodian during the term of the Exclusive Option and Equity Custodian Agreement;

- the Original Shareholders and Guangdong Huijin covenanted that, among others:

  (a) Flying Investment or its nominee(s) shall exercise all shareholders' right of the Original Shareholders in Guangdong Huijin, further details are set out in the paragraph headed "Power of Attorney" below;

  (b) Flying Investment shall have the exclusive right to nominate directors, general manager and other senior management staff of Guangdong Huijin, and the Original Shareholders shall appoint such nominees as directors, general manager and other senior management staff of Guangdong Huijin;

- During the term of the Exclusive Option and Equity Custodian Agreement, the Original Shareholders and Guangdong Huijin shall not engage in any transactions which will materially affect the assets, business, rights, operation or management of Guangdong Huijin without prior consent from Flying Investment, including but not limited to the following:

  (a) to amend the constitutional documents of Guangdong Huijin;

  (b) to increase or reduce the registered capital of Guangdong Huijin; and

(c) during the term of the Exclusive Option and Equity Custodian Agreement, the Original Shareholders and/or Guangdong Huijin shall not transfer, mortgage, pledge or otherwise deal with the assets of Guangdong Huijin; and

– in case of liquidation or dissolution of Guangdong Huijin, Flying Investment or its nominee(s) shall have the right to appoint a liquidator to manage the assets of Guangdong Huijin as permitted by the PRC laws and regulations.

The Exclusive Option and Equity Custodian Agreement (as supplemented by the Supplemental Agreement) is effective from 1 August 2011 and will expire on the date on which all the equity interests in Guangdong Huijin are transferred to Flying Investment or its nominee(s) and such transfers are registered.

(4) Power of Attorney

Flying Investment and each of the Original Shareholders entered into the Power of Attorney (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters, Flying Investment or its nominee(s), including its directors (and their successors) were authorised by each of the Original Shareholders to exercise their respective shareholders' right in Guangdong Huijin including the rights to elect and change the directors and supervisors who are not elected by the employee representatives, the rights to decide the increase or reduction of the registered capital and the rights to receive or decline the dividends or other distribution on behalf of the Original Shareholders.

The Power of Attorney (as supplemented by the Supplemental Agreement) is effective from 1 August 2011 and will expire on the date on which all the equity interests in Guangdong Huijin are transferred to Flying Investment or its nominee(s) and such transfers are registered.

During the year ended 31 December 2016, Flying Investment was not entitled to any management and consultation fees (2015: Nil) from Guangdong Huijin in a manner as prescribed in the exclusive agreement (as supplemented by the supplemental agreement) on 1 August 2011. The management and consultation fees are equivalent to the total revenue less all the related costs, expenses and taxes payable by Guangdong Huijin as extracted from the audited financial statements of Guangdong Huijin for the year ended 31 December 2016 ("Audited Financial Statements of Huijin"). According to the Audited Financial Statements of Huijin, no dividend or other distribution had been made for the year ended 31 December 2016 by Guangdong Huijin.

The independent non-executive Directors have reviewed the Structured Agreements and confirmed that: (i) the transactions carried out during the year ended 31 December 2016 have been entered into in accordance with the relevant provisions of the Structured Agreements, have been operated so that any revenue generated by Guangdong Huijin would have been substantially retained by Flying Investment; (ii) no dividends or other distributions have been made by Guangdong Huijin to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; (iii) the Structured Agreements, any new contracts entered into, renewed or reproduced between the Group and Guangdong Huijin during the year ended 31 December 2016 are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole; (iv) the Structured Agreements have been entered into in the ordinary and usual course of business of the Group; and (v) the Structured Agreements have been entered into on normal commercial terms or better.

The Company's auditors has carried out procedures on the management fee charged for the year pursuant to the Structured Agreements and reported its conclusion to the Board, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structured Agreements and that no dividends or other distributions have been made by Guangdong Huijin to the Guangdong Huijin Registered Shareholders which are not otherwise subsequently assigned/transferred to the Group. The Board confirmed that the Company's auditors have confirmed that none of the matters set out in Rule 20.54 of the GEM Listing Rules has come to the auditors' attention.

For the purposes of Chapter 20 of the GEM Listing Rules, and in particular the definition of "Connected Person", Guangdong Huijin has been treated as the Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Guangdong Huijin and their respective associates have been treated as the Company's "Connected Persons" and transactions between these Connected Persons and the Group other than those under the Structured Agreements shall comply with Chapter 20 of the GEM Listing Rules.

Guangdong Huijin and each of the Original Shareholders have undertaken that, for so long as the Shares are listed on GEM, Guangdong Huijin and each of the Original Shareholders will provide the Group's management and the Company's auditors with full access to its relevant records for the purpose of the Company's auditors' review of the connected transactions.

CONVERTIBLE BONDS

Particulars of the convertible bonds of the Group are set out in note 28 to the consolidated financial statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the financial year ended 31 December 2016.

RELATED PARTY TRANSACTIONS

Save for the transactions disclosed under "Non-exempt Continuing Connected Transactions", details of the material related party transactions entered into by the Group are set out in note 37 to the consolidated financial statements which do not constitute notifiable or connected transactions under the GEM Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements (if any) in accordance with Chapter 20 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Audit Committee was established by the Board on 20 December 2011. The role, function and composition of the Audit Committee are set out in the paragraph headed "Audit Committee" of the Corporate Governance Report of this annual report.

The Group's consolidated results and the results announcement for the year ended 31 December 2016 have been reviewed by the Audit Committee. The Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under GEM Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2016 have been audited by BDO Limited, who will retire and a resolution to re-appoint BDO Limited as auditor of the Company will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

Zheng Weijing
Chairman

Hong Kong, 23 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are pleased to present this report in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") published by the Stock Exchange, as contained in Appendix 20 to the GEM Listing Rules. This report describes the Group's policies that were designed to fulfill the Group's obligations with respect to sustainable development and social responsibilities areas, as required by the ESG Guide.

The principal activities of the Group are primarily investment in property development projects and provision of financial services which focus on designing "tailor-made" plans for corporations, financial institutions and high net worth clients. The Group has developed an internet financial service platform which provides financial consultation services and procures money lending to individuals and corporate clients through the online service platform that directly matches lenders and borrowers. The Group's headquarters office is located in Shenzhen, PRC, and its trading network covers the whole country, with branches in Hong Kong, Beijing, Shanghai, Wuhan and Yunnan.

Whilst the Group strives to create positive values for the shareholders, the Group also is dedicated to fulfill its corporate social responsibility through continuous effort. The Group believes that all stakeholders' interest must be taken into account in order to enhance our relationship with the shareholders, employees, customers, business partners and the society. This report presents the Group's engagement in environmental protection and social commitment during the financial year ended 31 December 2016. In view of the Group's business nature, as compared to manufacturing related companies, give rise to relatively minimal environmental impact, the scope of this report focuses on the social commitment regarding employee benefits, supply chain management, product responsibility, anti-money laundering and community investment as these are the crucial elements of the Group's operation and the concerns of our stakeholders.

A. ENVIRONMENT PROTECTION

The principal activities of the Group are primarily investment in property development projects and the provision of financial services, with limited impact on the environment and use of natural resources, we actively pursue various environmental measures to reduce the impact on the environment in conducting our business.

A.1 Emissions

The biggest contributor to the Group's carbon footprint is the indirect greenhouse gas ("GHG") emissions from electricity consumption at the workplaces as well as from business travel of our employees. We have taken energy saving initiatives which include maximising the use of natural light; adopting energy-saving lighting systems; applying optimal temperature setting of air-conditioning; installing energy-efficient office equipment; switching off air conditioning systems and lighting after office hours and turning off office equipment when not in use.

A.2 Use of Resources

The water consumption of the Group is minimal and we encourage the employees to reduce the use of paper by access the necessity of printing and where appropriate to use duplex printing and reprint on single-side printed paper. The Group also encourages electronic communication where advertisements and promotional materials are made in electronic form and delivered to customers via "WeChat". Teleconference and internet-meeting practices are encouraged to avoid unnecessary travel.

The Group engages third parties for collection and handling of waste paper. The Group does not generate any hazardous waste and we are committed to reducing our paper consumption and waste.

A.3 Environment and natural resources

This aspect is not applicable to the Group's operations, as the Group's environmental impact and use of natural resources is minimal.

B. SOCIAL COMMITMENT

The Group recognises its employees, are the key stakeholders of its business, and the most valuable assets. The Group provides competitive employee compensation and benefits and comprehensive training programs to encourage our employees to achieve their potential and put their abilities to good use.

B.1 Employment and Labour Practices

The Group is committed in providing a workplace free from discrimination and harassment in any form and in providing equal opportunities for all employees. The Group does not tolerate sexual harassment or any other form of harassment or abuse in the workplace.

The Group has adopted a "Staff Hand Book" which contains information regarding employment, rights on termination, business conduct, social security funds, compensation, employee benefits, leave benefits, working hours/overtime and performance benefits. The Group has complied with all relevant labour and employment laws in the reporting period.

In addition to the general benefits such as social insurance (endowment insurance, medical insurance, work-related injury insurance, unemployment insurance, childbirth insurance), housing provident fund and annual leave benefits, the Group also provides additional supplementary benefits, including:

1. Festive occasion benefit (monetary benefits for all statutory holiday, birthday, marriage, childbirth)

2. Medical care benefits (employees are entitled to have an annual body check package)

3. Incentive bonus (incentive activities are organized regularly to praise well performed employees)

4. Other benefits (compassionate leave and allowance)

The Group determined its remuneration of employees with reference to the market conditions, individual employee's performance and qualifications. The Group gives year-end bonus to employees based on individual performance in recognition of their contributions.

B.2 Health and Safety

The Group is committed to providing a safe workplace for its employees. Employees are asked to follow all safety rules and regulations while working in offices. Apart from creating a safe workplace, the Group advocates work-life balance and organize different social activities for them. In addition, the Group provides its employees with comprehensive health care coverage and also other non-medical insurance coverage and child benefits.

B.3 Development and Trainings

To encourage employee development, the Group provides trainings, including customized training courses, to help equipping different level of employees with the knowledge and relevant skills to help them develop the knowledge and other professional skills. New employees are provided with on-board orientation trainings to help them familiarize themselves with the Group's culture, structure and work requirement. Moreover, technical training is provided for front line staff which aims to enrich their knowledge related to the Group's business and services. For the management, leadership training programme is provided to help them to develop leadership and decision making skills. We have provided anti-money laundering training to the staff in accordance with the PRC laws, which focuses on, among other things, the methods and the importance of identifying clients' identities and their source of funding.

The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

B.4 Labor Standards

All employees are made aware of the Group's employment policies and guidelines, which are in compliance with relevant laws and regulations. The Group strictly complies with the relevant PRC labor regulations relating to working hours, rest and holidays to ensure the physical and mental health of all employees. Employees are not encouraged to work beyond working hours and are entitled to overtime pay in accordance with local regulations.

B.5 Supply Chain Management

The Group only has very few suppliers due to the business nature. The Group selected a list of suppliers for office and computer equipment, stationary and promotion activities gifts. The Group has set up a procurement policy to select reliable suppliers and service providers to support its business operation. The Group takes into account the suppliers' reputation and their track record of when selecting them to ensure purchased items are complied with national standard.

In relation to risk management of the internet financial service platform, the Group's responsible team screens and monitors the lenders and borrowers who use the platform. It also performs Know-Your Customer (KYC) procedure to access the background and source of fund of both lenders and borrowers, and ensuring the best matching between the lenders and borrowers. During the reporting period, the platform does not experience any delinquency, this is attributed to the consistent risk management screening, monitoring and the maintenance of high quality and reliable users within the platform.

B.6 Product Responsibility

Financial Consultation Services

The Group provides customers with convenient and quick access to short-term finance as well as financial consultation services to meet the customer's financial needs, we have put in place specific procedures in ensuring the quality of the services and products provided. The financial services or products provided to customers are tailored to their financial background, trading experience and risk tolerant level after performing the KYC procedures and assessment. The Group is committed to provide clear information to our customers including product details, terms and conditions (such as loan repayment period, administration fee, interest rate, etc) and any associated risks are communicated to enable customers to make informed decision. Moreover, the Group has set standards for advertising and sales literature which requiring information contained in all advertising and sales literature must be true and prohibit the use of false, misleading or inaccurate statements in any form of our communication.

For financial consultation services to trust companies, the Group introduces borrowers with substantial assets (including listed and unlisted shares) to trust companies for their setting up their trust funds. In addition to introducing borrowers to the trust companies, the Group also perform due diligence on borrowers by conducting feasibility studies on the background and the financial condition of for the trust companies. The Group also devises financing plans for the borrowers, including the cost, duration and size of the proposed trust fund. The Group also liaises with banks regarding the sale of the trust fund after the agreements are signed between the trust companies and the borrowers.

Investment in Property Development Projects

In 2016, the Group put greater importance in providing tailored financial services to customers of the real estate developers and reached strategic cooperation with a number of well known property developers. The Group recognises the importance of the process in collaborating with new business partners in particular with property developers in housing has significant impact to the society. We have taken stringent procedures in evaluating the reputation and ethics of potential business partners when deciding to work with those partners.

The Group practises a set of principles when accepting new business partners. The Group seeks to work with companies that are environmentally conscious; and make efforts to reduce energy use, waste and pollution. The Group looks for socially responsible companies that work with high-quality suppliers that hold high ethical standards, that surpass customers' expectation, interact with the government and regulators with integrity, and make good operation decisions to maximise positive effects, and minimise negative effects to the community, and also make charitable contributions and provide supports to the community. The Group evaluates these companies and are concerned with their transparency and accountability, the corporate governance and how they are behaving with respect to environmental, social and workers' rights.

Protection of Customer's Data

The Group handles significant amounts of personal data and credit information of customers. It has implemented rigorous policy and procedures to ensure confidentiality and privacy when collecting, processing and using customers´ data. As specified in the "Staff Hand Book", the Group's employees are required to sign a confidentiality agreement acknowledging receipt and agreement of their obligation and responsibility regarding protection and non-disclosure of customer data. Also, access to confidential information or documents is restricted and granted on a need-to-know basis. During the reporting period, the Group has not received any complaints from customers related to breach of the confidentiality of personal information.

Handling of Complaints

The Group has established policy and procedures for the handling of complaints. The Group's Customer Service Department is responsible for reviewing all complaints, collecting evidence and providing advice and comments for the general complaints. Specific or complicated complaints are passed to the relevant department head for further special handling. The Group provides an initial response upon the receipt of all complaints and the follow up accordingly.

B7 Anti-Corruption and Anti-Money Laundering

The Group is committed to maintain the ethics and integrity throughout its operations and does not tolerate corruption or bribery in any form, and the Company has strictly complied with "The Anti-money laundering Law of the People's Republic of China", "The Administrative Measures for the Financial Institutions Report of Large-sum Transactions and Doubtful Transactions", "The Guiding Opinions on the Internal Control of Securities Investment Fund Sales Institutions", "The Measures on the Administration of Client Identity Identification and Materials and Transaction Recording of Financial Institutions", "The Administrative Measures for Financial Institutions Report of Transactions Suspected of Financing for Terrorist Purposes" and other relevant laws and regulations relating to anti-corruption, bribery, extortion, fraudulent behavior and money-laundering in the reporting period.

The Group has established an "Anti-money Laundering Policy" with reference to the above laws and regulations which requires its business department officers to fully understand the background of potential customers through documentation and communication in accordance with relevant internal guidelines before doing business with them.

The Group's risk management department also gathers information on our existing customer's use of proceeds, the source of funding for repayment, the operating condition of our customers, from time to time in obtaining their updated status and promptly reports any abnormal situation for the purpose of risk management.

The Group has included in the "Staff Handbook" a whistle-blowing policy and promotes integrity and prevents unethical conducts. Employees are also required to sign a statement of acknowledgement and agreement to their obligation and responsibility regarding to anti-corruption and anti-money laundering polices. The Group encourages the reporting of suspected business irregularities and provides clear channels specifically for this purpose. The Group is committed to adhering to the highest integrity and ethical standards.

B.8 Community Investment

The Group is actively involved in community and public welfare activities; and we serve the community and contribute to society through a variety of charity and public events. We particularly focus in education and development of young people from under-privileged backgrounds and environments.

In 2016, the Group jointly launched an educational sponsorship program with AHELP, a charitable organization to sponsor over 10 underprivileged students in Shaoguan City to complete their studies. The Group also provided summer internships for high school students in Southern China. The Group is a key member of the Internet Public Welfare Alliance and has taken an active role in a variety of charitable activities. In addition, the Group was granted the Internet Finance Corporate Social Responsibility Award in the 6th China Charity Festival.

The Group hopes not only to help people in need through participation in social activities, but also help to cultivate employees to contribute to the community. The Group will continue to uphold the principle of being responsible for its customers, employees, business partners, shareholders and the society, and will seek further opportunities to develop a harmonious relationship with its stakeholders.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF FLYING FINANCIAL SERVICE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Flying Financial Service Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 129, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Classification, measurement and impairment of available-for-sale investments

Refer to note 21 to the consolidated financial statements

The Group had available-for-sale investments of approximately RMB459,028,000 as at 31 December 2016 which included investments in several limited partnerships (the "Limited Partnerships") in the People's Republic of China (the "PRC") of approximately RMB419,000,000. Available-for-sale investments are identified as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgement exercised by management.

The Group acts as a limited partner in the Limited Partnerships and made capital contributions in the range of RMB16 million to RMB60 million during the year ended 31 December 2016. Each contribution represents 3.98% to 44.44% of the total contribution of the corresponding limited partnership.

The Group does not have any control over the Limited Partnerships as the Group has made a declaration to give up its voting rights in these entities.

Management of the Group has concluded that investments in the Limited Partnerships are classified as available-for-sale equity instrument investments. The investments are recognised at cost less impairment if the fair value of the investments cannot be measured reliably.

When there is objective evidence of impairment on the above available-for-sale investments, the amount of the impairment loss is measured as the difference between the carrying amount of the available-for-sale investments and the present value of the estimated future cash flows discounted at the current rate of return for similar financial assets. Management of the Group has exercised its judgement to ensure the appropriateness of the estimates or assumptions, and concluded that no impairment is required.

Our response:

Our procedures in relation to management's assessment of the classification, measurement and impairment of the available-for-sale investments included:

- evaluating management's preliminary classification assessment;
- assessing the terms and conditions of the Limited Partnership agreements;
- assessing the board minutes of the Limited Partnerships;
- verifying the contributions to the Limited Partnerships made by the Group;
- obtaining an understanding of the impairment assessment processes carried out by management;
- assessing if any there are any impairment indicators in investments in the Limited Partnerships, and if impairment provision is required;

KEY AUDIT MATTERS (Continued)

Impairment testing of goodwill and intangible assets

Refer to note 17 to the consolidated financial statements

Goodwill of approximately RMB48,316,000 and intangible assets of approximately RMB28,890,000 as at 31 December 2016 arose from the Group's acquisition of Profit Success Technology Limited and its subsidiaries ("Profit Success Group") for a consideration of RMB70,500,000 in 2015.

Profit Success Group continued to generate profit during the year. Management concluded that there is no impairment on the goodwill and intangible assets based on the recoverable amount of the cash-generating unit ("CGU") which in turn has been determined by a value-in-use calculation based on cash flow projections from formally approved budged covering a five-year period. The preparation of cash flow projections requires significant management judgement with respect to the assumptions underlying the projected cash flows, in particular on the discount rate and future revenue growth.

Our response:

Our procedures in relation to management's impairment assessment included:

- assessing the valuation methodology;
- challenging the reasonableness of the key assumptions based on our knowledge of the business and industry; and
- reconciling input data to supporting evidence, such as approved budgets, and considering the reasonableness of these budgets.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Limited
Certified Public Accountants

Alfred Lee
Practising Certificate Number P04960
Hong Kong, 23 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
Revenue	*7*	**289,162**	108,528
Other income	*8*	**2,668**	2,683
Employee benefit expenses	*10*	**(48,058)**	(23,061)
Administrative expenses		**(78,992)**	(32,349)
Equity-settled share-based payments	*31*	**(21,009)**	(1,436)
Share of results of joint ventures		**(661)**	–
Finance costs	*9*	**(7,790)**	(5,635)
Profit before income tax expense	*10*	**135,320**	48,730
Income tax expense	*12*	**(31,886)**	(4,172)
Profit for the year		**103,434**	44,558
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**3,972**	(1,476)
Total comprehensive income for the year		**107,406**	43,082
Profit for the year attributable to:			
Owners of the Company		**101,323**	43,146
Non-controlling interests		**2,111**	1,412
		103,434	44,558
Total comprehensive income for the year attributable to:			
Owners of the Company		**105,295**	41,670
Non-controlling interests		**2,111**	1,412
		107,406	43,082
Earnings per share	*13*		
– Basic (RMB cents)		**6.17**	3.92
– Diluted (RMB cents)		**6.17**	3.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LABILITIES			
Non-current assets			
Property, plant and equipment	15	6,283	7,364
Investment properties	16	44,491	–
Goodwill	17	48,316	48,316
Intangible assets	18	28,890	32,192
Interests in joint ventures	19	19,339	–
Held-to-maturity investment	20	12,245	16,847
Available-for-sale investments	21	459,028	98,000
Loans and accounts receivables	22	40,020	6,727
		658,612	209,446
Current assets			
Held-to-maturity investment	20	5,086	5,000
Loans and accounts receivables	22	217,625	71,818
Deposits paid, prepayments and other receivables	23	49,277	65,205
Amount due from a shareholder	24	3,787	2,803
Amount due from a non-controlling interest	24	1	14,710
Amounts due from joint ventures	24	11,421	–
Tax recoverable		7,671	7,475
Cash and cash equivalents	25	34,689	154,507
		329,557	321,518
Current liabilities			
Receipts in advance, accruals and other payables	26	41,408	14,458
Dividend payable		149	38
Bank borrowing	27	2,693	–
Convertible bonds	28	87,807	–
Current tax liabilities		46,859	18,467
		178,916	32,963
Net current assets		150,641	288,555
Total assets less current liabilities		809,253	498,001
Non-current liabilities			
Receipts in advance, accruals and other payables	26	11,672	–
Bank borrowing	27	18,668	–
Deferred tax liabilities	12	7,222	8,048
		37,562	8,048
NET ASSETS		771,691	489,953

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*29*	**142,004**	124,827
Reserves	*33(a)*	**574,216**	327,118
Proposed dividend		**15,352**	–
		731,572	451,945
Non-controlling interests	*35*	**40,119**	38,008
TOTAL EQUITY		**771,691**	489,953

On behalf of the Board

Zheng Weijing
Director

Zhang Gongjun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium *(note 33(c)(i))*	Merger reserve *(note 33(c)(ii))*	Statutory reserve *(note 33(c)(iii))*	Exchange reserve *(note 33(c)(iv))*	Share option reserve *(note 33(c)(v))*	Convertible bonds equity reserve *(note 33(c)(vi)*	Retained earnings *(note 33(c)(vii))*	Dividend proposed	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	83,165	22,175	116,659	12,424	199	–	–	18,025	–	252,647	(11,491)	241,156
Profit for the year	–	–	–	–	–	–	–	43,146	–	43,146	1,412	44,558
Exchange differences on translating foreign operation	–	–	–	–	(1,476)	–	–	–	–	(1,476)	–	(1,476)
Total comprehensive income for the year	–	–	–	–	(1,476)	–	–	43,146	–	41,670	1,412	43,082
Issue of ordinary shares upon open offer *(note 29(a))*	41,662	128,017	–	–	–	–	–	–	–	169,679	–	169,679
Share issue costs	–	(3,032)	–	–	–	–	–	–	–	(3,032)	–	(3,032)
Business combination *(note 30)*	–	–	–	–	–	–	–	–	–	–	21,314	21,314
Acquisition of non-controlling interest	–	–	–	–	–	–	–	(10,464)	–	(10,464)	12,073	1,609
Capital contribution by non-controlling equity holder of subsidiary	–	–	–	–	–	–	–	–	–	–	14,700	14,700
Equity settled share-based transactions	–	–	–	–	–	1,445	–	–	–	1,445	–	1,445
Transfer to statutory reserve	–	–	–	6,793	–	–	–	(6,793)	–	–	–	–
Balance at 31 December 2015 and 1 January 2016	124,827	147,160	116,659	19,217	(1,277)	1,445	–	43,914	–	451,945	38,008	489,953
Profit for the year	–	–	–	–	–	–	–	101,323	–	101,323	2,111	103,434
Exchange differences on translating foreign operation	–	–	–	–	3,972	–	–	–	–	3,972	–	3,972
Total comprehensive income for the year	–	–	–	–	3,972	–	–	101,323	–	105,295	2,111	107,406
Interim dividend paid *(note 14)*	–	(14,887)	–	–	–	–	–	–	–	(14,887)	–	(14,887)
Proposed final dividend *(note 14)*	–	(15,352)	–	–	–	–	–	–	15,352	–	–	–
Subscription of new shares *(note 29(b))*	17,126	144,712	–	–	–	–	–	–	–	161,838	–	161,838
Share issue costs	–	(188)	–	–	–	–	–	–	–	(188)	–	(188)
Exercise of share options	51	748	–	–	–	(262)	–	–	–	537	–	537
Equity settled share-based transactions *(note 31)*	–	–	–	–	–	21,716	–	–	–	21,716	–	21,716
Share options lapsed *(note 31)*	–	–	–	–	–	(1,212)	–	1,212	–	–	–	–
Issue of convertible bonds *(note 28)*	–	–	–	–	–	–	5,316	–	–	5,316	–	5,316
Transfer to statutory reserve	–	–	–	9,814	–	–	–	(9,814)	–	–	–	–
Balance at 31 December 2016	142,004	262,193	116,659	29,031	2,695	21,687	5,316	136,635	15,352	731,572	40,119	771,691

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Cash flows from operating activities		
Profit before income tax expense	**135,320**	48,730
Adjustments for:		
Bank interest income	**(361)**	(87)
Interest income from investments	**(2,068)**	(2,695)
Loss on disposal of available-for-sale investments	**–**	50
Bad debts – loans and accounts receivables written off	**38**	1,207
Loss on disposal of loans and accounts receivables	**–**	74
Loss on disposal of subsidiaries	**–**	90
Interest expenses	**7,790**	5,635
Depreciation of property, plant and equipment	**2,597**	1,688
Amortisation of intangible assets	**3,302**	825
Other receivables and deposit written off	**–**	5
Equity-settled share-based payments	**21,009**	1,436
Share of results of joint ventures	**661**	–
Operating profit before working capital changes	**168,288**	56,958
Increase in loans and accounts receivables	**(179,138)**	(10,947)
Decrease in deposits, prepayments and other receivables	**37,221**	122,397
Increase in receipts in advance, accruals and other payables	**37,326**	(20,401)
Cash generated from operations	**63,697**	148,007
Income taxes paid	**(4,006)**	(7,764)
Net cash generated from operating activities	**59,691**	140,243

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Cash flows from investing activities			
Increase in amount due from a shareholder		**(984)**	(2,779)
Increase in amount due from a non-controlling interest		**–**	(9)
Increase in amounts due from joint ventures		**(11,421)**	–
Investment in a joint venture		**(20,000)**	–
Business combination, net of cash	*30*	**–**	(70,458)
Net cash outflow of disposal of subsidiaries		**–**	(1)
Purchases of property, plant and equipment		**(1,507)**	(2,996)
Purchases of investment properties		**(43,195)**	–
Investments in available-for-sale investments		**(361,028)**	(98,000)
Proceeds from redemption of held-to-maturity investment		**–**	2,000
Proceeds from disposal of non-current assets classified as held for sale		**–**	25,762
Interest received		**361**	1,892
Net cash used in investing activities		**(437,774)**	(144,589)
Cash flows from financing activities			
Proceeds from subscription of new shares		**161,838**	–
Proceeds from issue of ordinary shares upon open offer		**–**	169,679
Share issue costs		**(188)**	(3,032)
Proceeds from exercise of share options		**537**	–
Proceeds from issue of convertible bonds		**86,594**	–
Redemption of corporate bonds		**–**	(70,000)
Proceeds from borrowings		**37,041**	–
Repayment of borrowings		**(15,680)**	–
Interest paid		**(4,120)**	(4,053)
Dividend paid to shareholders		**(14,776)**	–
Net cash generated from financing activities		**251,246**	92,594
Net (decrease)/increase in cash and cash equivalents		**(126,837)**	88,248
Cash and cash equivalents at beginning of the year		**154,507**	67,530
Effect of foreign exchange rates, net		**7,019**	(1,271)
Cash and cash equivalents at end of the year		**34,689**	154,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

1. GENERAL

Flying Financial Service Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands on 4 May 2011. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The principal place of business of the Company is located at Room 801A and 807B, 8/F., Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 7 May 2012.

The Group, comprising the Company and its subsidiaries, currently engages in investment in property development projects, operation of financial services platform, provision of entrusted loan, pawn loan and other loan services, financial consultation services, and finance lease and factoring services mainly in the People's Republic of China (the "PRC"). The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in the note 34.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Ming Cheng Investments Limited, a limited liability company incorporated in the British Virgin Islands ("the BVI").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and contents of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2016 (Continued)

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

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

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Statement of Cash Flows[1]
Amendments to HKAS 12	Income Taxes[1]
Amendments to HKFRS 2	Share-Based Payment[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to HKAS 7 – Statement of Cash Flows

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Income Taxes

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Share-based Payment

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

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.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments HKFRS 15 – Revenue from Contracts with customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is not yet in a position to state whether these new pronouncement will result in substantial changes to the Group's accounting policies and financial statements

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the start of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial assets as explained in the accounting policies set out below.

(c) Functional and presentation currency

The functional currency of the Company is Hong Kong Dollar ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter–company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the joint ventures are not recognised unless there is an obligation to make good those losses.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangements (Continued)

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(d) Goodwill

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

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquire and the acquisition date fair value of the acquirer's previously held equity interest in the acquire, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(n)) and whenever there is an indication that the unit may be impaired.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

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

Office buildings	The shorter of the lease terms and 20 years
Leasehold improvements	Over the leases term but not exceeding 5 years
Furniture, fixtures and office equipment	3 years
Motor vehicle	5 years

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income, the Group chooses not to classify and account for these property interests as investment property.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expense.

Customers relationship	10 years

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(n)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior year.

(h) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale investments

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

For loans and receivables or held-to-maturity investments

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial assets is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale investments

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

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

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost (including other payables, borrowings and debt element of convertible bonds issued by the Group)are subsequently measured at amortised cost, using the effective interest method.

The related interest expense is recognised in profit or loss.

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

(iv) Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debt. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan note into equity, is included in convertible bonds equity reserve.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share capital and share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(v) Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(vi) Effective interest method

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

(vii) Equity instruments

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

(viii) Derecognition

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

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

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business net of sales related taxes.

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

Consultancy services fee income is recognised using the percentage of completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Investment income is recognised when the right to receive the income is established.

Platform services income generated from provision of financial services platform is recognised upon completion of transactions.

For financial lease service income, please refer to note 4(q).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income taxes

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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

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

(k) Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Foreign currency (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

(l) Employee benefits

The Group operates a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(m) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Share-based payments (Continued)

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(n) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries and joint ventures;
- intangible assets.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under the HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4(d)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of any qualifying asset which require a substantial period of time to be ready for their intended use or sales, are capitalised as part of the cost of those assets.

Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing cost capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable will result in an outflow of economic benefits that can be reasonably estimated.

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

(q) Leasing

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

Finance lease as lessor

Amounts due from lessees under finance leases are recorded as finance lease receivables included in “loans and accounts receivables” at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

The Group assesses impairment on the finance lease receivables in the same manner as that for loans and accounts receivables in note 4(h)(ii) above.

Operating lease as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of capital are deducted from capital (net of any related income tax benefit) to the extend they are incremental costs directly attributable to the equity transaction.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(u) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(a) Critical judgments in applying accounting policies

(i) Held-to-maturity investment

The Group classifies financial assets as held-to-maturity investments when it has a positive intention and ability to hold the investment to maturity. Directors exercise judgment based on the Group's treasury objective and financial risk management policy to determine whether the financial assets are to be classified as held-to-maturity.

(ii) Subsidiary

Pursuant to a group reorganisation (the "Reorganisation") carried out by the Group to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM of the Hong Kong Stock Exchange, the Company became the holding company of the subsidiaries comprising the Group. The contractual arrangements under the Reorganisation ("Contractual Arrangements") enable the Company to exercise control over Guangdong Hui Jin Dian Dang Investment Holding Limited ("Guangdong Huijin"), a joint-stock limited company incorporated in the PRC.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION (Continued)

(a) Critical judgments in applying accounting policies (Continued)

(ii) Subsidiary (Continued)

The Contractual Arrangements were entered into in order for the Group to manage and operate the business of Guangdong Huijin in the PRC, under which Flying Investment Services (Shenzhen) Company Limited ("Flying Investment") is exposed, has rights, to variable returns from its involvement with Guangdong Huijin. Flying Investment, one of the subsidiaries of the Company, has the ability to affect those returns through its power over Guangdong Huijin, and the variable returns are transferred to Flying Investment by means of management and consultation fees payable by Guangdong Huijin to Flying Investment. Further details of the Contractual Arrangements are set out in the paragraph headed "Structure Agreements" to the prospectus of the Company dated 20 April 2012 in connection with the listing.

Accordingly, Guangdong Huijin is accounted for as a subsidiary as a consequence of the Contractual Agreements. Significant judgments have been exercised by management in assessing and concluding Guangdong Huijin as a subsidiary of the Group.

(iii) Income tax

The Group is subject to income and other taxes in a number of jurisdictions. Significant judgment is required in determining the provision for income taxes. Transactions and calculations may exist for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made. In addition, deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(b) The key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment of receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of customers and related parties. If the financial conditions of the customers and other debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION (Continued)

(b) The key sources of estimation uncertainty (Continued)

(ii) Stage of completion of consultancy services

Revenue from consultancy services is recognised according to the percentage of completion of consultancy services. The revenue recognition on an uncompleted consultancy service is dependent on estimating the total work to be performed of the consultancy contract, as well as the work done to date. In order to ensure that the percentage of completion of consultancy services is accurate and up-to-date, management frequently reviews and estimates the progress of the consultancy services rendered based on its past experience and the nature of the consultancy services provided by the Group.

(iii) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at each reporting date. Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(v) Impairment of available-for-sale equity investments

The directors review available-for-sale equity investments at the end of each reporting period to assess whether they are impaired. The available-for-sale equity investments of the Group was stated at cost because the variability in the range of reasonable fair value estimated was so significant that the Directors are of the opinion that the fair value could not be measured reliably. The amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for the similar financial assets.

(vi) Fair value measurement

The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy").

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION (Continued)

(b) The key sources of estimation uncertainty (Continued)

(vi) Fair value measurement (Continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures investment properties (note 16) at fair value. For more detailed information in relation to the fair value measurement, please refer to the applicable notes.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decision.

The Group has four reportable segments (2015: four). The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Investment in property development projects	Investments income and relevant consultation service income generated from the limited partnerships, which invest in property development projects and are accounted for as available-for-sale equity investments;
Operation of financial services platform	Provision of financial consultation services and financial services platform;
Provision of entrusted loan, pawn loan, other loan services, and financial consultation services	Provision of short-term and long-term loan offer and financial consultation services to borrowers and financial institutions
Finance lease and factoring services	Provision of long-term finance lease and short-term factoring services

During the year ended 31 December 2016, there was a change in the structure of the Group's internal organisation which caused the composition of its reportable segments to change. The chief operating decision maker, after considering the nature of the services, the type or class of customers for the services and the methods used to provide services, regards the entrusted loan, pawn loan, other loan services and financial consultation services are having similar economic characteristics. Accordingly, these four operating segments are aggregated into a single reporting segment, starting from 1 January 2016. Corresponding items of segment information for the year ended 31 December 2015 have been restated.

6. SEGMENT INFORMATION (Continued)

Segment information about reportable segments:

	Investment in property development projects RMB'000	Operation of financial services platform RMB'000	Provision of entrusted loan, pawn loan, other loan services and financial consultation services RMB'000	Finance lease and factoring services RMB'000	Total RMB'000
For the year ended 31 December 2016					
Revenue from external customers	**203,588**	**70,793**	**4,188**	**10,593**	**289,162**
Reportable segment profit	**139,024**	**21,543**	**1,175**	**7,327**	**169,069**
Other income	**224**	**40**	**149**	**52**	**465**
Depreciation	**1,426**	**496**	**298**	**7**	**2,227**
Amortisation of intangible assets	**–**	**3,302**	**–**	**–**	**3,302**
Loans and accounts receivables written off as bad debts	**–**	**–**	**38**	**–**	**38**
Income tax expense/(credit)	**32,966**	**5,671**	**(8,843)**	**2,092**	**31,886**
Additions to non-current assets	**1,148**	**311**	**16**	**4**	**1,479**
As at 31 December 2016					
Reportable segment assets	**566,419**	**111,492**	**62,401**	**132,474**	**872,786**
Reportable segment liabilities	**45,787**	**26,714**	**15,175**	**9,184**	**96,860**
For the year ended 31 December 2015					
Revenue from external customers	65,411	12,069	29,285	1,763	108,528
Reportable segment profit	46,651	4,311	10,029	696	61,687
Other income	–	11	606	27	644
Depreciation	935	173	442	2	1,552
Amortisation of intangible assets	–	825	–	–	825
Loans and accounts receivables written off as bad debts	–	–	1,207	–	1,207
Income tax expense	2,515	464	1,019	174	4,172
Additions to non-current assets	–	82,830	316	–	83,146
As at 31 December 2015					
Reportable segment assets	135,416	94,475	72,304	81,690	383,885
Reportable segment liabilities	5,866	19,077	12,043	309	37,295

6. SEGMENT INFORMATION (Continued)

	2016 RMB'000	2015 RMB'000
Revenue		
Revenue from external customers	**289,162**	108,528
Profit before income tax expense		
Reportable segment profit	**169,069**	61,687
Interest income from investments	**2,068**	2,695
Loss on disposal of available-for-sale investments	**-**	(50)
Depreciation	**(370)**	(136)
Equity-settled share-based payments	**(21,009)**	(1,436)
Finance costs	**(7,790)**	(5,635)
Share of results of joint ventures	**(661)**	–
Unallocated corporate expenses	**(5,987)**	(8,395)
Consolidated profit before income tax expense	**135,320**	48,730
Assets		
Reportable segment assets	**872,786**	383,885
Investment properties	**44,491**	-
Interests in joint ventures	**19,339**	-
Held-to-maturity investment	**17,331**	21,847
Amount due from a shareholder	**3,787**	2,803
Amount due from a non-controlling interest	**1**	14,710
Amounts due from joint ventures	**11,421**	-
Tax recoverable	**-**	303
Cash and cash equivalents	**2,991**	85,498
Unallocated corporate assets	**16,022**	21,918
Consolidated total assets	**988,169**	530,964
Liabilities		
Reportable segment liabilities	**96,860**	37,295
Dividend payable	**149**	38
Bank borrowing	**21,361**	–
Convertible bonds	**87,807**	–
Unallocated corporate liabilities	**10,301**	3,678
Consolidated total liabilities	**216,478**	41,011

6. SEGMENT INFORMATION (Continued)

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is mainly sourced from Hong Kong and the PRC.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong	**874**	–	**62**	176
The PRC (place of domicile)	**288,288**	108,528	**147,257**	87,696
	289,162	108,528	**147,319**	87,872

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue:

	2016	2015
	RMB'000	RMB'000
Customer A	**63,817**	–
Customer B	**61,491**	N/A
Customer C	**28,119**	–
Customer D	**N/A**	55,575
Customer E	**–**	15,354

N/A: transactions during the year did not exceed 10% of the Group's revenue

7. REVENUE

Revenue, which is also the Group's turnover, represents the income from its principal activities. Revenue recognised during the year are as follows:

	2016 RMB'000	2015 RMB'000
Investment income from investments in property development projects through limited partnerships *(note 21(a))*	**135,101**	45,000
Financial consultation services income	**109,289**	51,986
Platform services income	**30,369**	5,314
Factoring loan services income	**9,731**	–
Interest income	**3,810**	4,465
Finance lease service income	**862**	1,763
	289,162	108,528

8. OTHER INCOME

	Notes	2016 RMB'000	2015 RMB'000
Bank interest income		**361**	87
Interest income from investments	*(a)*	**2,068**	2,695
Loss on disposal of available-for-sale investments		**–**	(50)
Bad debts – loans and accounts receivables written off	*(b)*	**(38)**	(1,207)
Exchange gain		**–**	1,282
Loss on disposal of loans and accounts receivables		**–**	(74)
Loss on disposal of subsidiaries		**–**	(90)
Other income		**277**	40
		2,668	2,683

Notes:

(a) Interest income from investments included interest income from held-to-maturity investments (note 20) and available-for-sale debt investments.

(b) During the year ended 31 December 2015, bad debts of approximately RMB1,207,000 were charged to profit or loss as a result of the disposal of an accounts receivables of approximately RMB11,137,000 subsequent to 31 December 2015 at a consideration of approximately RMB9,930,000. The difference of RMB1,207,000 was written off as bad debts during the year ended 31 December 2015.

9. FINANCE COSTS

	Notes	2016 RMB'000	2015 RMB'000
Interest on convertible bonds	*28*	**6,266**	–
Interest on bank borrowing	*27*	**385**	–
Interest on other borrowing	*(a)*	**1,139**	–
Interest on corporate bonds	*(b)*	**–**	5,635
		7,790	5,635

Notes:

(a) During the year ended 31 December 2016, the Group borrowed a short-term loan from an independent financial institution in the PRC to invest in a limited partnership. The borrowing bore interest at 11% per annum and has been fully repaid during the year ended 31 December 2016.

(b) The corporate bonds were fully repaid during the year ended 31 December 2015.

10. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2016 RMB'000	2015 RMB'000
Auditor's remuneration		
– Current year	**866**	749
– Under provision in prior year	**92**	33
Depreciation of property, plant and equipment	**2,597**	1,688
Amortisation of intangible assets	**3,302**	825
Other receivables and deposit written off	**–**	5
Employee benefit expenses including directors' remuneration *(note 11)*		
Salaries and wages	**41,084**	19,501
Pension scheme contributions – defined contribution plans	**6,974**	3,560
	48,058	23,061
Equity-settled share-based payments expense*	**21,009**	1,436
Operating lease charges in respect of properties	**8,414**	7,193

* During the year ended 31 December 2016, equity settled share-based payment expenses on directors and staff and advisors under service contracts which were recognised as a result of share options granted to them by the Company amounted to approximately RMB19,151,000 (2015: RMB1,322,000) and RMB1,858,000 (2015: RMB114,000), respectively. Details of transactions are set out in note 31.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The remuneration of each of the directors for the year is set out below:

	Fees RMB'000	Salaries allowances and benefits in kind *(note a)* RMB'000	Equity-settled share-based payments *(note b)* RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2016					
Executive directors:					
Mr. Zheng Weijing	**–**	**1,190**	**310**	**–**	**1,500**
Mr. Zhang Gongjun	**–**	**644**	**2,478**	**–**	**3,122**
Ms. Guo Chanjiao	**–**	**1,653**	**2,478**	**–**	**4,131**
	–	**3,487**	**5,266**	**–**	**8,753**
Independent non-executive directors:					
Mr. Vincent Cheng	**120**	**2**	**155**	**–**	**277**
Mr. Leung Po Hon	**120**	**2**	**155**	**–**	**277**
Dr. Miao Bo	**120**	**2**	**155**	**–**	**277**
	360	**6**	**465**	**–**	**831**
Total	**360**	**3,493**	**5,731**	**–**	**9,584**
Year ended 31 December 2015					
Executive directors:					
Mr. Zheng Weijing	–	390	19	–	409
Mr. Zhang Gongjun	50	150	151	–	351
Ms. Guo Chanjiao	–	378	151	–	529
	50	918	321	–	1,289
Independent non-executive directors:					
Mr. Vincent Cheng	100	–	9	–	109
Mr. Leung Po Hon	100	–	9	–	109
Dr. Miao Bo	47	–	9	–	56
	247	–	27	–	274
Total	297	918	348	–	1,563

Notes:

(a) Being salaries, allowances and benefits in kind paid or payable in connection with the management of the affairs of the Company and its subsidiaries.

(b) These amounts represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the accounting policies for share-based payments as set out in note 4(m) to the financial statements.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group included three (2015: two) directors of the Company whose emoluments are included above for the year ended 31 December 2016.

The analysis of the emolument of the remaining two (2015: three) highest paid individuals were as below:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	**1,419**	995
Pension scheme contributions	**16**	10
	1,435	1,005

Their emoluments were within the following bands:

	2016 Number of individual	2015 Number of individual
Nil to HK$1,000,000	**2**	3

(c) No director or any of the highest paid individuals waived or agreed to waive any emoluments (2015: nil). No emoluments were paid by the Group to the Directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2015: nil)

(d) The emoluments paid or payable to members of senior management other than the directors of the Company were within the following bands:

	2016	2015
Nil to HK$1,000,000	**1**	2

12. INCOME TAX EXPENSE AND DEFERRED TAX LIABILITIES

	2016 RMB'000	2015 RMB'000
PRC Enterprise Income Tax		
– Current year	**42,996**	5,984
– Over-provision in respect of prior years	**(11,275)**	98
Hong Kong Profits Tax		
– Over-provision in respect of prior years	**–**	(1,704)
	31,721	4,378
Withholding tax	**991**	–
Deferred tax	**(826)**	(206)
	31,886	4,172

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

Enterprise income tax ("EIT") arising from the PRC for the year was calculated at 25% (2015: 25%) of the estimated assessable profits of subsidiaries operating in the PRC during the year. According to the EIT law, the taxable income of an enterprise shall be the total revenue of such enterprise, deducted by any non-assessable revenue, exempted revenue, other deductions and amount of offsetting any accumulated tax losses.

In previous years, the Group originally paid EIT based on a deemed EIT rate of 10% approved by the local tax authority in the PRC. The Group later realised that the deemed EIT rate is not in compliance with the tax law of the PRC Government and therefore made provision of approximately RMB10,353,000 to account for the difference between EIT payable calculated according to the tax legislation and the EIT originally paid.

However, according to the relevant PRC tax regulation, the local tax authority only has the rights to pursue any under-reporting of EIT within a 3-year period. As the above provision for possible under-payment of EIT was made more than 3 years, the directors of the Company concluded that the rights of the local tax authority to demand for the under-payment of EIT from the Group had expired. Accordingly, the provision of approximately RMB10,353,000, together with other over-provisions of RMB922,000 totaling RMB11,275,000, was credited to the consolidated statement of comprehensive income during the year ended 31 December 2016.

12. INCOME TAX EXPENSE AND DEFERRED TAX LIABILITIES (Continued)

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profit for the year. No provision for Hong Kong profits tax has been made as the Group did not have assessable profit during the year ended 31 December 2016.

Withholding tax was calculated at 5% of the dividends declared in respect of profits earned by a PRC subsidiary to its intermediate holding company incorporated in Hong Kong during the year.

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	2016 RMB'000	2015 RMB'000
Profit before income tax expense	**135,320**	48,730
Tax calculated at the domestic tax rate of 25% (2015: 25%)	**33,830**	12,182
Effect of difference tax rates of subsidiaries operating in other jurisdictions	**2,926**	1,300
Tax effect of non-deductible expenses	**10,066**	857
Tax effect of non-taxable income	**(45)**	(1)
Tax effect of tax losses not recognised	**1,821**	4,463
Tax effect of deductible temporary differences not recognised	**6,165**	(6,007)
Over provision in respect of prior years	**(11,275)**	(1,606)
Utilisation of tax losses previously not recognised	**(12,593)**	(7,016)
Withholding tax distributed profits of a PRC subsidiary	**991**	–
Income tax expense	**31,886**	4,172
Deferred tax liabilities		
As at 1 January	**8,048**	–
Recognised on business combination *(note 30)*	**–**	8,254
Credit to profit or loss	**(826)**	(206)
As at 31 December	**7,222**	8,048

12. INCOME TAX EXPENSE AND DEFERRED TAX LIABILITIES (Continued)

As at 31 December 2016, the aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised is approximately RMB65,622,000 (2015: RMB31,216,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The Group has accumulated tax losses arising in Hong Kong and the PRC of approximately RMB5,100,000 (2015: RMB41,661,000) and RMB90,454,000 (2015: RMB133,759,000) respectively. Deferred tax assets have not been recognised in respect of these losses as it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The tax loss can be carried forward with a maximum period of five years in the PRC while the tax loss in Hong Kong can be carried forward indefinitely. In the opinion of the directors of the Group, there are no other deferred tax assets which will have a significant impact to the Group.

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculations of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB101,323,000 (2015: RMB43,146,000) and the weighted average number of approximately 1,642,931,000 (2015: 1,101,640,000) ordinary shares during the year.

(b) Diluted earnings per share

The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. For the purposes of calculation the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

The actual computation of diluted earnings per share has not taking into account the conversion of the Company's outstanding convertible bonds since to do so would result in an increase in profit per share. The diluted earnings per share is same as basic earnings per share for the year ended 31 December 2016 and 2015 as the shares issuable in respect of the outstanding share options have an anti-dilutive effect on the basic earnings per share.

14. DIVIDENDS

For the year ended 31 December 2016, an interim dividend of HK$0.01 per ordinary share or in aggregation of approximately HK$17,314,000 (equivalent to approximately RMB14,887,000) was declared and paid by the Company to its shareholders.

At a meeting held on 23 March 2017, the directors of the Company recommended a final dividend of HK$0.01 per ordinary share, in aggregate amounting to approximately HK$17,314,000 (equivalent to approximately RMB15,352,000), for the year ended 31 December 2016, and the proposal will be submitted for formal approval by the shareholders at the forthcoming annual general meeting to be held on 16 May 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Office building RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicle RMB'000	Total RMB'000
Cost:					
At 1 January 2015	3,300	1,397	3,263	333	8,293
Acquired through business combination *(note 30)*	–	–	1,399	–	1,399
Additions	–	2,100	896	–	2,996
Exchange realignment	–	26	10	19	55
At 31 December 2015 and 1 January 2016	3,300	3,523	5,568	352	12,743
Additions	–	692	815	–	1,507
Exchange realignment	–	34	15	24	73
At 31 December 2016	3,300	4,249	6,398	376	14,323
Accumulated depreciation:					
At 1 January 2015	165	1,279	2,058	150	3,652
Charge of the year	160	568	890	70	1,688
Exchange realignment	–	26	5	8	39
At 31 December 2015 and 1 January 2016	325	1,873	2,953	228	5,379
Charge for the year	165	1,046	1,313	73	2,597
Exchange realignment	–	34	13	17	64
At 31 December 2016	490	2,953	4,279	318	8,040
Net carrying amount:					
At 31 December 2016	2,810	1,296	2,119	58	6,283
At 31 December 2015	2,975	1,650	2,615	124	7,364

The Group's office building is located in the PRC with lease term expired in 2051.

16. INVESTMENT PROPERTIES

	2016 RMB'000
Fair value	
At 1 January	–
Additions	**44,491**
At 31 December	**44,491**

All the investment properties of the Group are held under long-term land use right in the PRC. The investment properties held by the Group were valued by a qualified namely Colliers International (Hong Kong) Limited, an independent firm of chartered surveyors. The valuation was carried out in accordance with guidance get by the Royal Institution of Chartered Surveyors ("RICS") Global Valuation Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council ("IVSC").

The valuation was determined using a market approach. The fair value is based on the value of properties by comparing recent sales of similar interests in the properties or properties located in their surrounding area. The significant input into this valuation approach is price per square meter, which has been adjusted to reflect the time of transaction, size, location, amenities and other relevant factors when comparing such sales prices of similar properties to assess the value of the subject properties.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

Description	Valuation technique	Significant unobservable inputs	Range of unobservable input (probability-weighted average)	Relationships of unobservable inputs to fair value
Investment properties in the PRC	Market approach	Price per square meter ("sqm") using market direct comparable which has been adjusted to reflect the time of transaction, size , location, amenities	RMB54,725/sqm– RMB61,118/sqm	Good orientation will result in corresponding higher value

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

There were no changes to the valuation techniques during the period.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

All investment properties are pledged to a bank borrowing and general banking facilities granted to the Group (note 27).

17. GOODWILL

	2016 RMB'000	2015 RMB'000
At 1 January	**48,316**	–
Acquired through business combination on 30 September 2015 *(note 30)*	**–**	48,316
At 31 December	**48,316**	48,316

Goodwill of approximately RMB48,316,000 is attributable to the cash-generating unit ("CGU") of provision of financial services platform acquired in 2015.

Impairment testing on goodwill

For the purpose of impairment testing, goodwill is allocated to the CGU identified as follows:

	2016 RMB'000	2015 RMB'000
Financial services platform	**48,316**	48,316

The recoverable amount of the CGU including goodwill and intangible assets (note 18) which are closely related, has been determined using the value-in-use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2015: 3%), which does not exceed the long-term growth rate for the financing platform in the PRC, and discount rate of 21% (2015: 18%), which is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin has been calculated based on past experience.

	2016 RMB'000	2015 RMB'000
Discount rate	**21%**	18%
Operating margin	**41%**	33%

18. INTANGIBLE ASSETS

	Customers relationship RMB'000
Cost	
Additions	
Acquired through business combination *(note 30)*	33,017
At 31 December 2015 and 2016	33,017
Amortisation and impairment	
At 1 January 2015	–
Amortisation	825
At 31 December 2015 and 1 January 2016	825
Amortisation	3,302
At 31 December 2016	4,127
Net book value	
At 31 December 2016	28,890
At 31 December 2015	32,192

19. INTERESTS IN JOINT VENTURES

	2016 RMB'000
Investment cost	**20,000**
Share of results of joint ventures	**(661)**
Share of net assets as at 31 December 2016	**19,339**

During the year ended 31 December 2016, the Group invested in 40% and 30% of the equity interest in the joint venture entities, Zhongzhou Huilian Internet Financial Services (Shenzhen) Limited ("Zhongzhou Huilian") and Shenzhen Shangyintong Internet Financial Services Limited ("Shenzhen Shangyintong"), respectively. Details of the joint ventures are as follows:

Name	Place of incorporation/ establishment	Principal activities	Description of registered capital held	Percentage of ownership interests/ voting rights profit share Indirectly
Zhongzhou Huilian	The PRC	Provision of information and computer technology services	RMB50,000,000	40%
Shenzhen Shangyintong	The PRC	Provision of financial consultation services	RMB10,000,000*	30%

* The Group has not yet paid up the capital of RMB3,000,000 as at 31 December 2016.

19. INTERESTS IN JOINT VENTURES (Continued)

The contractual arrangement provides the Group with only the rights to the net assets of the joint ventures, with the rights to the assets and obligations for the liabilities of the joint ventures resting primarily with Zhongzhou Huilian and Shenzhen Shangyintong. Under HKFRS 11, these joint arrangements are classified as joint ventures and have been included in the consolidated financial statement using the equity method.

Aggregated financial information in relation to the joint ventures which are, in the opinion of the directors of the Company, immaterial and presented below:

	2016 RMB'000
Loss for the year	**(2,002)**
Total comprehensive income for the year	**(2,002)**

20. HELD-TO-MATURITY INVESTMENT

	2016 RMB'000	2015 RMB'000
Held-to-maturity investment	**17,331**	21,847
Less: Non-current portion	**(12,245)**	(16,847)
Current portion	**5,086**	5,000

The Group holds a held-to-maturity investment with four maturity dates between 2016 and 2019. The investment has a principal amount of approximately RMB20 million and bears fixed interest at 7.2% per annum. During the year ended 31 December 2016, principal amount of RMB5 million matured. This amount together with interest earned thereon were transferred to other receivables and fully settled as at the date of this report. The remaining principal amount of the investment will mature in equal amounts in February 2017, 2018 and 2019.

The non-current portion in 2015 was restated to reflect the portion of held-to-maturity investment has been matured in February 2016.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Unlisted equity securities, at cost *(note a)*	**419,000**	98,000
Unlisted debt securities at fair value *(note b)*	**40,028**	–
Non-current portion	**459,028**	98,000

(a) During the year ended 31 December 2016 and 2015, the Group invested in several limited partnerships in the PRC and act as limited partner with capital contributions at a range of RMB16 million to RMB60 million (2015: RMB16 million to RMB50 million). The contribution represented 3.98% to 44.44% (2015: 10.26% to 41.67%) of the total contribution of the limited partnerships. The Group revoked its voting right on decision making over these limited partnerships and therefore, the directors of the Company are of the opinion that the Group did not have any control nor significant influence over these limited partnerships. These limited partnerships are engaged in property development projects in the PRC. These investments were therefore classified as non-current assets for the years ended 31 December 2016 and 2015.

The fair value is not disclosed as the fair value cannot be measured reliably. There is no open market on the unlisted investments.

The limited partnerships are without an investment life and they do not have a fixed maturity date. The directors of the Company also have no intention to dispose of these investments as at 31 December 2016 and 2015.

During the year ended 31 December 2016, the Group received investment income of RMB135 million (note 7) (2015: RMB45 million) from 6 (2015: 1) of the limited partnerships. As at 31 December 2016, there was approximately RMB56.5 million (2015: RMB35.0 million) investment income receivables from these limited partnerships (note 22) which had been fully settled before the date of this report.

(b) On 29 December 2016, the Group entered into an agreement with an independent third party to subscribe for assets-backed securities ("ABS") in the PRC for a consideration of approximately RMB40 million. The subscription amount represented 10.5% of the entire units of the ABS which is secured by a loan receivable held by a trust company in the PRC. According to the agreement, the Group will receive a variable return over the agreement period. The ABS will expire in September 2026 and the directors of the Company have no intention to dispose of this investment as at 31 December 2016. The investment was therefore classified as a non-current asset as at 31 December 2016. The ABS is a debt security and stated at fair value as at 31 December 2016. In the opinion of the directors of the Company, the acquisition date of the ABS was close to the reporting date and there was no material factor which would affect its fair value subsequent to the acquisition date. Therefore, the acquisition price was considered as the fair value of this available-of-sale investment as at 31 December 2016.

22. LOANS AND ACCOUNTS RECEIVABLES

	Notes	**2016 RMB'000**	2015 RMB'000
Pawn loan receivables	*a*	**972**	–
Entrusted loan receivables	*b*	**22,338**	8,569
Financial consultation services income receivables	*c*	**21,196**	17,530
Investment income receivables	*d*	**56,500**	35,000
Platform services income receivables	*e*	**10,904**	1,446
Finance lease receivables	*f*	**35,580**	–
Factoring loan receivables	*g*	**93,385**	16,000
Other loan receivables	*h*	**16,770**	–
		257,645	78,545
Less: non-current portion			
Entrusted loan receivables		**(8,549)**	(6,727)
Finance lease receivable		**(18,933)**	–
Other loan receivables		**(12,538)**	–
Current portion		**217,625**	71,818

a. Pawn loan receivables represent the short-term loans of approximately RMB972,000 arranged in the PRC. Customers are obliged to settle the amounts according to the terms set out in relevant contracts, with the option to renew the loans granted for a period up to 183 days. Interest rates offered are based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends. The pawn loans bear effective interest at 1.5% (2015: nil) per month as at 31 December 2016 and the maturity date for each loan contract was not more than 183 days.

b. Entrusted loan receivables represent loans to borrowers through certain banks or other financial institutions in the PRC. In an entrusted loan arrangement, the Group enters into a loan agreement with the borrower and a bank or an other financial institution. The borrower repays the loan to the bank or the other financial institution and then the bank or financial institution return the principal and accrued interest to the Group. While the bank or the other financial institution exercises supervision over the arrangement and receives repayment from the borrower, the bank or the other financial institutions does not assume any risk of default by the borrower. The effective interest payable on entrusted loan receivables ranged from 0.46% to 0.67% (2015: 0.4% to 0.46%) per month as at 31 December 2016. Independent third parties have guaranteed these entrusted loans with maturity dates between 1 month to 9 years (2015: 5 years to 10 years).

22. LOANS AND ACCOUNTS RECEIVABLES (Continued)

c. For financial consultation services income receivables, there is no credit period and customers are obliged to settle the amounts according to the terms set out in relevant contracts.

d. Investment income receivables represent income from the investment in a limited partnership as described in note 21(a). The receivables are settled subject to the arrangement of the limited partnerships which are normally settled in 3 months (2015: 1 month) after the approval of the investment income at the board meeting of the limited partnerships. The amount has been fully settled before the date of this report.

e. Platform services income receivables represent service income charged to the platform users who are obliged to pay service fees to the Group. There is no credit period and customers are obliged to settle the amount according to the terms set out in the relevant contracts.

f. For finance lease receivables, borrowers are obliged to settle the amounts according to the terms set out in relevant contracts and acquire the leased assets at the end of the lease period. The interest rates ranged from 8% to 12.5% per annum as at 31 December 2016 with lease periods of 2 to 3 years.

The finance lease receivables as at 31 December 2016 are further analysed as follows:

	Minimum lease payments 2016 RMB'000	Interest income 2016 RMB'000	Present value 2016 RMB'000
Not later than one year	18,685	(2,038)	16,647
Later than one year and not later than two years	16,761	(864)	15,897
Later than two years and not later than five years	3,128	(92)	3,036
	38,574	(2,994)	35,580

The present value of future lease income is analysed as:

	2016 RMB'000
Current assets	**16,647**
Non-current assets	**18,933**
	35,580

Finance lease receivable balances are secured over the equipment leased and guaranteed from independent third parties. The Group is not permitted to sell or repledge the collateral in the absence of default by the leasees.

22. LOANS AND ACCOUNTS RECEIVABLES (Continued)

g. Factoring loan receivables represent the ownership of a beneficial right of an accounts receivable which will expire in September 2017 (2015: expired in June 2016) and bear fixed interest of 12% (2015: fixed interest of 12%) per annum for the year ended 31 December 2016. The Group holds certain accounts receivable as collaterals.

h. Other loan receivables represent loans to borrowers including individuals and entities at fixed interest ranging from 5% to 15% per annum with loan periods of 1 to 10 years. Included in the other loan receivables were long-term loan of approximately RMB11,985,000 (including current and non-current portion) as at 31 December 2016. The loan bears fixed interest of 6.09% per annum and will be repaid over a period of 10 years.

Based on the commencement date of the loans as stated in the relevant contracts, the age analysis of the Group's loans and accounts receivables is as follows:

	2016 **RMB'000**	2015 RMB'000
0 to 30 days	**73,780**	55,098
31 to 90 days	**51,668**	2,972
91 to 180 days	**83,475**	254
Over 180 days	**48,722**	20,221
	257,645	78,545

Ageing analysis of the Group's loans and accounts receivables that were not impaired is as follow:

	2016 **RMB'000**	2015 RMB'000
Neither past due nor impaired	**233,306**	40,801
0 to 30 days past due	**1,440**	36,429
31 to 90 days past due	**13,820**	228
91 to 180 days past due	**4,563**	277
Over 180 days past due	**4,516**	810
	257,645	78,545

22. LOANS AND ACCOUNTS RECEIVABLES (Continued)

Impairment losses in respect of loans and accounts receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amounts is remote, in which case the impairment losses are written off against loans and accounts receivables directly. Based on this assessment, no impairment loss has been determined as individually impaired for the years ended 31 December 2016 and 2015. Please refer to note 8(b) for bad debts written off directly against loans and accounts receivables for the year ended 31 December 2015.

The Group holds collaterals over the pawn loan receivables and factoring loan receivables. At the end of each of reporting date, the fair value of the pledged assets whereby the Group is not permitted to sell or re-pledge in the absence of default by the borrowers in respect of all loans and accounts receivables is as follows:

	2016 RMB'000	2015 RMB'000
Equities (for pawn loan receivables)	**3,175**	–
Accounts receivable (for factoring loan receivables)	**105,440**	–
At 31 December	**108,615**	–

As at 31 December 2015, the Group did not hold any collaterals as the related pawn loan had expired.

As at 31 December 2016, the Group received guarantee from independent third parties to secured the balance of loans and accounts receivables, approximately RMB52,061,000 (2015: RMB8,569,000).

23. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Deposits paid *(note a)*	**1,634**	1,617
Prepayments	**1,440**	1,415
Other receivables *(note b)*	**46,203**	62,173
	49,277	65,205

Notes:

(a) As at 31 December 2016, deposits paid comprised rental and various deposits amounting to RMB1,634,000 (2015: RMB1,617,000).

(b) As at 31 December 2016, other receivables mainly comprised (i) portion of held-to-maturity investment of RMB5 million which had matured before 31 December 2016 and related interest income of RMB1.6 million, both amounts were fully settled before the date of this report; (ii) an amount due from a former non-controlling interest of approximately RMB14. 7 million; (iii) cash deposit in a trust company of approximately RMB6.0 million in relations to the entrusted loan business; (iv) cash deposit on potential projects of approximately RMB7.0 million, of which RMB4.1 million was refunded in January 2017. As at 31 December 2015, other receivables mainly comprised outstanding proceeds of approximately RMB58,800,000 from disposal of available-for-sale investments, current assets held for sale and loans and accounts receivables in 2015. The balance was fully settled in 2016.

24. AMOUNTS DUE FROM A SHAREHOLDER/A NON-CONTROLLING INTEREST/ JOINT VENTURES

The balances due were unsecured, interest free and repayable on demand.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represented cash in hand and bank balance. As at 31 December 2016, the Group had cash and cash equivalents denominated in RMB amounting to approximately RMB28,266,000 (2015: RMB149,451,000), and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Segregated clients' accounts

The Group maintains segregated client's accounts with independent online financial centers which are affiliated to licensed banks in the PRC to hold clients' deposits arising from normal business transactions in connection with the provision for financing platform business. As at 31 December 2016, clients' accounts not dealt within these consolidated financial statements amounted to approximately RMB113,267,000 (2015: RMB29,939,000).

26. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2016 **RMB'000**	2015 RMB'000
Receipts in advance	**695**	2,822
Accruals	**5,652**	2,468
Other payables (note)	**46,733**	9,168
	53,080	14,458
Less: Other payables, non-current portion	**(11,672)**	–
Current portion	**41,408**	14,458

Note:

As at 31 December 2016, other payables mainly comprised (i) deposits received from financial lessees of approximately RMB12 million which will be released to the lessees at the expiry date of the finance lease agreement; (ii) the balance of approximately RMB13 million related to the partial cost of the properties received on behalf of the property developer from the property buyers during the year; and (iii) a provision of RMB3.5 million in relation to a dispute with an individual in the PRC was provided for the year ended 31 December 2016. According to a verdict down the rule of law in the PRC dated on 15 February 2017, the Group has to pay the commission of approximately RMB3 million to the plaintiff. The directors estimated the legal expenses of this legal case at approximately RMB500,000.

27. BANK BORROWING

	2016 RMB'000
Current	
Bank borrowing due for repayment within one year	**2,693**
Non-current	
Bank borrowing (i)	**18,668**

(i) The bank borrowing is secured by the Group's investment properties (note 16) and bore interest at the rate of 5.39% per annum for the year ended 31 December 2016.

The bank borrowing is scheduled to be repaid as follows:

	2016 RMB'000
On demand or within one year	**2,693**
More than one year, but not exceeding two years	**2,154**
More than two years, but not exceeding five years	**6,462**
After five years	**10,052**
	21,361

Note: The amounts due are based on the scheduled repayment dates in the loan agreements.

28. CONVERTIBLE BONDS

On 27 July 2016, the Company issued the 7% convertible bonds (the "Convertible Bonds") with principal amount in aggregate of HK$100,000,000 (equivalent to RMB86,594,000) at the conversion price of HK$1.01 for each new share of the Company, with a maximum of 99,009,900 conversion shares to be allotted and issued. The convertible bonds will be matured in 2 years with an early redemption options as presented below:

a. Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each bond on the second anniversary of the issue date in 2018 at its principal amount together with accrued and unpaid interest thereon and, where none of the bonds have been previously converted, the Additional Amount at defined below.

The maturity date can be brought forward to any time after the first anniversary of the issue date at the sole discretion of the investor by giving notice in writing to the Company at least 15 calendar days prior to the final maturity date.

b. Redemption for taxation reason

The Company may, having given not less than 30 nor more than 60 days' notice to the investor to redeem all but not some only of the Convertible Bonds for the time being outstanding, at its principal amount together with accrued and unpaid interest thereon and the Additional Amount, on the tax redemption date if:

i. the Company satisfies the investor immediately prior to the giving of such notice that it has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date of the Convertible Bonds, and

ii. such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax amounts were a payment in respect of the Convertible Bonds then due.

Additional tax amounts as mentioned above means, in the event that deduction or withholding of taxes, duties, assessments or governmental charges is compelled by law, such additional amounts that will be paid by the Company as will result in the receipt by the investor of such amounts as would have been received by them had no such deduction or withholding been required.

28. CONVERTIBLE BONDS (Continued)

c. Redemption on relevant event

Following the occurrence of a relevant event, the investor has the right at its option to require the Company to redeem the Convertible Bonds in whole on the relevant event date at its principal amount together with accrued and unpaid interest thereon and the Additional Amount. The relevant events include:

i. Mr. Zheng Weijing ("Mr. Zheng") (the executive director of the Company) and his related persons ceased to be the single largest holders, directly or indirectly, of the voting rights in the Company;

ii. Mr. Zheng ceases to be a director and the chairman of the board;

iii. the shares ceases to be traded on the Hong Kong Stock Exchange; or

iv. trading in the shares is suspended for more than 15 consecutive days on which normal trading of securities is carried out.

Additional Amount, broadly means, with respect to any outstanding Convertible Bonds as of any date of redemption, an amount representing the remainder of (i) a premium calculated at an interest rate of 15% per annum calculated on the outstanding principal amount thereof for the period from and including the issue date to but excluding the date of redemption, minus (ii) all interest paid thereon on or prior to the date of redemption. Details of the terms and conditions of the Convertible Bonds including the full meanings of Additional Amount and date of redemption are set out in the Company's announcement date 14 July 2016.

The fair value of the liability component was determined at the issuance of the convertible bonds. The fair value of the liability component was calculated using the market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity.

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	2016 RMB'000
Face value of convertible bonds issued on 27 July 2016	**86,594**
Equity component	**(5,316)**
Fair value of the liability component on initial recognition at 27 July 2016	**81,278**
Effective interest expense *(note 9)*	**6,266**
Interest paid	**(2,596)**
Exchange realignment	**2,859**
Liability component at 31 December	**87,807**

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 19% to the liability component.

29. SHARE CAPITAL

	2016		2015	
	Number of ordinary shares '000	**Amount RMB'000**	Number of ordinary shares '000	Amount RMB'000
Authorised:				
Ordinary share of HK$0.1 each				
At 1 January and 31 December	**5,000,000**	**407,450**	5,000,000	407,450
Issued and fully paid:				
Ordinary share of HK$0.1 each				
At 1 January	**1,530,833**	**124,827**	1,020,555	83,165
Issued of ordinary shares upon open offer *(note a)*	**–**	**–**	510,278	41,662
Issue of ordinary shares under subscription *(note b)*	**200,000**	**17,126**	–	–
Issue of ordinary shares upon exercise of share options *(note 31)*	**600**	**51**	–	–
At 31 December	**1,731,433**	**142,004**	1,530,833	124,827

Notes:

(a) During the year ended 31 December 2015, 510,277,500 new ordinary shares at par value of HK$0.1 each were issued under an open offer at the subscription price of HK$0.4 each, of which approximately HK$51,028,000 (equivalent to RMB41,662,000) was credited to share capital and the remaining balance of approximately HK$149,438,400 (equivalent to approximately RMB124,985,000) after deducting share issue costs was credited to the share premium account. Further details of the open offer are set out in the Company's prospectus dated 8 October 2015. The new shares issued under the open offer ranked pari passu in all respects with the existing shares.

(b) During the year ended 31 December 2016, the Company entered into subscription agreements with certain independent investors (the "Investors") pursuant to which the Investors have conditionally agreed to subscribe 200,000,000 new shares at the subscription price of HK$0.945 each. Completion of the subscriptions took place on 10 June 2016 with the net proceeds and transaction costs of approximately HK$188,800,000 (equivalent to approximately RMB161,838,000) and HK$200,000 (equivalent to approximately RMB188,000), respectively. The premium received was credited to the share premium account of the Company. The new shares issued under the subscription ranked pari passu in all respects with the existing shares.

30. BUSINESS COMBINATION DURING PRIOR YEAR

On 30 September 2015, the Group acquired 51% of the voting equity instruments of Profit Success Technology Limited and its subsidiary (collectively known as the "Profit Success Group"). The principal activities of the Profit Success Group are investment holding and operation of financial platform in the PRC. The acquisition was made with the aim to expand the variety of financial services provided by the Group, in order to enhance the Group's competitive edge and create opportunities for revenue synergies.

30. BUSINESS COMBINATION DURING PRIOR YEAR (Continued)

The fair value of the identifiable assets and liabilities of the acquiree as at the date of acquisition was:

	RMB'000
Property, plant and equipment *(note 15)*	1,399
Customer relationships *(note 18)*	33,017
Cash and cash equivalents	42
Trade and other receivables	47,145
Trade and other payables	(29,851)
Deferred tax liabilities recognised upon fair value adjustments *(note 12)*	(8,254)
	43,498
Less: Non-controlling interests	(21,314)
	22,184
The fair value of consideration transfer:	
Cash	70,500
Goodwill *(note 17)*	48,316

An analysis of the cash flows in respect of the acquisition of Profit Success Group is as follow:

	RMB'000
Cash consideration paid	70,500
Cash and cash equivalents acquired	(42)
Net outflow of cash and cash equivalents included in cash flows from investing activities	70,458

The fair value of trade and other receivables was RMB47,145,000. None of these receivables had been impaired and it was expected that the full contractual amounts can be collected.

Goodwill of RMB48,316,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of the expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The Group had elected to measure the non-controlling interest in the Profit Success Group at the non-controlling interests' proportionate share of Profit Success Group's identifiable net shares.

30. BUSINESS COMBINATION DURING PRIOR YEAR (Continued)

Since the acquisition date, the Profit Success Group contributed approximately RMB12,069,000 and RMB2,254,000 to Group's revenue and profit for the year ended 31 December 2015. Had the acquisition occurred on 1 January 2015, the Group's revenue and profit for the year ended 31 December 2015 would have been approximately RMB139,024,000 and RMB43,292,000 respectively. This pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor was it intended to be a projection of future performance.

The acquisition-related costs of RMB113,400 had been expensed and were included in administrative expenses in the profit or loss during the year ended 31 December 2015.

31. EQUITY-SETTLED SHARE-BASED PAYMENTS

A share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution in writing passed by all shareholders on 20 December 2011. The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible participants for their contribution to the Group.

The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group to each grantee in any 12-month period share not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the limit is subject to shareholders' approval in general meeting.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

(a) Equity-settled share option scheme

On 17 December 2015, options to subscribe for an aggregate of 70,000,000 shares of the Company had been granted by the Company to the existing directors and employees of the Group under the Share Option Scheme. 30% of share options have an exercise period from 1 June 2016 to 19 December 2021 ("Share Option 1"), 30% of share options have an exercise period from 1 June 2017 to 19 December 2021 ("Share Option 2"); and the remaining share options have an exercise period from 1 June 2018 to 19 December 2021 ("Share Option 3"). All share options are subject to the fulfillment of relevant profit targets by the Group, as set out below, and share options shall not be vested if any of the profit targets is failed to meet.

31. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(a) Equity-settled share option scheme (Continued)

Details of the specific categories of options are as follows:

	Date of grant	Vesting date	Exercise period	Exercise price HK$	Vesting conditions
Share Option 1	17 December 2015	31 May 2016	1 June 2016 to 19 December 2021	1.046	Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2015 - Equal to more than RMB35 million, 100% of Share Option 1 shall be vested; - Equal to or more than RMB25 million but less than RMB35 million, 50% of Share Option 1 shall be vested; and - Less than RMB25 million, no Share Option 1 shall be vested.
Share Option 2	17 December 2015	31 May 2017	1 June 2017 to 19 December 2021	1.046	Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2016 - Equal to more than RMB65 million, 100% of Share Option 2 shall be vested - Equal to or more than RMB50 million but less than RMB65 million, 50% of Share Option 2 shall be vested; and - Less than RMB25 million, no Share Option 2 shall be vested.
Share Option 3	17 December 2015	31 May 2018	1 June 2018 to 19 December 2021	1.046	Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2017 - Equal to more than RMB100 million, 100% of Share Option 3 shall be vested - Equal to or more than RMB80 million but less than RMB65 million, 50% of Share Option 3 shall be vested; and - Less than RMB80 million, no Share Option 3 shall be vested.

31. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(a) Equity-settled share option scheme (Continued)

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the years ended 31 December 2016 and 2015:

		Number of share options					
	Exercise price	Outstanding as at 1 January 2015	Granted during the year	Outstanding as at 31 December 2015	**Exercised during the year**	**Lapsed during the year***	**Outstanding as at 31 December 2016**
Directors	HK$1.046	–	18,500,000	18,500,000	**–**	**–**	**18,500,000**
Employees	HK$1.046	–	51,500,000	51,500,000	**(600,000)**	**(11,500,000)**	**39,400,000**
Total		–	70,000,000	70,000,000	**(600,000)**	**(11,500,000)**	**57,900,000**

* Lapsed share options were result from the resignation of employees

Share options and weighted average exercise price are as follows for the reporting period presented:

	2016		**2015**	
	Number	Weighted average exercise price HK$	**Number**	Weighted average exercise price HK$
Outstanding at 1 January	**70,000,000**	1.046	**–**	–
Granted during the year	**–**	–	**70,000,000**	1.046
Exercised	**(600,000)**	1.046	**–**	–
Lapsed	**(11,500,000)**	1.046	**–**	–
Outstanding at 31 December	**57,900,000**	1.046	**70,000,000**	1.046
Exercisable at the end of the year	**16,950,000**	1.046	**–**	–

The options outstanding at the end of the year have a weighted average remaining contractual life of 5 years (2015: 6 years) and the exercise price of HK$1.046 (2015: HK$1.046).

31. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(a) Equity-settled share option scheme (Continued)

Fair value of share options and assumptions

The total fair value of the share options at the grant date on 17 December 2015 was RMB43,472,000. The following information is relevant in the determination of the fair value of options.

	Share Option 1	Share Option 2	Share Option 3	Weighted average
Option pricing model used				Binomial option pricing
Share price at grant date	HK$0.51	HK$0.57	HK$0.62	HK$0.572
Exercise price				HK$1.046
Contractual life				6 years
Expected volatility				83%
Expected dividend rate				–
Risk-free interest rate				1.17%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years. Changes in the subjective input assumptions could materially affect the fair value estimate.

Of the total number of share options outstanding as at 31 December 2016, 40,950,000 share options had not vested and were not exercisable as at 31 December 2016 (2015: 70,000,000 share options).

During the year ended 31 December 2016, total share option expenses of approximately RMB19,151,000 (2015: RMB1,322,000) was recognised in expense in relation to share options granted by the Company.

(b) Equity-settled service contract

On 17 December 2015, the Company entered into separate services contracts with 5 individual advisors (the "Advisors") to provide advisory services to the Group for six years. In consideration of the services provided by the Advisors,the Company granted in a total of 6,000,000 share options to them.

Set out below are details of the share options granted to the Advisors:

(i) All share options are granted with an exercise price of HK$1.046 per share;

(ii) All holders of share options have to follow the vesting date, vesting conditions and exercise period as mentioned in note 31(a);

(iii) There were no exercised or lapsed share options as at 31 December 2016.

The total fair values of the share options granted to the Advisors on 17 December 2015 were approximately RMB3,000,000. These fair values were based on the terms and conditions stated in the service contracts.

The exercise price of the share options is HK$1.046 per share and the weighted average remaining contractual life is 5 years (2015: 6 years).

The Company recognised the total expense of approximately RMB1,858,000 (2015: RMB114,000) for the year ended 31 December 2016 in relation to share options granted by the Company to the Advisors.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LABILITIES			
Non-current assets			
Investments in subsidiaries		**70,502**	70,502
Amounts due from subsidiaries	*(a)*	**432,997**	43,089
		503,499	113,591
Current assets			
Amount due from a shareholder	*(a)*	**10,014**	33
Prepayments and other receivables		**515**	41
Cash and cash equivalents		**1,430**	3,588
		11,959	3,662
Current liabilities			
Accruals		**1,294**	107
Amounts due to subsidiaries	*(a)*	**57,682**	80,978
Dividend payable		**149**	38
Convertible bonds	*28*	**87,807**	–
		146,932	81,123
Net current liabilities		**(134,973)**	(77,461)
Total assets less current liabilities		**368,526**	36,130
NET ASSETS		**368,526**	36,130
EQUITY			
Share capital	*29*	**142,004**	124,827
Reserves	*33(b)*	**211,170**	(88,697)
Proposed dividend		**15,352**	–
TOTAL EQUITY		**368,526**	36,130

(a) The amounts due from/due to subsidiaries and a shareholder are unsecured, interest-free and repayable on demand.

On behalf of the Board

Zheng Weijing
Director

Zhang Gongjun
Director

33. RESERVES

(a) Group

Details of the movements on the Group's reserve are as set out in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Share premium RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Dividend proposed RMB'000	Total RMB'000
1 January 2015	22,175	(2,882)	–	–	(90,082)	–	(70,789)
Loss for the year	–	–	–	–	(142,608)	–	(142,608)
Exchange difference translating foreign operation	–	(1,730)	–	–	–	–	(1,730)
Total comprehensive income for the year	–	(1,730)	–	–	(142,608)	–	(144,338)
Issue of ordinary shares upon open offer *(note 29(a))*	128,017	–	–	–	–	–	128,017
Share issue costs	(3,032)	–	–	–	–	–	(3,032)
Equity settled share-based transactions	–	–	1,445	–	–	–	1,445
At 31 December 2015 and 1 January 2016	147,160	(4,612)	1,445	–	(232,690)	–	(88,697)
Profit for the year	–	–	–	–	148,433	–	148,433
Exchange difference translating foreign operation	–	9,631	–	–	–	–	9,631
Total comprehensive income for the year	–	9,631	–	–	148,433	–	158,064
Interim dividend paid *(note 14)*	(14,887)	–	–	–	–	–	(14,887)
Proposed final dividend *(note 14)*	(15,352)	–	–	–	–	15,352	–
Subscription of new shares *(note 29(b))*	144,712	–	–	–	–	–	144,712
Share issue costs	(188)	–	–	–	–	–	(188)
Exercise of share options	748	–	(262)	–	–	–	486
Equity settled share-based transactions *(note 31)*	–	–	21,716	–	–	–	21,716
Share options lapsed *(note 31)*	–	–	(1,212)	–	1,212	–	–
Issue of convertible bonds *(note 28)*	–	–	–	5,316	–	–	5,316
At 31 December 2016	262,193	5,019	21,687	5,316	(83,045)	15,352	226,522

33. RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(ii) Merger reserve

Merger reserve of the Group arose as a result of the Reorganisation and represents the difference between the nominal value of the registered capital and capital reserve of Guangdong Huijin and the nominal value of the shares of the Company issued pursuant to the Reorganisation.

(iii) Statutory reserve

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of registered capital.

(iv) Exchange reserve

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

(v) Share option reserve

Share option reserve represents the cumulative expenses recognised on the granting of share options to the employees over the vesting period.

(vi) Convertible bonds equity reserve

Convertible bond equity reserve represents the equity component of convertible bonds issued during the year end and remained unexercised at the reporting date.

(vii) Retained earnings/(accumulated losses)

The amount represents accumulative net gains and losses recognised in profit or loss.

34. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment	Place of operation and principal activities	Description of fully paid up share capital/ registered capital held	Percentage of ownership interests/ voting rights/ profit share directly	Indirectly
Limited liability company					
Expand Wealth Limited	The British Virgin Islands	Investment holding company	US$1	100%	–
Sunny Sino Holdings Limited	Hong Kong	Investment holding and provision of other loan services in Hong Kong	1 share HK$1	–	100%
Flying Investment	The PRC	Provision of financial consultation and investment income service in the PRC	HK$50,000,000	–	100%
Expand Thrive Limited	The British Virgin Islands	Investment holding company	US$1	100%	–
Qianhai Flying Financial PRC Service (Shenzhen) Limited	The PRC	Provision of financial consultation services in the PRC	HK$30,000,000	–	100%
Profit Success Technology Limited**	The British Virgin Islands	Investment holding company	US$1	51%	–
Shenzhen Flying Financial Internet Financial Services Corporation**	The PRC	Provision of financial consultation services in the PRC	RMB50,000,000	–	51%
Shenzhen Huilian Huishenghuo Internet Financial Services Limited	The PRC	Provision of financial consultation services in the PRC	–	–	63%
Shenzhen Huilian Huiyoufang Internet Financial Services Limited	The PRC	Provision of financial consultation services in the PRC	–	–	63%
Zhongxi Rongzi Zulin (Shanghai) Limited	The PRC	Provision of finance lease and factoring loan services in the PRC	RMB20,000,000	–	100%
Joint-stock limited company					
Guangdong Huijin*	The PRC	Provision of pawn loan services in the PRC	RMB101,000,000	–	100%

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

* Guangdong Huijin is accounted for as subsidiary through certain contractual arrangements. Please refer to note 5(a)(ii) for details.

** These entities were acquired in 2015 through the acquisition of Profit Success Group (note 30).

35. NON-CONTROLLING INTERESTS

Profit Success Technology Limited, a 51% owned subsidiary of the Group, has material non-controlling interests ("NCI"). All other NCI of non-wholly owned subsidiaries are considered as immaterial.

Summarised financial information of Profit Success Technology Limited, for the year ended 31 December 2016 and 2015, subsequent to acquisition and before intra-group eliminations, is presented below:

	2016 RMB'000	2015 RMB'000
For the year ended 31 December		
Revenue	**31,172**	12,069
Profit for the year	**3,605**	4,414
Total comprehensive income	**3,605**	4,414
Profit allocated to NCI	**1,766**	2,163
For the year ended 31 December		
Cash (outflows)/inflows from operating activities	**(1,948)**	23,323
Cash outflows from investing activities	**19,943**	–
Cash inflows/(outflows) from financing activities	**22,885**	(5)
As at 31 December		
Current assets	**39,130**	67,591
Non-current assets	**49,767**	33,587
Current liabilities	**(932)**	(16,043)
Non-current liabilities	**(7,222)**	(8,048)
Net assets	**80,743**	77,087

36. COMMITMENTS

Operating lease commitments

Future minimum rental payable under non-cancellable operating leases of the Group in respect of buildings at the reporting date is as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**2,299**	3,500
Within two to five years	**558**	1,820
	2,857	5,320

The Group leases certain properties under operating leases. The leases run for an initial period of 1 to 3 years, with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of these leases include any contingent rentals.

37. RELATED PARTIES DISCLOSURE

The Group does not have material related party transactions during the year ended 31 December 2016 and 2015.

Compensation of key management personnel

The emoluments of directors who are also identified as members of key management of the Group during the year are set out in note 11(a).

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows:

	2016 RMB'000	2015 RMB'000
Financial assets		
Held-to-maturity investment	17,331	21,847
Available-for-sale investments	459,028	98,000
Loan and receivables:		
Loans and accounts receivables	257,645	78,545
Other receivables and deposits paid	47,643	63,790
Amount due from a shareholder	3,787	2,803
Amount due from a non-controlling interest	1	14,710
Amounts due from joint ventures	11,421	–
Cash and cash equivalents	34,689	154,507
	831,545	434,202
Financial liabilities		
Financial liabilities measured at amortised cost:		
Accruals and other payables	52,385	11,636
Dividend payable	149	38
Bank borrowing	21,361	–
Convertible bonds	87,807	–
	161,702	11,674

39. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise held-to-maturity investment, available-for-sale investments, loans and accounts receivables, other receivables and deposits paid, cash and cash equivalents, accruals and other payables, amounts due from a shareholder, a non-controlling interest and joint ventures, bank borrowing and convertible bonds payables. These financial instruments mainly arise from its operations.

The carrying amounts of the Group's financial instruments approximated their fair values as at the reporting date. Fair value estimates are made at a specific point in time and based on relevant market information on the financial instruments.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue any derivative financial instruments for trading purposes. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value or future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate.

The Group is exposed to interest rate risk in relation to variable-rate bank balance and interest-bearing bank borrowing. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The interest bearing bank borrowing bear floating interest rates and are denominated in RMB. The interest rates and terms of repayment of bank borrowing are disclosed in note 27 above.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowing. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of each of the reporting periods were outstanding for the whole year. 100 basis points increase or decrease represents management's assessment of the reasonably possible change in the interest rates of borrowing.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting periods do not reflect the exposures during the years.

39. FINANCIAL RISK MANAGEMENT (Continued)

If interest rates on bank borrowing at the end of reporting period had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2016 is as follow:

	Year ended 31 December 2016 RMB'000
Increase/(decrease) In profit for the year	
– As a result of an increase in interest rate	**(160)**
– As a result of a decrease in interest rate	**160**

Foreign currency risk

As the Group's revenue and expenses are mainly in RMB which is the functional currency of most of the entities making up the Group, the currency risk resulting from the Group's daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group's credit risk is primarily attributable to its loans and accounts receivables (note 22) and available-for-sale investments (note 21). Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of the Group's available-for-sale investments included unlisted equity securities and debt security held for strategic purposes. Credit risk refers to issuers to these financial instruments failing to discharge their obligations under the terms, leading to a financial loss to the Group. The Group monitors the financial status and credit rating of individual issuers by reviewing the financial information provided by issuers on a regular basis. Please refer to notes 20 and 21 for the details of the Group's investments.

In respect of loans receivable, the Group's policy is that all customers who wish to obtain loans from the Group are subject to management review. The Group holds collaterals directly or indirectly to cover its risks associated with loans receivable.

All collaterals of loans receivable are held directly by the Group.

For accounts receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collaterals from customers on accounts receivable.

39. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

As at 31 December 2016, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group's exposure under outstanding loans receivables are secured by the pledged assets of the customers as disclosed in note 22.

The credit risk of the Group's other financial assets, which mainly comprise of cash and cash equivalents and other receivables, arises from potential default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments. Credit risk in cash and cash equivalents is mitigated as cash is deposited in banks with high credit rating.

Liquidity risk

Management of the Group monitors current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, are as follows:

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000
At 31 December 2016						
Accruals and other payables	**52,385**	**52,385**	**–**	**40,713**	**11,672**	**–**
Dividend payable	**149**	**149**	**–**	**149**	**–**	**–**
Bank borrowing	**21,361**	**26,832**	**–**	**3,762**	**11,731**	**11,339**
Convertible bonds	**87,807**	**110,372**	**–**	**110,372**	**–**	**–**
	161,702	**189,738**	**–**	**154,996**	**23,403**	**11,339**
At 31 December 2015						
Accruals and other payables	11,636	11,636	–	11,636	–	–
Dividend payable	38	38	–	38	–	–
	11,674	11,674	–	11,674	–	–

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments				
– Debts securities – unlisted	**40,028**	–	**40,028**	–

Management has assessed that the fair values of the above financial assets approximate their carrying amounts largely due to the short term maturities of these instruments.

The Group's risk control team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The risk control team reports directly to the chief financial officer and the audit committee. At each reporting date, the risk control team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of debt securities included in available-for-sale investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market price or rates. The valuation requires the Directors to make estimates about the expected future cash flows including expected proceeds on subsequent disposal of the debt securities.

The directors believe that the estimated fair value of the debt securities based on valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair value, which is recorded in other comprehensive income, reasonable, and represents the most appropriate value at end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2016:

	Valuation technique	Significant unobservable input	Discount rate	Sensitivity of the input to fair value
Debt securities – unlisted	Discounted cash flow method	Short term interest rate for cash flow	7%	An increase in the short term interest rate will result in a decrease in the fair value of the unlisted debt securities and vice versa.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 31 December 2016				
Available-for-sale investment:				
Debt securities – unlisted	–	–	40,028	40,028
As at 31 December 2015				
Available-for-sale investment:				
Debt securities – unlisted	–	–	–	–

	2016 RMB'000	2015 RMB'000
Available-for-sale investments – unlisted debt securities	–	–
Addition	40,028	–
At 31 December	40,028	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: nil).

The Group did not have any liabilities measured at fair value as at 31 December 2016 and 2015.

41. CAPITAL RISK MANAGEMENT

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital which comprise share capital, reserves and non-controlling interests. The amount of capital as at 31 December 2016 amounted to approximately RMB771,691,000 (2015: RMB489,953,000). Management considers the current capital structure as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

42. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 March 2017.

FINANCIAL SUMMARY

Below is a summary of the Group's results for the last five financial years and the assets and liabilities of the Group as at 31 December 2016, 2015, 2014, 2013 and 2012, as extracted from the published audited financial statements for the year ended 31 December 2016, 2015, 2014, 2013 and 2012. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**289,162**	108,528	32,053	107,980	94,630
Other income or (loss)	**2,668**	2,683	(55,121)	(26,013)	413
Employee benefit expenses	**(48,058)**	(23,061)	(18,941)	(19,544)	(9,625)
Administrative expenses	**(78,992)**	(32,349)	(34,257)	(39,754)	(26,657)
Equity-settled share-based payments	**(21,009)**	(1,436)	–	–	–
Share of results of joint venture	**(661)**	–	–	–	–
Finance costs	**(7,790)**	(5,635)	(13,327)	(6,593)	(54)
Profit/(loss) before income tax expense	**135,320**	48,730	(89,593)	16,076	58,707
Income tax expense	**(31,886)**	(4,172)	(5,308)	(9,168)	(17,470)
Profit/(loss) for the year	**103,434**	44,558	(94,901)	6,908	41,237
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
– Exchange differences on translating foreign operations	**3,972**	(1,476)	(390)	275	84
– Change in fair value available-for-sale investment	**–**	–	–	(4,629)	–
– Reclassified to profit or loss for impairment loss on available-for sale investment	**–**	–	–	4,629	–
Total comprehensive income for the year	**107,406**	43,082	(95,291)	7,183	41,321
Profit/(loss) for the year attributable to:					
Owners of the Company	**101,323**	43,146	(86,363)	9,697	41,409
Non-controlling interests	**2,111**	1,412	(8,538)	(2,789)	(172)
	103,434	44,558	(94,901)	6,908	41,237
Total comprehensive income for the year attributable to:					
Owners of the Company	**105,295**	41,670	(86,753)	9,972	41,493
Non-controlling interests	**2,111**	1,412	(8,538)	(2,789)	(172)
	107,406	43,082	(95,291)	7,183	41,321
ASSETS AND LIABILITIES					
Total assets	**988,169**	530,964	330,395	467,761	385,528
Total liabilities	**(216,478)**	(41,011)	(89,239)	(131,314)	(31,315)
Net assets	**771,691**	489,953	241,156	336,447	354,213