ANNUAL REPORT 2016

華融國際金融控股有限公司
HUAROND INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 993)

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Executive Directors

Mr. Liu Xiaodong *(Chairman)*
Mr. Wang Qiang *(Chief Executive Officer, appointed on 20 February 2017)*
Ms. Wang Wei *(appointed on 20 December 2016)*

Non-executive Director

Ms. Yu Xiaojing *(appointed on 20 February 2017)*

Independent Non-executive Directors

Dr. Wong Tin Yau Kelvin
Mr. Ma Lishan *(appointed on 19 August 2016)*
Mr. Yeung Siu Keung

AUDIT COMMITTEE

Dr. Wong Tin Yau Kelvin *(Chairman)*
Mr. Ma Lishan *(appointed on 19 August 2016)*
Mr. Yeung Siu Keung

REMUNERATION COMMITTEE

Mr. Yeung Siu Keung *(Chairman, appointed on 13 June 2016)*
Dr. Wong Tin Yau Kelvin
Mr. Ma Lishan *(appointed on 19 August 2016)*

NOMINATION COMMITTEE

Dr. Wong Tin Yau Kelvin *(Chairman)*
Mr. Liu Xiaodong
Ms. Yu Xiaojing *(appointed on 20 February 2017)*
Mr. Ma Lishan *(appointed on 19 August 2016)*
Mr. Yeung Siu Keung

EXECUTIVE COMMITTEE

Mr. Liu Xiaodong *(Chairman)*
Mr. Wang Qiang *(appointed on 20 February 2017)*
Ms. Wang Wei *(appointed on 20 December 2016)*

RISK MANAGEMENT COMMITTEE

Mr. Ma Lishan *(Chairman, appointed on 19 August 2016)*
Mr. Wang Qiang *(appointed on 20 February 2017)*
Ms. Wang Wei *(appointed on 20 December 2016)*
Ms. Yu Xiaojing *(appointed on 20 February 2017)*

COMPANY SECRETARY

Ms. Ng Yee Ping *(appointed on 30 April 2016)*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 29
One Pacific Place
88 Queensway
Hong Kong

RESIDENT REPRESENTATIVE

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

PRINCIPAL BANKERS

China CITIC Bank International Limited
Wing Lung Bank Limited
Bank of China (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

993

WEBSITE

www.hrif.com.hk

CHAIRMAN'S STATEMENT

Mr. LIU Xiaodong
Chairman

Dear shareholders,

I am pleased to report to you that Huarong International Financial Holdings Limited (hereinafter referred to as "Huarong Financial" or the "Company", together with its subsidiaries, the "Group") recorded impressive operating results in the financial year of 2016.

During the year, the total revenue and net gains on financial assets/liabilities at fair value through profit or loss of the Group grew substantially by 734.5% to approximately HK$1.402 billion, while net profit attributable to the shareholders increased by 295.2% to approximately HK$551 million. Total assets of the Group grew by 315.0% to approximately HK$22.285 billion by the end of the year, as compared to approximately HK$5.369 billion by the end of 2015, resulting in significant enhancement of our asset base. During the year, the Company had a return on average assets (ROAA) of 4.0%, a return on average equity (ROAE) of 54.5%, and basic earnings per share (EPS) of HK16.41 cents, creating significant returns for the shareholders.

By continuously leveraging on the brand of China Huarong Asset Management Co., Ltd. ("China Huarong") and complementary business portfolio, the Company seeks to achieve synergic development of its three licensed business platforms, namely "Securities", "Investment Banking" and "Asset Management". As a result, all three licensed business platforms achieved rapid development. In respect of its securities business, the Company has focused on expanding its margin financing business and exploring new customers on top of the securities brokerage business inherited from its predecessor Simsen International Corporation Limited by capitalizing on China Huarong's strong brand and market influence. As a result, the Group has been successful in achieving a rapid development of such business in terms of both scale and efficiency. In respect of its investment banking business, the Company delivered a breakthrough in H-share IPOs, bond issuance and merger and acquisition projects during the year, with positive responses from the market. In respect of its business of asset management and direct investment, the Company maintained its strategy of having a "combo" of interactive growth between its investment and financing business and its licensed business, and exploring projects in fund management, equity, bond and mezzanine investment, thus achieving a good balance between efficiency and risk. With such strategies in place, the Company was able to provide customers with its unique integrated financial services and competitive, differentiated financial products, leading to a surge in business growth.

During the year, the Company, based on advantageous resources from China Huarong, continuously expanded its market-based financing channels and obtained various facilities worth over HK$5 billion in total from multiple banks. In particular, it is worth mentioning that the Company managed to obtain a syndicated loan of HK$3 billion from a syndicate of 19 banks from Taiwan, Hong Kong and Singapore, representing a successful first attempt to obtain financing from Taiwanese sources. The Company therefore has substantially enhanced its own financing capability and the ability to achieve sustainable development.

With "improving quality and controlling risk" as its constant priority in operation, the Company has established a comprehensive system of risk management, in order to ensure smooth business process, compliance with regulations in key sections and effective control of critical risk points.

In accordance with relevant regulatory requirements by the Hong Kong Securities and Futures Commission and the Stock Exchange, the Company further enhanced the rules of procedure of its board of directors which clearly specified the respective authority of the general meeting, the board of directors and the management and endeavored to establish an open and transparent system in place for information disclosure. Throughout the year, the Company convened two general meetings, seven physical board meetings, and held multiple meetings of board committees, with more than 80 circulars and announcements reviewed and published.

During the year, the Company successively held important activities such as the investor presentation of its annual results, and the relocation ceremony on the anniversary of its change of name and reorganization. By promoting the brand of China Huarong and the achievements of the Company through media, the Company further strengthened the communication with its shareholders and institutional investors, as well as the synergy and collaboration with its major clients and peers in the Hong Kong financial market. Owing to its fast-growing results, well-known brand effect, good development prospects and a wide pool of investors, the Company was enlisted as a constituent stock of MSCI Hong Kong Small Cap Index in May 2016. This reflects the recognition by the Hong Kong capital market and international investors for the operation and development of the Company since its reorganization and change of name, as well as the confidence from the investment community over the Company's development prospects.

Looking back at 2016, we prevailed over difficulties and charged forward with great determination, presenting a satisfactory result to our investors for the first complete financial year since the Company's reorganization and change of name. The positive results of our development in 2016 have laid a solid foundation for Huarong Financial after its reorganization. This has also equipped the Company with a better foundation and momentum for development, to seek more robust and balanced development.

Looking forward to 2017, the Company has identified its development principles of "Robust Progress, Innovation and Transformation, Emphasis on Both Quantity and Quality, and All-round Improvement" and the annual strategy of "Identifying One Objective, Enhancing Interaction of Two Business Segments, Enhancing Three Platforms, Transforming under Four Modernizations, Developing Five Segments and Catching Six Emphases", taking into consideration the actual situation of the Hong Kong market and the current status of the Company. By Identifying One Objective, the Company clearly states its intention to develop into an integrated financial platform that is international, professional and diversified, featuring strong capability of management and control, high investment returns, a comprehensive product mix and a positive brand image. As such, Huarong Financial will become a professional operator and manager of assets, and an excellent provider of integrated financial services. By Enhancing Interaction of Two Business Segments, the Company will enhance the interaction between its investment and financing business and the licensed business, in order to facilitate the development of the licensed business with the investment and financing business, and lead the orientation of the investment and financing business with the licensed business. By Enhancing Three Platforms, the Company will continue to enhance the business of its three licensed business platforms, namely, Securities, Investment Banking and Asset Management, based on the development achieved in 2016. By Transforming under Four Modernizations, the Company will promote business innovation and transformation by exploring new areas such as leveraged and structured financing. By Developing Five Segments, the Company will develop its five major business segments, namely, securities, investment banking, asset management, direct investment and fintech business. By Catching Six Emphases, the Company intends to emphasize the importance of business development, corporate governance, risk management and control, capital planning, team of talents, and brand building.

In 2016, we achieved impressive results, but they represented only the first step of our long journey. In 2017, based on our sound foundation, we will implement our development principles and annual strategy in order to sustain relatively fast development of the Company and commit ourselves to creating greater values for our shareholders, customers and staff.

On behalf of the Board, I would like to take this opportunity to thank all the shareholders, investors, customers and partners for their staunch support. Moreover, I want to convey my sincere gratitude to the management and all the staff of the Company for their contribution, hard work, innovation and perseverance.

LIU Xiaodong
Chairman

Hong Kong, 15 March 2017

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Xiaodong, aged 54, has been appointed as an executive Director of the Company since August 2015. He acted as the Chief Executive Officer of the Company during the period from 15 September 2015 to 12 June 2016. He was appointed as the chairman of the board of directors on 14 March 2016. Prior to joining the Company, Mr. Liu was a member of the senior management in China Huarong International Holdings Limited ("CHIH"), taking up the position of general manager of the business development department and deputy chief executive officer of CHIH. Before joining CHIH, Mr. Liu worked in various companies, taking management positions in Huarong Xiangjiang Bank (華融湘江銀行), China Citic Bank (中信銀行) and Ping An Bank (平安銀行). Mr. Liu obtained a master degree from Hunan Normal University in 1989 and has over 28 years' extensive experience in areas of banking, asset management and investment.

Mr. Wang Qiang, aged 54, was appointed as an executive Director and the Chief Executive Officer of the Company on 20 February 2017. Mr. Wang has worked in the financial industry for years and accumulated extensive experience in securities, investment and asset management. From December 1994 to January 2006, Mr. Wang worked at China Southern Securities (南方證券) and held various positions including the deputy general manager of the planning and financial department as well as the brokerage business department of China Southern Securities, the general manager of the administration headquarter of China Southern Securities Chengdu region, and the general manager of China Southern Securities Guangzhou office. In September 2009, Mr. Wang joined China Huarong and held various positions including the deputy general manager of China Huarong Shenzhen office, the general manager of CHIH, and the general manager of China Huarong Shanghai Pilot Free Trade Zone office. Mr. Wang joined the Company in June 2016 and acted as the Deputy Chief Executive Officer. Mr. Wang graduated from Jiangxi University of Finance and Economics and holds a master degree of economics.

Ms. Wang Wei, aged 37, was appointed as an executive Director and the Assistant to the Chief Executive Officer of the Company on 20 December 2016. Ms. Wang joined China Huarong in August 2010. Since February 2011, she successively served as a senior vice president of the innovation department, senior manager of the integrated coordination department, senior manager of the listing office and assistant general manager of the listing office in China Huarong. She has resigned all her positions in China Huarong prior to joining the Company. Ms. Wang graduated from Renmin University of China in July 2007, majoring in economics. She is a senior economist and holds doctorate degree in finance and in economics respectively. She is also a postgraduate of the Institute of Finance and Securities of Renmin University of China.

Non-executive Director

Ms. Yu Xiaojing, aged 47, graduated from Renmin University of China. She holds a master degree of economics, and is a senior economist. Ms. Yu joined China Huarong in 2003, and held various positions including the manager of international business department and business development department, the senior deputy manager of investment department and asset operation department, the senior manager of international business department, the assistant to the general manager of Shanghai Pilot Free Trade Zone office, the deputy general manager and the board secretary of Huarong (Tianjin FTZ) Investment Co., Ltd.. Ms. Yu has served as the deputy general manager of international business management department of China Huarong since December 2016.

Independent Non-executive Directors

Dr. Wong Tin Yau Kelvin, aged 56, is an executive director and deputy managing director of COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited) (HKSE: 1199), where he is responsible for the management of work relating to strategic planning, capital markets and investor relations. Currently, Dr. Wong also acts as an independent non-executive director for a number of listed companies including:

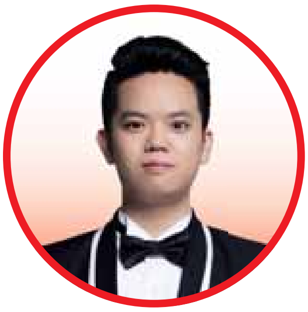
- Asia Investment Finance Group Limited (HKSE: 33);
- Bank of Qingdao Co., Ltd. (HKSE: 3866);
- China ZhengTong Auto Services Holdings Limited (HKSE: 1728);
- I.T Limited (HKSE: 999);
- Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (HKSE: 2196 and SHSE: 600196); and
- Xinjiang Goldwind Science & Technology Co., Ltd. (HKSE: 2208 and SZSE: 002202).

Dr. Wong also served as an independent non-executive director of AAG Energy Holdings Limited (HKSE: 2686) from June 2015 to April 2016 and an independent non-executive director of CIG Yangtze Ports PLC (HKSE: 8233) from September 2005 to October 2015.

Dr. Wong obtained his master of business administration degree from Andrews University in Michigan in the United States in August 1992 and his doctoral degree in business administration from The Hong Kong Polytechnic University in December 2007.

Dr. Wong is the immediate past chairman and was the chairman (2009–2014) of The Hong Kong Institute of Directors, a non-executive director of the Securities and Futures Commission, the chairman of the Investor Education Centre, a member of the Financial Reporting Council and a member of the Operations Review Committee of Independent Commission Against Corruption. Dr. Wong was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

Mr. Ma Lishan, aged 65, has extensive experience in operation and management of modern large-scale corporations and listed companies. Mr. Ma graduated from Beijing Foreign Studies University in the PRC in 1975. Mr. Ma served in various positions such as chairman, executive director, general manager in certain large-scale joint ventures and Great Wall Wine under China Oil & Foodstuff Corporation. From January 1996 to June 2003, Mr. Ma served as an executive director of China Foods Limited, a company listed on the Stock Exchange (stock code: 506). From May 1997 to June 2003, Mr. Ma served as an executive director and the managing director of China Foods Limited. From June 2000 to June 2003, Mr. Ma served as the deputy general manager of China Foods Import and Export (Group) Co., Ltd.. Mr. Ma was the deputy chairman of Top Glory International Holdings Limited (a shareholder of COFCO Property (Group) Co., Ltd.) from June 2003 to July 2005. From June 2008 to January 2009, Mr. Ma was an executive director of Sino Resources Group Limited, a company listed on the Stock Exchange (stock code: 223). From March 2008 to present, he is an independent non-executive director of Silver Base Group Holdings Limited, a company listed on the Stock Exchange (stock code: 886). From 2 August 2009 to present, he is an independent non-executive director of Sunac China Holdings Limited, a company listed on the Stock Exchange (stock code: 1918). From September 2010 to August 2012, he was also the executive director, managing director and chairman of Hao Tian Resources Group Limited (now known as Hao Tian Development Group Limited), a company listed on the Stock Exchange (stock code: 474). He was the senior consultant in Hao Tian Development Group Limited from August 2012 to August 2016. From 28 June 2016 to present, Mr. Ma is an independent non-executive director of China Minsheng Drawin Technology Group Limited, a company listed on the Stock Exchange (stock code: 726). He is also currently an independent non-executive director of SRE Group Limited, a company listed on the Stock Exchange (stock code: 1207).



Mr. Yeung Siu Keung, aged 33, has been appointed as an independent non-executive Director of the Company since December 2012. He holds a bachelor degree of commerce in accounting from Hong Kong Shue Yan University. Mr. Yeung is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung has over 4 years of solid experiences in the field of accounting and finance from his past work experiences. He is acting as company secretary of Ngai Shun Holdings Limited, a company the shares of which are listed on the Stock Exchange (stock code: 1246), since 8 May 2015.

Change in Information of Director

Pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes in information of Director of the Company (including director's fee) subsequent to the date of the 2016 Interim Report of the Company are as follows:

(i) Dr. Wong Tin Yau Kelvin ("Dr. Wong"), an independent non-executive Director of the Company has been appointed as independent non-executive directors of Asia Investment Finance Group Limited (HKSE: 33) and Xinjiang Goldwind Science & Technology Co., Ltd. (HKSE: 2208 and SZSE: 002202) with effect from 19 October 2016 and 22 October 2016 respectively;

(ii) Dr. Wong ceased to act as a member of Corruption Prevention Advisory Committee of Independent Commission Against Corruption in December 2016;

(iii) The director's fee of Dr. Wong has been increased from HK$250,000 to HK$320,000 per annum with effect from 15 March 2017;

(iv) The director's fee of Mr. Ma Lishan has been increased from HK$250,000 to HK$310,000 per annum with effect from 15 March 2017; and

(v) The director's fee of Mr. Yeung Siu Keung has been increased from HK$250,000 to HK$300,000 per annum with effect from 15 March 2017.

SENIOR MANAGEMENT

Mr. Xu Ruibai, was appointed as the Director of Supervision of the Company on 20 February 2017. Mr. Xu has served as a judge of local court, High People's Court and the Supreme People's Court of the People's Republic of China for 25 years, while serving as a member of the standing committee and deputy mayor of Meishan City, Sichuan Province from 2007 to 2009. He is a second-grade senior judge, a part-time professor and the tutor of the post-graduate students of National Judges College of China and School of Law in Jiangxi University of Finance and Economics. While working at the Supreme People's Court, Mr. Xu was responsible for hearing over 800 cases of civil and economic disputes, and participated in drafting of judicial interpretation on the Contract Law and the Guarantee Law. Mr. Xu joined China Huarong in April 2010, and has served successively as secretary of the disciplinary commission of Huarong Xiangjiang Bank, director of supervision, deputy secretary and head of the supervisory office of the disciplinary committee of China Huarong, and chairman of the board of supervisors of Huarong Capital Management Limited. Mr. Xu graduated from the Law School of Jilin University in 1985 with a bachelor degree in law.

Mr. Zhao Qiang, was appointed as the Deputy Chief Executive Officer of the Company on 20 February 2017. Mr. Zhao joined the People's Bank of China in 1993 and the China Banking Regulatory Commission in 2003. Mr. Zhao joined China Huarong in 2009, he has served successively in China Huarong as the senior manager of risk management department, the deputy general manager of sales department, the deputy general manager of Zhejiang branch office of China Huarong, the general manager of Huarong Qianhai Wealth Management Co., Ltd. and the deputy general manager of CHIH. Mr. Zhao is an economist and holds a master degree of engineering from Beijing University of Technology.

Mr. Peng Xuanxian, was appointed as the Deputy Chief Executive Officer of the Company on 13 June 2016. Mr. Peng held various positions including the chairman of the board of supervisors of China Life Insurance (Overseas) Company Limited, the chairman of China Life Trustees Limited, the chief operation officer of China Life Insurance (Overseas) Company Limited Hong Kong Branch and the assistant to the general manager of development and reform department (strategic planning department) of China Life Insurance Company Limited. Mr. Peng has extensive experience in strategic management, market analysis, audit and risk control in the financial and insurance industry. Mr. Peng graduated from Remin University of China and received a master degree of business administration.

Mr. Lee Po Tak Gilbert, was appointed as the Deputy Chief Executive Officer on 15 September 2015. He was the chief operating officer of the Company before restructuring of the Group since he joined the Company in August 2010. He has over 29 years working experience in operational management in the banking, financial and investment banking industry. Mr. Lee possesses the master degree of business administration from University of Leicester, the master degree of electronic commerce from The Open University of Hong Kong, the bachelor degree of laws from University of Wolverhampton and the master degree of laws from University of London.

Mr. Chen Qingrong, was appointed as the Assistant to the Chief Executive Officer in March 2016 and the Chief Risk Officer in February 2017 respectively. Mr. Chen has accumulated extensive experience in financial industry. He served successively in government authority, the People's Bank of China and commercial banks. He served as head of general office and the assistant to general manager of government and institution department of head office of Shenzhen Commercial Bank and the vice president of Wuzhou sub-branch of Shenzhen Commercial Bank; and vice president and deputy general manager of financial institution department of Ping An Bank Shenzhen Huaqiangbei sub-branch. After joining China Huarong in March 2012, Mr. Chen served successively as the deputy general manager of operation department of head office of Huarong Xiangjiang Bank; deputy general manager of integrated management department and managing director of direct investment department of CHIH. Mr. Chen holds a doctorate degree from Nankai University.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

As the Company has changed its financial year end date from 30 April to 31 December, commencing from the financial period ended on 31 December 2015, the financial statements of the Company herein presented are for the whole year ended 31 December 2016 (the "Year") with comparatives based on those for the eight months ended 31 December 2015 (the "Relevant 2015 Period").

For the Year under review, the Group recorded a revenue and net gains on financial assets/liabilities at fair value through profit or loss of approximately HK$1,402,029,000 (as compared to approximately HK$168,003,000 for the Relevant 2015 Period), representing an increase of 734.5% as compared to the Relevant 2015 Period. Profit attributable to the shareholders for the Year significantly increased to approximately HK$550,914,000 as compared to the profit of approximately HK$139,397,000 in the Relevant 2015 Period, representing an increase of approximately 295.2%. The aforementioned increases in revenue and profit are attributable to the increase in revenue and operating profit for the Year from all three operating segments of the Group, namely (i) the securities segment; (ii) the corporate finance segment; and (iii) the asset management and direct investment segment. The performance of these segments will be discussed further below.

The basic earnings per share from continuing and discontinued operations was HK16.41 cents (as compared to HK5.70 cents for the Relevant 2015 Period), and the diluted earnings per share from continuing and discontinued operations was HK16.40 cents (as compared to HK5.64 cents for the Relevant 2015 Period). Basic earnings per share from continuing operations was HK16.41 cents (as compared to HK6.35 cents for the Relevant 2015 Period), and the diluted earnings per share from continuing operations was HK16.40 cents (as compared to HK6.27 cents for the Relevant 2015 Period).

The Board does not recommend a payment of final dividend in the Year (nil in the Relevant 2015 Period).

BUSINESS REVIEW

Following the expansion momentum since China Huarong became the ultimate controlling shareholder of the Company in 2015, the Group continues to grow its business and operation by fully utilizing its licenses regulated under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (Types 1, 2, 4, 6 and 9 licences). Details of the performance of the operating segments are as follows:

Securities

The securities segment comprises broking and dealing of securities, futures and options contracts and the provision of margin financing services. The revenue from the securities segment increased from approximately HK$45,607,000 in the Relevant 2015 Period to approximately HK$289,185,000 in the Year, representing an increase of approximately 534.1%. Segment result increased from approximately HK$28,636,000 in the Relevant 2015 Period to approximately HK$144,685,000 in the Year, representing an increase of approximately 405.3%. The significant increase was due to the expansion of our margin loans portfolio during the Year as a result of our increased efforts to grow and develop the Type 1 licensed business. Margin loan receivables net of provision increased from approximately HK$866,523,000 as at 31 December 2015 to approximately HK$4,236,463,000 as at 31 December 2016. Therefore, fee income and interest income derived from margin loan business increased accordingly in the Year as compared to that in the Relevant 2015 Period.

Corporate Finance

The corporate finance segment comprises provision of securities underwriting and sponsoring, financial advisory and financing arrangement services to institutional clients. The revenue from this segment increased from approximately HK$59,370,000 in the Relevant 2015 Period to approximately HK$219,412,000 in the Year while the segment result increased from approximately HK$44,481,000 in the Relevant 2015 Period to approximately HK$198,256,000 in the Year, representing an increase of approximately 345.7%. The significant increase was due to the increase in consultancy, financial advisory and financing arrangement services provided during the Year.

Asset Management and Direct Investment

The asset management and direct investment segment comprises provision of asset management services and direct investments in equities, bonds, funds, derivative instruments and other financial products and provision of money lending services. The revenue from this segment increased from approximately HK$8,250,000 in the Relevant 2015 Period to approximately HK$218,469,000 in the Year, representing an increase of approximately 2,548.1%. The net gains on financial assets/liabilities at fair value through profit or loss increased from approximately HK$55,472,000 in the Relevant 2015 Period to approximately HK$674,963,000 in the Year. Therefore, the segment result increased to approximately HK$572,241,000 for the Year (as compared to profit of HK$87,477,000 for the Relevant 2015 Period). The significant increase was a result of the expansion of direct investment business and profit arising from fair value change of the financial assets/liabilities at fair value through profit or loss.

Prospect

With world markets influenced by uncertain political events, such as new policies implemented by the United States President Donald Trump, Brexit, and elections in member countries of the European Union, we expect the financial markets to remain volatile. Facing the complicated and changing business environment and increasingly fierce competition, the Company will keep seeking steady growth and striving for success, fully promote the interconnection between its financing and investment business and licensed business, actively seize the opportunities made available by the Shenzhen – Hong Kong Stock Connect, internationalization of RMB and "the One Belt and One Road" strategy to propel the development of platforms regarding the three major business segments, namely "securities", "corporate finance" and "asset management and direct investment", and continue to enhance core competitiveness and overall profitability of the Company, and to strive to create greater value for shareholders.

Capital Structure

On 7 January 2016, the convertible notes issued by the Company (the "Convertible Notes") with outstanding principal amount of HK$30,000,000 was converted into 60,000,000 ordinary shares of the Company. Immediately after the conversion, there were no outstanding Convertible Notes issued by the Company. As at 31 December 2016, the total number of issued share capital with the par value of HK$0.001 each was 3,338,107,918 and the total equity attributable to shareholders was approximately HK$1,286,941,000 (as compared to HK$735,155,000 as of 31 December 2015).

On 21 February 2017, the Company issued 5.797% senior perpetual capital securities in the principal amount of US$99,118,000 to CHIH. The senior perpetual capital securities will be accounted for as equity in the statement of financial position of the Company.

Liquidity and Financial Resources

As at 31 December 2016, the Group had total cash and cash equivalents of approximately HK$956,675,000 (as compared to HK$3,040,911,000 as of 31 December 2015), which already excluded approximately HK$3,315,589,000 (as compared to HK$623,241,000 as of 31 December 2015) of client funds that were kept in separate designated bank accounts. The Group's gearing ratio as at 31 December 2016 was 1,340.7% (as compared to 530.7% as of 31 December 2015), being calculated as borrowings over the Company's shareholders' equity. The increased borrowings are attributable to the loans from the controlling shareholder and bank borrowings for the expansion of the Group's businesses. As at 31 December 2016, the Group had outstanding principal of shareholder loans of US$1,500,000,000 (equivalent to HK$11,634,000,000) (as compared to US$500,000,000, equivalent to HK$3,875,250,000, as of 31 December 2015) which are unsecured and unguaranteed. As at 31 December 2016, the Group has undrawn bank facilities of HK$807,500,000 (as compared to HK$30,000,000 as of 31 December 2015), and the Group had outstanding bank borrowings of approximately HK$5,620,480,000 as at 31 December 2016 (as compared to Nil as of 31 December 2015). Letters of comfort ("Comfort Letters") were issued by China Huarong, the controlling shareholder of the Company for significant portion of the Group's banking facilities. Under the Comfort Letters, as long as the facilities remain outstanding, China Huarong has undertaken to, among others, maintain its status as the Company's controlling shareholder. The Group actively and regularly reviews and manages its capital structure and makes adjustments in light of changes in economic conditions.

For the Securities and Futures Commission licensed subsidiaries, the Group has ensured each of the subsidiaries maintains a liquidity level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Year, all the licensed subsidiaries have complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules.

Charges on Group Assets

As at 31 December 2016, the Group had no bank deposit (as compared to HK$10,353,000 as of 31 December 2015) pledged to secure banking facilities of the Group. The Group's bank borrowings of HK$550,000,000 (31 December 2015: Nil) are secured by listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent) as at 31 December 2016.

Employee and Remuneration Policy

As at 31 December 2016, the Group employed a total of 137 employees (as compared to 80 employees as at 31 December 2015). The Group's staff recruitment and promotion are primarily based on individual's merits, relevant experiences, development potentials for the positions offered and the performance of the staff. Staff remuneration and benefit policies, which are formulated by reference to the market, are competitive and performance based.

Foreign Exchange Exposures

The Group's revenue and expenditure are mainly denominated in United States dollars and Hong Kong dollars. The Group's foreign exchange exposure is mainly caused by the translation of its assets and liabilities denominated in United States dollars to Hong Kong dollars. As Hong Kong dollars are pegged with United States dollars, the Directors believe that the Group's foreign exchange exposure is manageable and the Group will closely monitor the risk exposure from time to time.

Contingent Liabilities

Regarding the alleged claims against Huarong International Securities Limited (formerly known as United Simsen Securities Limited) ("HISL"), an indirectly wholly-owned subsidiary of the Company, that was previously disclosed in the audited financial statements of the Group for the period from 1 May 2015 to 31 December 2015, as the plaintiff did not take any further action since August 2013, there was no substantial progress as at 31 December 2016. The Group has sought legal advice on the alleged claims and the Directors consider that HISL has a very good defence and has a strong case to pursue its counterclaim against the plaintiff. The Directors consider that it is not probable that there will be any significant financial impact on the Group arising from these alleged claims.

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of principal activities of the principal subsidiaries of the Company are set out in note 1 to the consolidated financial statements. During the year ended 31 December 2016 and up to the date of this report, the Group expanded its businesses and operations by fully utilising its licenses issued under the SFO (Types 1, 2, 4, 6 and 9 licences).

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 62 to 159. The Board does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the section headed "Management Discussion and Analysis" on pages 14 to 17 of this annual report, the discussion thereof form part of the Report of the Directors.

SUMMARY FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2016 are set out in note 34 to the consolidated financial statements.

The rights issue on the basis of 1.5 rights shares for every 20 existing shares held on the record date of 11 January 2017 became unconditional on 6 February 2017. On 10 February 2017, the Company issued and allotted 250,358,093 rights shares at HK$2.63 per rights share and successfully raised net proceeds of approximately HK$652,032,000.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 67 and 68, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company has no reserves available for distribution (31 December 2015: Nil), in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover (including revenue and net gains on financial assets/liabilities at fair value through profit or loss) attributable to the Group's five largest customers represented 17.4% of the Group's total turnover and turnover to the largest customer included therein amounted to 4.0%. None of the Directors of the Company or any of their close associates or any shareholders (who, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's largest customers. The Group is engaged in the provision of financial services. In the opinion of the Directors, it is of no value to disclose details of the Group's suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business operations are highly dependent on the economic and market environment in China and Hong Kong. The principal risks and uncertainties faced by the Group include but not limited to (i) market risk that may arise when there is fluctuation of the equity price of companies invested by the Group; (ii) credit risk that may arise from possible default of the Group's business counterparties, including borrowers, trading counterparties and note issuers; and (iii) legal and compliance risk that may arise when the Group is not able to comply with changes in laws, regulations and rules of regulatory authorities that are applicable to it and its business on a timely manner due to the Group's rapid expansion and development of its business.

The Group assesses, monitors and manages the market and credit risks through the risk management department which is independent from the business department, and relevant assessment result is reported on time to relevant business teams of the Group. After receiving the assessment and report, relevant business teams will propose market and credit risk mitigation plans and submit such plans to the management, after obtaining clearance from legal department and compliance department and risk management department, for discussion and approval. While relevant business teams are in charge of implementing risk mitigation plans, the risk management department cooperates closely with business teams and make valuable recommendations on risk management.

The Group's legal department and compliance department keep track of the development of applicable laws, regulations and rules, and establish, improve and implement compliance policies for the Group as well as provide compliance advice for the management of the Group and relevant business teams. The Group has also engaged external counsels to provide advice regarding development of laws, regulations and rules applicable to the Group and its business.

ENVIRONMENTAL POLICIES

The Board and the management of the Company is committed to better protect the environment by encouraging its employees to reduce consumption of electricity and paper, reduce waste, and use environmental friendly products whenever possible. Details of the relevant policies are set out in the Environmental, Social and Governance Report on pages 42 to 56 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's legal department and compliance department establish and implement compliance policies for the Group as well as provide compliance advice for the management of the Group and relevant business teams. Steps have been taken to ensure that each potential business transaction engaged by relevant business teams is in compliance with laws, regulations and rules, including but not limited to the SFO, the Listing Rules, anti-money laundering laws, and the Foreign Account Tax Compliance Act. The Group has also engaged external counsels to provide advices regarding development of laws, regulations and rules applicable to the Group and its business.

RELATIONSHIP WITH EMPLOYEES

The Group recognizes the unique position and value of its employees. Apart from market competitive remuneration, the Group also provides positive working environment and organizes leisure activities such as birthday parties on a regular basis and annual dinner to build up strong connection with the employees. Details of the policies in relation to employment are set out in the Environmental, Social and Governance Report on pages 42 to 56 of this annual report.

RELATIONSHIP WITH CUSTOMERS

The Group is committed to provide excellent services to our customers with a view to maintaining steady business and asset growth as well as long term profitability.

DIRECTORS

The Directors who held office during the year and up to the date of this report are:

Executive Directors:

Mr. Liu Xiaodong *(Chairman)*
Mr. Wang Qiang *(Chief Executive Officer)* (appointed on 20 February 2017)
Ms. Wang Wei (appointed on 20 December 2016)
Mr. Huang Rui *(Chief Executive Officer)* (appointed on 13 June 2016 and resigned on 20 February 2017)
Mr. Lai Jinyu (appointed on 27 April 2016 and resigned on 20 December 2016)
Mr. Xiong Hao (resigned on 13 June 2016)
Mr. Jiang Rongjian (resigned on 27 April 2016)

Non-executive Directors:

Ms. Yu Xiaojing (appointed on 20 February 2017)
Mr. Zeng Jianyong (appointed on 19 August 2016 and resigned on 20 February 2017)
Mr. Ming Hang (appointed on 13 June 2016 and resigned on 19 August 2016)

Independent Non-executive Directors:

Dr. Wong Tin Yau, Kelvin
Mr. Ma Lishan (appointed on 19 August 2016)
Mr. Yeung Siu Keung
Mr. Tse Yung Hoi (resigned on 13 June 2016)

All Directors including independent non-executive Directors are appointed for a specific term and all Directors are subject to retirement at the first general meeting of the Company after their appointment, and thereafter subject to retirement by rotation and re-election at the annual general meeting ("AGM") in accordance with the Bye-laws.

In accordance with Bye-law 86(2B) of the Bye-laws, Mr. Wang Qiang, Ms. Wang Wei, Ms. Yu Xiaojing and Mr. Ma Lishan shall retire from office and, being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance with Bye-law 87 of the Bye-laws, Mr. Yeung Siu Keung will retire by rotation at the AGM and will not offer himself for re-election at the AGM due to his decision to devote more time to his personal endeavours. Mr. Yeung Siu Keung confirmed that he has no disagreement with the Board and there is no matter that needs to be brought to the attention of the Shareholders and the Stock Exchange in relation to his retirement from the Board. Upon his retirement, the Board will identify suitable candidate(s) to fill the vacancy of an independent non-executive Director, a member of each of the audit committee and the nomination committee of the Board and the chairman of the remuneration committee of the Board or consider adjusting the composition of the Board committees as soon as practicable in order to comply with the Listing Rules. The Company will make further announcement as and when appropriate.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions, disclosed in note 42 to the consolidated financial statements also constitute connected transactions under the Listing Rules, are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirement as applicable to the following continuing connected transactions under Chapter 14A of the Listing Rules.

The following transactions between certain connected persons (as defined in the Listing Rules) and the Group have been entered into and/or ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

(i) During the year, the Group earned underwriting income of HK$14,650,571 from its fellow subsidiary, Huarong Finance II Co. Ltd in respect of the issuance of its medium term notes.

(ii) During the year, the Group earned underwriting income of HK$11,196,815 from its ultimate holding company, China Huarong in respect of the listing and initial public offering of China Huarong's shares in 2015.

The Directors, including the independent non-executive Directors, have reviewed the continuing connected transactions made during the year ended 31 December 2016 and confirmed that these transactions were entered into:

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

(2) on normal commercial terms or better;

(3) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(4) have not exceeded the relevant annual caps as disclosed in previous announcements.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 21 of the annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Regarding the related party transactions as set out in note 42(b) to the consolidated financial statements, the loans from the intermediate holding company and the corresponding interest are connected transactions exempted from announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into an appointment letter with the Company and is appointed for a specific term.

All of the Directors are subject to retirement by rotation at least once every three years and in accordance with the Bye-laws. There is no service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than normal statutory compensation), in respect of any director proposed for re-election at the forthcoming AGM.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 11 to the consolidated financial statements, no transactions, arrangements or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of 31 December 2016.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2016, none of the Directors nor chief executive of the Company or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of 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 which were required to be and were recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the"Model Code") as set out in Appendix 10 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2016 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporations or any other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of any willful negligence, willful defaults, fraud or dishonesty which may attach to the said persons. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year ended 31 December 2016 and up to the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2016, the following persons or corporations (other than a Director or chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Long position/ Short position	Number of shares held	Approximate percentage of the issued share capital of the Company
China Huarong Asset Management Co., Ltd. ("China Huarong") (Note 1)	Interests in controlled corporation	Long position	1,702,435,038	51%
China Huarong International Holdings Limited ("CHIH") (Note 1)	Interests in controlled corporation	Long position	1,702,435,038	51%
Camellia Pacific Investment Holding Limited ("Camellia")	Beneficial owner	Long position	1,702,435,038	51%
Hero Link Enterprises Limited ("Hero Link") (Note 2)	Beneficial owner	Long position	120,000,000	3.59%

Name of Shareholder	Capacity/ Nature of interest	Long position/ Short position	Number of shares held	Approximate percentage of the issued share capital of the Company
China Tian Yuan International Finance Limited ("Tian Yuan Int'l") (Note 2)	Beneficial owner	Long position	568,000,000	17.02%
	Interests in controlled corporation	Long position	120,000,000	3.59%
China Tian Yuan Finance Group (Holdings) Limited ("Tian Yuan Group") (Note 2)	Interests in controlled corporation	Long position	688,000,000	20.61%
Tong Liang (Note 3)	Interests in controlled corporation	Long position Short position	111,081,000 111,081,000	3.33% 3.33%
Tong Liang	Beneficial owner	Long position Short position	60,120,000 15,247,000	1.80% 0.46%

Notes:

(1) 1,702,435,038 shares of the Company were beneficially owned by Camellia which is wholly-owned by CHIH. CHIH was in turn owned as to 11.90% by Huarong Zhiyuan Investment & Management Co., Ltd. and 88.10% by Huarong Real Estate Co., Ltd. both of which were wholly-owned by China Huarong. Therefore, China Huarong and CHIH were deemed or taken to be interested in all the shares of the Company beneficially owned by Camellia by virtue of the SFO.

(2) Tian Yuan Group is deemed or taken to be interested in (i) 120,000,000 shares of the Company held by Hero Link which is held as to 82% by Tian Yuan Int'l; and (ii) 568,000,000 shares of the Company held by Tian Yuan Int'l. Tian Yuan Int'l is a wholly-owned subsidiary of Tian Yuan Group which, in turn wholly-owned by Mr. Jia Tianjiang. By virtue of the SFO, Tian Yuan Int'l, Tian Yuan Group, Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng are deemed or taken to be interested in 688,000,000 shares of the Company.

(3) Super Century Investments Limited was interested in 111,081,000 shares of the Company. Super Century Investments Limited was wholly-owned by Mr. Tong Liang. Therefore, Mr. Tong Liang was deemed to have interests in the shares of the Company owned by Super Century Investments Limited.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 26 to 39 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2016.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant events after the end of the reporting period of the Group are set out in note 47 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of Rule 3.21 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control systems, and compliance with the relevant rules and regulations. The Audit Committee currently comprises three independent non-executive Directors, namely Dr. Wong Tin Yau, Kelvin (chairman), Mr. Ma Lishan and Mr. Yeung Siu Keung. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016.

AUDITOR

A resolution will be submitted to the forthcoming AGM to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Huarong International Financial Holdings Limited
Liu Xiaodong
Chairman

Hong Kong, 15 March 2017

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance. The Company believes that conducting the Group's business in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders. Throughout the year ended 31 December 2016, the Company has complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the deviations discussed in the relevant paragraphs below.

(A) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors of the Company. In response to specific enquiry made by the Company, all Directors confirmed that they have fully complied with the required standards as set out in the aforesaid model code throughout the year of 2016.

(B) BOARD OF DIRECTORS

Board Composition

The board of directors of the Company (the "Board") currently has seven Directors comprising three Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

Directors give sufficient time and attention to the Company's affairs. The Company requests the Directors to disclose annually to the Company the number and nature of offices held in public companies or organizations and other significant commitments.

Independent Non-executive Directors and Non-executive Director provide the Board with diversified skills, expertise and experience. Their views and participation in Board and committee meetings bring independent, constructive and informed comments on issues relating to the Company's strategies and policies to ensure that the interests of all shareholders are taken into account.

An updated list of the Directors identifying their roles and functions is maintained on the websites of the Company and the Hong Kong Exchanges and Clearing Limited ("HKEx"). Independent Non-executive Directors are identified as such in all corporate communications containing the name of the Directors.

None of the members of the Board has any relationship with one another (including financial, business, family or other material/relevant relationship(s)).

Board Diversity

The Company has already adopted a board diversity policy (the "Board Diversity Policy") in August 2013 setting out the approach to achieve diversity on the Board.

The Company considers diversity as a wide concept and believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural background, educational background and professional experience. All Board appointments will be based on meritocracy, in the context of the skills and experience of the Board as a whole requires to be effective. The ultimate decision will be based on merit and contribution that the selected candidate will bring to the Board.

The Nomination Committee of the Company will monitor the achievement of the measurable objectives set out in the Board Diversity Policy and review the same as appropriate to ensure its continued effectiveness.

Directors' and Officers' Liabilities Insurance

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

Delegation by the Board

The Board is responsible for overseeing the strategic development of the Group and for determining the objectives, strategies, policies and business plans of the Group. In addition to its overall supervisory role, the Board retains specific responsibilities such as approving the Group's strategic direction and other important matters such as interim and annual results, dividends, annual financial budgets, business and operation plans etc., while delegating day-to-day operations of the Group to the management.

The Board gives clear directions as to the management's power, and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole. The management are required to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

To comply with the requirement under the CG Code, the Board is also responsible for performing the corporate governance duties.

Board Meetings

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. A tentative meeting schedule of the Board and the Board committees for the whole year is prepared at the beginning of a year. In addition, at least 14 days' notice of all regular Board meetings and an agenda with supporting Board papers no less than 3 days prior to the meeting are given to all Directors and all Directors are given the opportunity to include matters for discussion in the agenda. The Chairman also ensures that all Directors are supplied with adequate information in a timely manner before each meeting and that all Directors are properly briefed on issues arising at Board meetings. Senior executives of the Group are invited to attend the Board meetings to present and answer any enquiries raised by the Directors. At all time the Board and each Director have separate and independent access to the Company's senior executives for the purpose of obtaining additional information.

During the year ended 31 December 2016, the Board held four regular meetings and three ad-hoc meetings. The attendance record of individual Directors is set out below. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a Director of the Company.

Directors	Attendance
Executive Directors	
Liu Xiaodong *(Chairman)*	6/(7)
Wang Qiang *(Chief Executive Officer)* (appointed on 20 February 2017)	N/A
Wang Wei (appointed on 20 December 2016)	N/A
Non-executive Director	
Yu Xiaojing (appointed on 20 February 2017)	N/A
Independent Non-executive Directors	
Wong Tin Yau Kelvin	7/(7)
Ma Lishan (appointed on 19 August 2016)	3/(3)
Yeung Siu Keung	6/(7)
Ex-Directors	
Jiang Rongjian (resigned on 27 April 2016)	2/(2)
Lai Jinyu (appointed on 27 April 2016 and resigned on 20 December 2016)	5/(5)
Xiong Hao (resigned on 13 June 2016)	3/(3)
Huang Rui (appointed on 13 June 2016 and resigned on 20 February 2017)	3/(4)
Ming Hang (appointed on 13 June 2016 and resigned on 19 August 2016)	0/(1)
Zeng Jianyong (appointed on 19 August 2016 and resigned on 20 February 2017)	1/(3)
Tse Yung Hoi (resigned on 13 June 2016)	2/(3)

Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors at the Company's expense to assist them in performing their duties if necessary. They can also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Directors are given sufficient time for discussion at the Board meetings. Where queries are raised by Directors, management will provide prompt and full responses as much as possible.

Should a potential conflict of interest involving a substantial shareholder or a Director arises which the Board has determined to be material, the matter will be discussed in a physical Board meeting, as opposed to being dealt with by written resolution. Independent Non-executive Directors with no material interest in the transaction will be present at the meetings to deal with such conflict issues.

The Company Secretary is responsible for taking minutes of the Board meetings and meetings of the Board committees. The minutes record in sufficient details the matters considered by the Board and the Board committees, decisions reached, including any concerns raised by Directors or dissenting views expressed. All such minutes are kept by the Company Secretary and are available for inspection by the Directors upon request.

Chairman and Chief Executive Officer

Mr. Liu Xiaodong is currently the Chairman and Mr. Wang Qiang is the Chief Executive Officer (the "CEO") of the Company. The roles of Chairman and CEO are segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner. Directors are encouraged to participate actively in all Board and committee meetings of which they are members. The Chairman holds meetings with the Non-executive Directors (including Independent Non-executive Directors) at least annually to exchange views and comments further to those discussed at the Board meeting. The CEO, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including developing and proposing the Group's strategies and policies for the Board's consideration and the implementation of major strategies and policies approved by the Board and its committees.

Pursuant to Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the roles of the Chairman and the CEO of the Company had been performed by Mr. Liu Xiaodong during the period from 14 March 2016 to 12 June 2016. On 13 June 2016, Mr. Huang Rui was appointed as an Executive Director and the CEO of the Company. Since then, the roles of the Chairman of the Company and the CEO of the Company have been segregated and the Company is in compliance with Code Provision A.2.1.

Non-executive Directors

Every Non-executive Director is appointed for a specific term under their respective letters of appointment. All Directors including Non-executive Directors are subject to retirement by rotation and eligible for re-election at AGM at least once every three years in accordance with the Bye-laws. The Company has issued formal letters of appointment to its Directors setting out key terms of their appointments.

Independent Non-executive Directors

On 13 June 2016, Mr. Tse Yung Hoi ("Mr. Tse") resigned as an Independent Non-executive Director and ceased to act as a member of each of the Nomination Committee and the Audit Committee of the Company. As a result, the Company was not in compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules and the Code Provision A.5.1 of the CG Code after Mr. Tse's resignation. However, on 19 August 2016, Mr. Ma Lishan was appointed as an Independent Non-executive Director and a member of each of the Audit Committee and Nomination Committee of the Company in place of Mr. Tse. Following the appointment of Mr. Ma, the Company has been in compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules and the Code Provision A.5.1 of the CG Code.

The Company has received from all Independent Non-executive Directors their confirmation of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent. None of them has served the Company for more than nine years.

Directors' Continuous Professional Development

Every newly appointed Director is provided with a comprehensive induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they continue to make contribution to the Board in an informed and relevant manner. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

The training received by the Directors during the year ended 31 December 2016 is summarized as follows:

Directors	Types of training
Liu Xiaodong	A
Wong Tin Yau Kelvin	A, B
Ma Lishan (appointed on 19 August 2016)	B
Yeung Siu Keung	A
Huang Rui (appointed on 13 June 2016 and resigned on 20 February 2017)	A
Wang Wei (appointed on 20 December 2016)	N/A
Zeng Jianyong (appointed on 19 August 2016 and resigned on 20 February 2017)	N/A

A – attending seminars/conferences/forums/briefings/workshops relevant to the business or director's duties

B – reading articles relevant to corporate governance, regulatory updates and directors' duties and responsibilities

Company Secretary

The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management.

During the year ended 31 December 2016, the Company Secretary has undertaken not less than 15 hours of relevant professional training to update her skills and knowledge.

(C) BOARD COMMITTEES

The Company currently has five Board committees, namely the Audit Committee, Remuneration Committee, Nomination Committee, Executive Committee and Risk Management Committee for overseeing particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. Terms of Reference of respective Board committees are available on the websites of the Company and HKEx.

Audit Committee

The current composition of the Audit Committee consists of three Independent Non-executive Directors. No former partner of the Company's existing auditing firm has acted as a member of the Audit Committee.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's internal and external auditors in matters within the scope of the Group audit.

The Audit Committee met regularly with the senior management, the external and internal auditors to consider and discuss the Group's financial reporting process, systems of internal control and compliance. It has considered the appointment of the external auditors and the audit fee, and discussing with the external and internal auditors the nature and scope of audit before any audit commences. In addition, it discussed matters raised by the internal auditors and external auditors to ensure that appropriate recommendations are implemented.

The Audit Committee held four meetings during the year ended 31 December 2016. It had reviewed the interim and annual results of the Group and discussed and approved the relevant financial reports, reviewed the Group's internal control system and internal audit activities and discussed the audit plan for the financial year 2016. Private session between the Committee members and the external auditors without the presence of the management had also been arranged. The attendance record of individual members is set out below. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a member of the Audit Committee.

Committee members	Attendance
Wong Tin Yau Kelvin *(Chairman)*	4/(4)
Ma Lishan (appointed on 19 August 2016)	1/(1)
Yeung Siu Keung	3/(4)
Ex-Committee members	
Tse Yung Hoi (resigned on 13 June 2016)	1/(2)

The Audit Committee is provided with sufficient resources enabling it to perform its duties. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

Remuneration Committee

The current composition of the Remuneration Committee consists of three Independent Non-executive Directors and is chaired by Mr. Yeung Siu Keung.

The primary objectives of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure and on remuneration packages of the Directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing remuneration policy and structure to ensure that no Director or any of his/her associates will participate in his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The Remuneration Committee, with delegated responsibility, is responsible for annually reviewing the existing remuneration policy including the remuneration packages of individual Executive Directors and senior management whereas the Board as a whole is responsible for determining the remuneration of Non-executive Directors (including the Independent Non-executive Directors) with recommendations from the Remuneration Committee, if any.

During the year ended 31 December 2016, three Remuneration Committee meetings were held. The attendance record of individual members is set out below. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a member of the Remuneration Committee.

Committee members	Attendance
Yeung Siu Keung *(Chairman)*	3/(3)
Wong Tin Yau Kelvin	3/(3)
Ma Lishan (appointed on 19 August 2016)	N/A
Ex-Committee members	
Ming Hang (appointed on 13 June 2016 and resigned on 19 August 2016)	0/(1)
Tse Yung Hoi (resigned on 13 June 2016)	1/(2)

During the year ended 31 December 2016, the Remuneration Committee made recommendations to the Board for certain Executive Directors' incentive bonus and salaries, and reviewed the director fees of the Non-executive Directors (including the Independent Non-executive Directors) and made recommendations to the Board for such to be approved, if thought fit; and reviewed the remuneration proposal for the senior management of the Company and made recommendations to the Board.

Further particulars regarding Directors' remuneration and individuals with highest emoluments are set out in notes 11 and 12 to the consolidated financial statements.

Nomination Committee

The Nomination Committee of the Company currently comprises three Independent Non-executive Directors, one Non-executive Director and the Chairman of the Company and is chaired by Dr. Wong Tin Yau Kelvin.

The roles and responsibilities of the Nomination Committee, as set out in its terms of reference, are published on the websites of the Company and HKEx. These primarily include considering the selection criteria and procedures of the Directors and the senior management in accordance with the recommendations of the Chairman of the Board and make recommendations to the Board; identifying individuals suitably qualified to become Board members in accordance with the recommendations of the Chairman of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of Independent Non-executive Directors in accordance with the recommendations of the Chairman of the Board; and making recommendations to the Board on the appointment or reappointment of the Directors and succession planning of the Directors in accordance with the recommendations of the Chairman of the Board.

During the year ended 31 December 2016, five Nomination Committee meetings were held. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a member of the Nomination Committee.

Committee members	Attendance
Wong Tin Yau Kelvin *(Chairman)*	5/(5)
Liu Xiaodong	5/(5)
Yu Xiaojing (appointed on 20 February 2017)	N/A
Ma Lishan (appointed on 19 August 2016)	1/(1)
Yeung Siu Keung	5/(5)
Ex-Committee members	
Ming Hang (appointed on 13 June 2016 and resigned on 19 August 2016)	0/(1)
Tse Yung Hoi (resigned on 13 June 2016)	2/(3)
Zeng Jianyong (appointed on 19 August 2016 and resigned on 20 February 2017)	1/(1)

During the year ended 31 December 2016, the Nomination Committee advised the Board as to which of the Directors were due to retire pursuant to the Bye-laws and the CG Code and recommended that they be subject to retirement and re-election at the 2016 AGM, conducted annual review of the structure, size and composition (including the skills, knowledge and experience) of the Board, and considered the appointment of several Directors and made recommendations to the Board for such to be approved, if the Board thought fit.

Executive Committee

The current composition of the Executive Committee consists of three Executive Directors and is chaired by Mr. Liu Xiaodong.

The major roles and functions of the Executive Committee are as follows:

- the rights to make investment decision granted to the Board and delegated to the Executive Committee;
- to handle relevant matters that shall not be necessarily dealt with through regular Board meetings or too late to be dealt with through provisional Board meetings as considered by the Chairman of the Board; and
- to handle any other matters provisionally authorised by the Board to the Executive Committee.

During the year ended 31 December 2016, the Executive Committee held six physical meetings. The attendance record of individual members is set out below. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a member of the Executive Committee.

Committee members	Attendance
Liu Xiaodong *(Chairman)*	6/(6)
Wang Qiang (appointed on 20 February 2017)	N/A
Wang Wei (appointed on 20 December 2016)	N/A
Ex-Committee members	
Jiang Rongjian (resigned on 27 April 2016)	4/(4)
Lai Jinyu (appointed on 27 April 2016 and resigned on 20 December 2016)	2/(2)
Xiong Hao (resigned on 13 June 2016)	4/(6)
Huang Rui (appointed on 13 June 2016 and resigned on 20 February 2017)	N/A

In addition to physical meetings, the Executive Committee also circulate written resolutions for consideration and approval of investment projects under their delegated authority and other day-to-day operations as assigned by the Board.

Risk Management Committee

The Risk Management Committee was established on 19 August 2016. The current composition of the Risk Management Committee consists of two Executive Directors, one Non-Executive Director and is chaired by Mr. Ma Lishan. The major roles and functions of the Risk Management Committee are as follows:

- to advise the Board on the risk appetite statements, risk principles and other risk-related issues of the Company and its subsidiaries, including strategic transactions such as mergers, acquisitions and disposals;
- to discuss with management the scope and quality of the risk management system and ensure that management has discharge its duty to maintain effective systems;
- to review the major investigation findings on risk management matters and management's response to these investigation findings as delegated by the Board or on its own initiative;
- to approve the Company's risk policies and risk tolerances, review the risk reports and examine the breaches of risk tolerances and policies;
- to consider emerging risks relating to the Company's business and strategies, and assess whether appropriate arrangements are in place to control and mitigate the risks effectively;
- to review and assess the adequacy and effectiveness of the Company's risk management framework, internal control system and risk management policies and procedures in identifying, measuring and controlling risks; to review and assess the effectiveness of the Company's risk management/ mitigation instruments, including the enterprise risk management programme, risk management system, internal audit function relating to risk management and the Company's contingency plans; to ensure that the aforementioned reviews and assessment are conducted at least once a year; and
- to review the Company's capital adequacy and solvency level.

During the year ended 31 December 2016, the Risk Management Committee held one meeting with the management of the Company to discuss the Company's existing risk management policy in place. It also reviewed the Group's risk management system and made some recommendations on improvement of the risk management system of the Company. The attendance record of individual members is set out below. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a member of the Risk Management Committee.

Committee members	Attendance
Ma Lishan *(Chairman)*	1/(1)
Wang Qiang (appointed on 20 February 2017)	N/A
Wang Wei (appointed on 20 December 2016)	0/(1)
Yu Xiaojing (appointed on 20 February 2017)	N/A
Ex-Committee members	
Lai Jinyu (resigned on 20 December 2016)	N/A
Huang Rui (resigned on 20 February 2017)	1/(1)
Zeng Jianyong (resigned on 20 February 2017)	0/(1)

(D) INTERNAL CONTROL

The Board is ultimately responsible for maintaining a sound and effective systems of internal control and risk management of the Group. Procedures have been designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The Investment Committee has been formed to ensure that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee meets on an ad hoc basis to review and approve various investment projects to be committed by the Group, and to monitor and assess the risks on the investment projects to ensure that they are in line with the investment strategy and policies of the Company.

The Group has established an Internal Audit Department since October 2016 to conduct independent examination and evaluation on the adequacy and effectiveness of the Group's internal control system on an on-going basis. The internal auditors develop a risk-based annual audit plan for regular audits for each calendar year. The internal audits cover all material controls, including financial, operational and compliance controls as well as risk management functions. Special audit may be conducted when necessary. The internal auditors report regularly to the Audit Committee about the audit work done as compared with the annual audit plan and highlight any significant findings or issues to the Audit Committee. The Audit Committee will then review the findings and report to the Board for attention and appropriate action. For the year ended 31 December 2016, the Board reviewed the effectiveness of the risk management and internal control system of the Group and considered they are effective and adequate. The annual review also considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting function.

In addition, the Group has engaged ShineWing Risk Services Limited to assess the adequacy and effectiveness of its internal control functions for the year ended 31 December 2016, including financial, operational and compliance controls, and risk management functions. The assessment report has been finalized in March 2017. No material inadequacy or defects with respect to internal control has been identified in the assessment report.

(E) ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period and confirmed that the consolidated financial statements contained herein give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of the consolidated financial performance and the consolidated cash flow of the Group for the year. In preparing the accounts for the year ended 31 December 2016, the Directors, with the assistance of the management, selected the suitable accounting policies and applied them consistently, approved the adoption of all Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards, made judgements and estimates that are prudent, and prepared the accounts on the going concern basis. Such acknowledgement should be read in conjunction with, but be distinguished from, the Independent Auditor's Report of the external auditors of the Company, Deloitte Touche Tohmatsu ("Deloitte"), in relation to their reporting responsibilities as set out in their auditor's report on pages 57 to 61 of this annual report.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's and the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

Deloitte has been acted as the external auditors of the Company since November 2015. The financial statements of the Company for the year ended 31 December 2016 have been audited by Deloitte. For the year ended 31 December 2016, fees charged by Deloitte for audit services amounted to HK$1,980,000 and for non-audit services was HK$1,384,000. Non-audit services mainly included tax advisory fee of HK$984,000 and interim review fee of HK$400,000.

(F) COMMUNICATION WITH SHAREHOLDERS

The Board has established a shareholders' communication policy and posted it on the website of the Company setting out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that shareholders are informed of balanced and understandable information about the Company (including the Group's strategies, businesses, major developments and financial performance) in a factual and timely manner and to enable them to exercise their rights as shareholders in an informed manner. The Company aims to be open and transparent with its shareholders and encourage shareholders' active participation at the Company's general meetings.

Information would be communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosure on the website of the Company. Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are also available on the website of the Company. The Company's website provides shareholders with the corporate information.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Tricor Tengis Limited, the branch share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

The Company's AGM allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. Separate resolution is proposed for each issue to be considered at the meeting. The chairman of the AGM exercises his power under the Bye-laws to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the AGM.

During the year ended 31 December 2016, the Company held two general meetings. The attendance record of individual Directors is set out below. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a Director of the Company.

Directors	Annual General Meeting	Special General Meeting
Executive Directors		
Liu Xiaodong *(Chairman)*	1/(1)	0/(1)
Wang Qiang *(Chief Executive Officer)* (appointed on 20 February 2017)	N/A	N/A
Wang Wei (appointed on 20 December 2016)	N/A	N/A
Non-executive Director		
Yu Xiaojing (appointed on 20 February 2017)	N/A	N/A
Independent Non-executive Directors		
Wong Tin Yau Kelvin	0/(1)	1/(1)
Ma Lishan (appointed on 19 August 2016)	N/A	1/(1)
Yeung Siu Keung	1/(1)	0/(1)
Ex-Directors		
Jiang Rongjian (resigned on 27 April 2016)	N/A	N/A
Lai Jinyu (appointed on 27 April 2016 and resigned on 20 December 2016)	1/(1)	0/(1)
Xiong Hao (resigned on 13 June 2016)	0/(1)	N/A
Huang Rui (appointed on 13 June 2016 and resigned on 20 February 2017)	N/A	1/(1)
Ming Hang (appointed on 13 June 2016 and resigned on 19 August 2016)	N/A	N/A
Zeng Jianyong (appointed on 19 August 2016 and resigned on 20 February 2017)	N/A	0/(1)
Tse Yung Hoi (resigned on 13 June 2016)	0/(1)	N/A

Pursuant to Code Provision A.6.7, the independent non-executive directors and the non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. At the AGM held on 23 May 2016, two Independent Non-executive Directors of the Company, were unable to attend that meeting due to other business engagements. At the special general meeting of the Company held on 23 November 2016, one Non-executive Director and one Independent Non-executive Director were unable to attend that meeting due to other business engagement or travel schedule, nevertheless, the Board believes that the presence of other Directors was able to allow the Board to understand the views of the shareholders of the Company and answer all the questions raised by them at that special general meeting.

(G) SHAREHOLDERS' RIGHTS

Pursuant to Bye-law 58 of the Bye-laws, any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the special general meeting. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Level 29, One Pacific Place, 88 Queensway, Hong Kong by post or email to comsec@hrif.com.hk for the attention of the Company Secretary of the Company. The Company Secretary will be responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and enquiries, to the CEO of the Company. Shareholders may also raise their enquiries in general meetings.

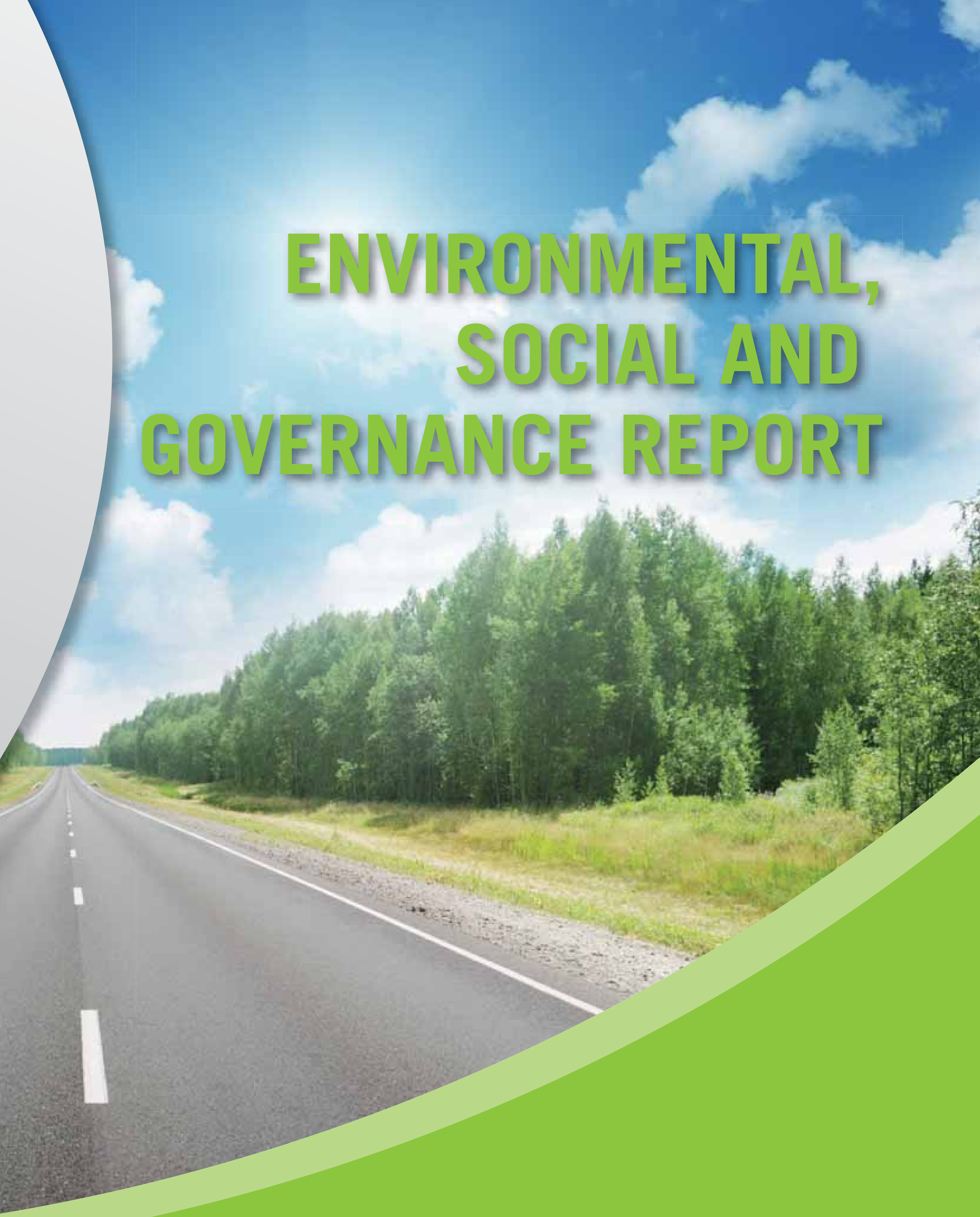
Proposals except for proposal nominating candidate(s) for election as Director at shareholders' meetings can be put forward by the shareholders holding at the date of the submission of such proposals not less than one-tenth of the paid-up capital of the Company as at the date of the submission carrying the right of voting at general meetings of the Company. The proposals must state the objects of the proposals and must be signed by the proposers. Shareholder can submit such proposals to the Company Secretary within 3 business days after a notice of the shareholders' meeting has been served to all registered shareholders by the Board.

Shareholders may also propose a person for election as director, the procedures for which are available on the Company's website.

(H) CONSTITUTIONAL DOCUMENTS

There is no change to the Company's Memorandum of Association and Bye-laws during 2016. The latest version of the Memorandum of Association and Bye-laws of the Company are available on both the websites of the Company and HKEx.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ABOUT US

The Group was reorganized in 2015 to become the first overseas-listed financial holding platform with multiple SFC licenses under China Huarong – China's largest state-owned financial asset management company.

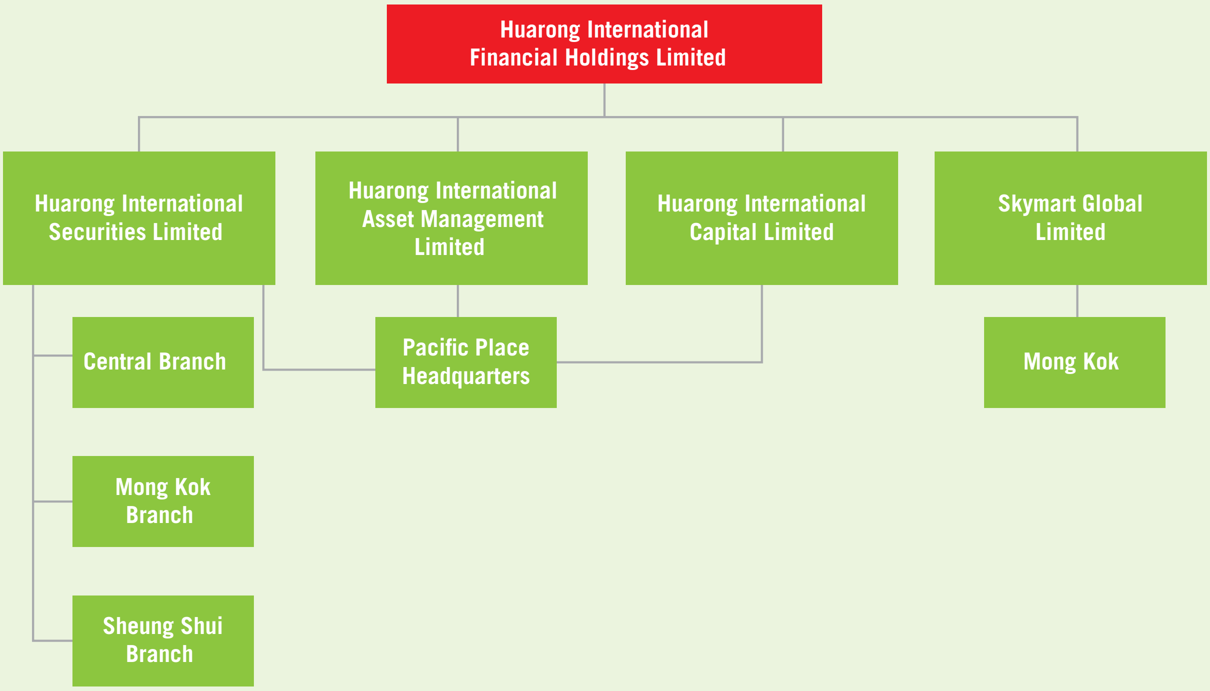
The Group's operation revolves around three core areas: Securities business covers margin financing, brokering and trading of securities, futures and options contracts; Corporate Finance business provides securities underwriting and sponsorship, financial advisory and financing services to institutional clients; and Asset Management and Direct Investment business refers to asset management services and direct investments in equities, bonds, funds, derivative instruments and other financial products.

Company Culture

Stability, Innovation, Harmony and Development

China's economy is facing the challenge of structural adjustment, while foreign financial markets are still in a volatile adjustment period. Despite this, the Group will strive to continue its satisfactory track record in the three main business streams. Pursuing internationalization, professionalism and diversification, the Group strives to become an integrated financial platform with strong management, high return on investment, comprehensive product mix and good corporate image. The Group will further expand business and strive to become the first-class of asset manager and integrated financial service provider.

Group Chart


Huarong International Financial Holdings Limited
Huarong International Securities Limited
Huarong International Asset Management Limited
Huarong International Capital Limited
Skymart Global Limited
Central Branch
Pacific Place Headquarters
Mong Kok
Mong Kok Branch
Sheung Shui Branch

ABOUT THIS REPORT

This is the first Environmental, Social and Governance Report issued by the Group, setting out the Group's actions and performance on sustainability issues in a transparent and open manner with the intention of increasing stakeholders' confidence in and understanding of the Group.

Reporting Year

Information in the report reflects the performance of the Group in environmental stewardship and social responsibility from January 2016 to December 2016. In the future, the Group will publish the Environmental, Social and Governance Report on an annual basis and make it available to the public at any time to enhance transparency and accountability.

Reporting Scope

The report focuses on the Group's major locations of operation, i.e. the Central Branch, Mong Kok Branch, Sheung Shui Branch, and the Headquarter at Pacific Place which has been in operation since November 2016. The content of this Report covers four subsidiaries, namely Huarong International Securities Limited, Huarong International Asset Management Limited, Huarong International Capital Limited, and Skymart Global Limited. The Group will extend the scope of disclosures ultimately to cover all operations of the Group once the data collection system is better established and the environmental, social and governance work is strengthened. The report excludes the disclosure of environmental Key Performance Indicators. The Group will conduct carbon assessment next year to further refine and standardize the indicators for reporting.

We Value Your Feedback

Our continuous improvement relies on your valuable feedback on our performance and format for reporting. If you have any questions or comments, please send us your views via ir@hrif.com.hk to help our continued improvement in environmental, social and governance aspects.

Reporting Guideline

The report is published in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") issued by HKEx. The report outlines the environmental, social and governance performance of the Group in a concise manner. Information contained herein is sourced from the official documents and statistical data of the Group, and is aggregated by the monitoring, management and operational information provided by the subsidiaries in accordance with the relevant rules of the Group. A complete index is inserted in the last chapter of the report for reference. The report is written in the Chinese and English languages and both are uploaded onto the Group's website at www.hrif.com.hk. In case of any conflict or inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

STAKEHOLDER ENGAGEMENT

The Exchange sets forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency which should form the basis for preparing the Environmental, Social and Governance Report. As the HKEx emphasizes, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide ranging views and identify material environmental and social issues.

For the Group, stakeholders refer to groups and individuals materially influencing or affected by the Group's business. The Group's stakeholders include not only employees, but also customers, business partners, investors, regulatory authorities and various types of community group. In the past year, the Group communicated with key stakeholders through a variety of methods. While preparing the report, the Group commissioned a professional consultancy firm to conduct the materiality analysis in the form of management interviews. With expert advice, the Group identified the material aspects for this report and these will in turn guide the formulation of the Group's sustainability roadmap.

Methods of Stakeholder Engagement in the Reporting Period

Internal Stakeholders	External Stakeholders
• Board of Directors	• Government/regulatory authorities
• Management	• Shareholders
• Executives	• Investors
• General staff	• Suppliers
	• NGOs
Engagement methods: **Direct mail, Phone calls, Meetings, Face-to-face conversations, Workshops, Training events**	

The business of the Group affects different stakeholders and these stakeholders have various expectations of the Group. To enhance the materiality analysis, the Group will in future continue and expand stakeholder engagement and collect a diverse range of stakeholders' views through various activities. At the same time, the Group will consider advancing the reporting principles of Quantitative, Balance and Consistency in order to present the report in a way that continues to improve alignment with stakeholder expectations.

SUSTAINABLE DEVELOPMENT VISION OF THE GROUP

"Professional asset management manager, excellent integrated financial service provider."

Founded in 1993, the Group has evolved from a local Hong Kong broker into a comprehensive financial services platform. The Group not only provides customers with one-stop cross-border integrated financial products and services, but is also committed to the concept of sustainable development.

The Group strongly believes our long-term success can only be achieved by the growth of employees. We always regard our employees as strategic partners, and endeavor to create a high-quality and pleasant working environment to strengthen the cohesion and sense of belonging among our staff. To enhance our market competitiveness, we formulated our staff compensation and welfare policies with reference to market standards, being highly competitive and performance-based. We treat staff from different positions and levels with equality and human touch, to ensure their needs are addressed. Through a well-rounded training system, we also provide staff with a wide range of training opportunities so that our professional team and the Group would grow together.

As a financial enterprise, customer confidence and trust is essential for the Group's sustainable development. We attach great importance to the quality of financial products and services provided by the Group – not only because of the regulatory requirements for the industry but, more importantly, the Group upholds a responsible business attitude. The internal control system established enables the Group to effectively and responsively monitor our operations. This ensures not only comply with legal regulations, but also continual improvement to our existing operation system.

As a responsible company, we are highly concerned about the impacts of the Group's business activities on the environment, and committed to taking actions to manage these impacts. Paper is one of the resources which we consume relatively in large quantities. To minimize the number of printouts and photocopies, we encourage employees to use electronic documents for both external and internal use. In daily operations, we also emphasize staff education on energy saving, eco-friendly habits and behaviors.

In the face of a global economic readjustment after the financial crisis, together with the Brexit event and structural adjustment of China's economy, our greatest challenge ahead is to maintain a steady business development. Rather than a narrow focus on profitability, a broad overview of its environmental and social impacts is indispensable for long-term development of an enterprise. We would plan, evaluate and manage the environmental and social risks in our projects with reference to the internationally-accepted Equator Principles. In the long run, we hope to increase our interaction with stakeholders, create a business environment that promote community well-being, and achieve sustainable growth for the country, society, shareholders, customers and employees.

ENVIRONMENTAL PROTECTION

Climate change poses unprecedented challenges to global economic development. Extreme weather brought about by climate change directly or indirectly affects the ability of different institutions to access resources and sustain operations. At the United Nations ("UN") Sustainable Development Summit 2015, 17 sustainable development goals were adopted by all UN members. Taking urgent action to address climate change and its impacts is one of these goals.

In the face of the global trend of emission reduction, the Group has drafted an Environmental Policy with reference to the United Nations Environment Programme ("UNEP") Statement by Banks on the Environment and Sustainable Development. The policy was drafted by the Group's Integrated Management Department, approved by the management of the Group and will be implemented in 2017. It is applicable to the overall business operation of the Group.

The Paris Agreement entered into force in November in 2016, aiming to hold "the increase in the global average temperature to well below 2℃ above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5℃ ."

Given the business nature of financial services, the Group's operation does not involve production and manufacturing hence no direct and significant impact on the environment and natural resources. Nevertheless, as a financial institution, the Group is aware that daily operations of the head office and branches continuously consume energy, paper and water. Offices also produce waste every day. The Group believes that to manage these impacts, it must start managing from the source. To achieve this, when establishing its Environmental Policy, the Group focuses on raising management efficiency and simplifying work processes, so as to economize the use of resources in business operation. The Group also established guidelines according to daily practices to promote the waste reduction. For unavoidable waste, the Group is also actively promoting recycling efforts to reduce its impact on the environment.

Reducing greenhouse gas ("GHG") emissions is the most important mitigation approach to tackle climate change. Furnishing and design of the Group's new office has incorporated more green elements, such as the use of glass partitions, sectionalized lighting system, installation of energy-saving LED lamps and automatic light-off control. The Group also actively encourages electronic communications to reduce staff travel, especially business flights, as to significantly reduce GHG emissions from transport. Although the Group has not yet fully quantified the reduction in GHG emissions as a result of these measures, the Group understands that carbon audit can serve as a baseline for carbon reduction. Therefore, the Group will include Carbon Audit in its working plan in 2017. The Group will record the GHG emissions annually to guide the determination of carbon reduction targets, measures and priorities to enhance the efficiency of the mitigation process.

To effectively incorporate environmental measures into business operations, the Group needs the support and cooperation of both internal and external stakeholders. The Group will frequently circulate environment-related information to employees through different kinds of internal communication channels, to imperceptibly enhance staff's environmental consciousness. For instance, before long holiday employees are reminded to switch off the main power supply. The Group is also committed to promoting the concept of Green Office by encouraging employees to share stationary items, to reuse holiday decorations, and to stop using disposable utensils and so forth. At the same time, the Group also proactively reports its environmental performance to different stakeholders, and encourages product and service providers to also care about the environment, with the endeavor to promoting the message of environmental protection to its business partners.

In November 2016, the Group's headquarter officially moved to Pacific Place. During the renovation and relocation of the office, the Group try its best to reuse office equipment, furniture and partitions. Colleagues are encouraged to replace the use of cardboard boxes with more durable substitutes to avoid waste generation. The Group also installed occupancy sensors in the new office so that the lamps can automatically turn off at designated times. This can make good use of natural lighting, and further enhance energy efficiency.

The Group is committed to strictly abide by environmental laws and regulations of areas where the business operates. In order to ensure the effective implementation of environmental protection measures, the Group attaches special importance to supervision and review. The Group has assigned the Integrated Management Department to coordinate and monitor the implementation of the Environmental Policy and the progress of the environmental measures. This is to ensure timely identification, monitoring and control of all important environmental issues. During the reporting period, the Group did not find any non-compliance with laws and regulations related to emissions.

EMPLOYMENT AND LABOUR PRACTICES

Employment System

Staff are the Group's most important asset, and the foundation of the Group's growth. The Group respects every employee and strives to provide them with an optimal employment environment. The Group has set up a transparent employment system to inform employees of their rights and responsibilities through the issuance of the Employee Handbook. Based on the external factors such as laws, market, environment and social trends in Hong Kong and the Group's internal needs, the Employee Handbook is revised from time to time. The Group complies with local employment regulations.

The Group treats every employee equally in the recruitment and promotion process. The Group applies the principle of equal pay for equal work, regardless of race, religion, sex, sexual orientation, marital status, physical disability, political opinion or age. Staff promotion is also based on performance, ethic, conduct and education background of employees. The Group will not tolerate any form of sexual harassment in the workplace, and the definition and handling of such misconduct is clearly set out in the Employee Handbook. The Group has set up a complaint mechanism so that employees can make complains confidentially to the head of the department or supervisor. All internally-reported cases will be investigated and handled independently, and the complainant will not be subjected to any persecution or punishment. During the reporting period, the Group did not find any cases of non-compliance with laws and regulations relating to the employment and labour practices, nor did it receive any complaints about discrimination or sexual harassment.

The Group provides employees with a competitive remuneration and benefit system to attract and retain talent to become the driving force for the Group's sustainable development. On top of basic salary, the Group distributes discretionary bonuses to staff depending on the performance of the Group, the department and the employee. The remuneration system is also constantly reviewed and adjusted with reference to market rates and cost of living. In addition to statutory holidays such as annual leave, sick leave, maternity leave and paternity leave under the Employment Ordinance, the Group provides medical insurance for outpatient services, inpatient services and surgical care to support the health care needs of employees.

The Group believes that a good working environment not only improves the efficiency of work, but also enhances the sense of belonging to the enterprise among employees. Hence the Group strives to achieve work-life balance for employees through a variety of leisure activities and compassionate arrangements. The Group arranges monthly birthday parties, distributes birthday red packets as well as organizes celebration activities such as annual gathering and Christmas party for employees to take a break from busy work. On the eve of some important festivals, the Group even allows employees to leave office earlier to enjoy the day with families and friends.

Overview of Employment Performance Indicators

	Age	Below 30	30-50	Over 50	Overall staff size	Ratio of male to female employees
Staff size	Male	16	41	9	66	1.18:1
	Female	16	34	6	56	

Ratio of average salary of male to female staff
1.6:1

	Age	Below 30	30-50	Over 50	Total number of new employees	Percentage of new employees over overall staff size
New employees	Male	11	20	3	34	59.02%
	Female	14	23	1	38	

	Age	Below 30	30-50	Over 50	Total number of staff turnover	Staff turnover rate
Staff turnover	Male	0	2	0	2	2.46%
	Female	0	1	0	1	

Health and Safety

Regulatory authorities have established basic requirements for health and safety in the workplace, both in terms of Hong Kong laws and international standards. However, the effectiveness of supervision depends heavily on the establishment and implementation of internal systems within each organization. Regarding the business nature, no work position with high risk is identified within the Group's scope of operation. The Group strictly abides by the Occupational Safety and Health Ordinance, and has insured all employees according to Hong Kong Employees' Compensation Ordinance. This insurance is applicable to Hong Kong and overseas so the employees would be under insurance cover no matter where they work.

Apart from complying with the relevant laws and regulations, the Group has also developed additional measures to protect the health of employees. In addition to medical insurance, the Group arranges annual body checks for all employees to understand their own health status. During the reporting period, the Group did not encounter any health and safety related non-compliances, nor any work injury cases.

Development and Training

The Group regards employees as strategic partners of the enterprise and therefore plans the development of staff training in a systematic way. The Group currently adopts the Training Management Rules of the parent company, China Huarong, to manage training arrangements for employees at different levels. The Human Resources Department of China Huarong will explore the needs for training based on actual work requirements. Accordingly, the Group develops its annual training plan to coordinate the organization of specific training activities.

Catering actual needs of specific departments and functions, the Group has provided diversified trainings, including the basic training for newly recruited staff, professional training for employees, and management skills training for managerial staff, to continuously enhance their work techniques and professional knowledge. In addition to work-related training, the Group also provides staff with allowance for further study, examinations and annual membership fees of professional institutes, to encourage learning in spare time and self-enrichment.

The Group emphasizes the development of employees' communication skills and teamwork spirit. In April this year, the Group organized an Adventure Training Workshop, with the participation of the Group's management and all employees. Through a series of adventure experience, the participants have improved their problem-solving abilities and the entire team has built up a stronger coherence.

Development and Training Performance Indicators

		Senior Managerial level	Managerial level	General staff
Percentage of staff trained	Male	100%	100%	100%
	Female	–	100%	100%

		Senior Managerial level	Managerial level	General staff
Average training hours	Male	5.00	2.82	4.29
	Female	–	6.86	3.59

		Senior Managerial level	Managerial level	General staff
The proportion of employees received performance and career development reviews	Male	100%	100%	100%
	Female	–	100%	100%

Labour Standards

The Group is fully aware that child labour and forced labour violate fundamental human rights, International Labour Conventions also pose threat to sustainable social and economic development. Therefore, the Group strictly complies with relevant laws and regulations. The Group prohibits the use of child labour by reviewing the actual age of the applicants in the recruitment process, which includes the examination of identity documents and maintaining detailed records. The Group only executes the requirements stipulated in standard labour contract and will not use any unlawful or unfair means to restrict the employment relationship between the employee and the enterprise by, for example, withholding a deposit or identity documents. In accordance with the law, employees have the freedom to terminate their labour contracts. During the reporting period, the Group did not find any cases related to child labour or forced labour.

The International Labour Organization (ILO) is the United Nations specialized agency that promotes working and living standards around the world through the promulgation of labour standards through a range of International Labour Conventions and Recommendations. China is a founding member of the ILO and a permanent member.
Hong Kong has currently adopted 41 International Labour Conventions which therefore apply to working conditions and employment policies.

The Group believes in the importance of listening to employee's voices. The Group will continue to hold a transparent and open attitude, and encourage employees to provide advice to the Group's Human Resources Department through telephone, fax, e-mail and internal mail and so forth, to foster a continual improvement in the Group's employment system and working environment.

PRODUCT RESPONSIBILITY

In today's competitive market environment, customers continuously raise their requirements for products and services. The Group understands that only by creating the most value for customers can it gain and maintain their trust and support. Therefore, the Group has established highly transparent management approaches to ensure a high level of corporate ethic from internal controls, service quality to supply chain management, meeting clients' expectations for integrity and quality.

As a financial service provider, protecting client privacy and safeguarding market fairness is the Group's key to building a long term trustful relationship with clients. The Group complies with the Personal Data (Privacy) Ordinance to handle and protect all the personal data of clients. In the Employee Handbook the Group stipulates the importance of protecting the confidentiality of clients' personal data, ensuring employees understand the necessary confidentiality measures to manage such information. Besides, the Group has formulated the Guidelines for Reporting to Senior Executives, indicating how employees should initiate reporting and handling mechanisms in response to any event of suspected information disclosure and insider trading, false trading, manipulating prices or other market misconduct.

The Group is committed to preventing corruption, bribery, extortion, fraud and money laundering. In addition to the relevant laws such as the Anti-Money Laundering and Terrorist Funds (Financial Institutions) Ordinance and the Prevention of Bribery Ordinance, the Group has formulated the Policies and Procedures on Prevention of Money Laundering and Terrorist this year, instructing employees to carry out compliance reviews, including verification of account documents, reporting of suspicious transactions, and conducting internal investigations into suspected cases. Meanwhile, the Guidelines clearly define the duties of the staff supplemented by specific examples, so that employees clearly grasp the operational requirements to timely and accurately identify the suspicious transactions and prevent illegal use of the Group's products and services for money laundering.

For employees, the Group also strictly regulates the behavior of employees through the Accepting or Offering Gifts and Benefits Guidelines. The guidelines clarify the code of conduct that employees must comply with, and clearly define the value cap of gifts and benefits. If the value exceeds the upper limit, the employee must report according to specified procedures and can only accept the gift or benefit once approved. The Compliance Department of the Group also invited Independent Commission Against Corruption and external law firms this year to organize anti-corruption talks on the Prevention of Bribery Ordinance for all employees, further enhancing the management's and employees' awareness of corruption.

The Group does not engage in manufacturing, so the operation does not involve a large quantity of purchases. But the Group is still concerned about the procurement of supplies used in daily office operation, and have standardized the procurement process. The Group has established the Procurement System to classify procurement items and specify the procurement standards and procedures for relevant departments to follow. Besides the consideration of factors such as brand, quality and cost-effectiveness, relevant departments are required to prioritize suppliers that fulfill social objectives, to bring positive social impacts through the Group's daily procurement.

The Group's initiatives in product liability, anti-corruption and supply chain management are effective. During the reporting period, the Group did not find any cases of legal non-compliance nor customer compliant related to customer privacy, corruption, bribery, blackmail, fraud or money laundering.

The Group is committed to an overseas development and internationalization process to provide professional financial services for customers. To achieve a higher return on investment for customers, the Group believes that impeccable risk management is indispensable. In addition to the foreign exchange risk and credit risk of financial products, the Group is also very concerned about the risks arisen from environmental and social issues; these risks also affect customers' return on investment.

In the future, the Group will explore the feasibility of joining UNEP – Finance Initiative, and study how to practice the Principles of Positive Impact Finance and the Principles for Responsible Investment of the United Nations, to integrate the pursuit of the UN Sustainable Development Goals in operational management and investment decisions. This would foster the Group's innovation in financial products, such as Green Finance or Impact Investment Fund, corresponding to the Group's sustainability goals in branding enhancement and market expansion.

COMMUNITY INVESTMENT

The awareness of corporate social responsibility has been increasing in the market, and the concept of "Social License to Operate" has arisen as the result. It emphasizes that long-term social well-being should be the goal for enterprises rather than the sole pursuit of short-term financial return for shareholders. As a progressive enterprise, the Group realizes the importance of different stakeholders' expectations, and believes that only by balancing the interests between shareholders and other stakeholders can the business prosper in a long-term, stable and healthy manner.

The Group is currently at the early stage of development, hence has not yet established specific policy on community investment. However, as a commitment to social responsibility, the Group will strive to understand the needs of the communities in which it operates, and will actively study how to facilitate the building of a healthy and energetic community, and to contribute to sustainable development of the society.

The Principles for Responsible Investment are an investor initiative of the United Nations to support institutions in understanding the impact of environmental, social and governance (ESG) issues on investment and to actively consider these impacts in the process of investment and all decision-making stages. The six principles include:

1. **Incorporate ESG issues into investment analysis and decision-making processes;**
2. **Be active owner and integrate ESG issues into policies and practices;**
3. **Seek appropriate disclosure on ESG issues by the entities in which we invest;**
4. **Promote acceptance and implementation of the principles within the investment industry;**
5. **Work together to enhance effectiveness in implementing the principles;**
6. **Report on activities and progress towards implementing the principles.**

ESG REPORTING GUIDE CONTENT INDEX

Material Aspects	Content	Page index
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	46
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	47
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	47
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	48
KPI B1.1	Total workforce by gender and age group	49
KPI B1.2	Employee turnover rate by gender and age group	49
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	50
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	50-51
KPI B3.1	Percentage of employees trained by gender and employee category	51
KPI B3.2	Average training hours completed per employee by gender and employee category	51

Material Aspects	Content	Page index
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	51
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	53
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	52-54
KPI B6.2	Number of products and service related complaints received	53
KPI B6.5	Description of consumer data protection and privacy policies	52
B7 Anticorruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	52-53
KPI B7.1	Number of legal cases regarding corrupt practices brought against issuer or its employees	53
KPI B7.2	Description of preventive measures and whistle-blowing procedures	52
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	54

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Huarong International Financial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 159, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 matter	How our audit addressed the key audit matter
Valuation of level 3 financial instruments	
We identified the valuation of level 3 financial instruments as a key audit matter due to the degree of complexity involved in valuing some of the instruments and the significance of the judgments and estimates made by management. In particular, the determination of level 3 prices is considerably more subjective given the lack of availability of market-based data. The fair value of level 3 financial instruments at fair value through profit or loss are performed by an independent firm of professional valuer. The valuation is dependent on the key inputs of expected volatility on movement of stock price and discount rates applied in the valuation methodology. At 31 December 2016, HK$1,809 million of the Group's total financial assets that were carried at fair value and HK$167 million of the Group's total financial liabilities that were carried at fair value were classified as Level 3. Please refer to Notes 20 and 44 to the consolidated financial statements on pages 120 and 143 respectively. The level 3 financial instruments mainly comprised of (i) convertible bonds and convertible notes; (ii) convertible bonds with put option; (iii) put options on listed equity investments and (iv) non-controlling interests of unlisted consolidated investment funds.	Our procedures in relation to valuation of level 3 financial instruments included: • examining the relevant investment contracts for the key terms and the relevant contractual rights and obligations of the financial instruments. • obtaining the appraisal reports and assessing the competence and independence of the professional valuer; and their experience in conducting valuation of similar financial instruments. • involving our own internal valuation specialists – to evaluate the valuation methodologies and valuation assumptions applied based on industry knowledge; – to evaluate the appropriateness of the key inputs by testing observable and unobservable inputs used or performing sensitivity analysis to evaluate the reasonableness of the valuation, where appropriate.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment of other loans and advances	
We identified the impairment of other loans and advances as a key audit matter due to the judgment required to assess whether objective evidence of impairment exists for the other loans and advances and the estimation of the individual impairment amount, and the judgment involved in the estimate of collective impairment. The impairment assessment process consists of both individual and collective assessment. As at 31 December 2016, other loans and advances represents 22% of the total assets of the Group amounting to HK$4,954 million, net of collective impairment allowance of HK$50 million. Among the other loans and advances, the Group's top five borrowers amounting to HK$3,165 represented 63% of the balance. Other loans and advances are assessed individually for objective evidence of impairment including significant financial difficulty of the borrower, breach of contract or probability that the borrower will enter bankruptcy or financial re-organisation. For other loans and advances that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and any observable changes in market conditions that correlate with default on other loans and advances. Please refer to Note 23 to the consolidated financial statements on page 125.	Our procedures in relation to impairment of other loans and advances included: • reviewing and evaluating the credit management monitoring process. • examining the loan credit files and other evidence, including the repayment records, obtained from management for any objective evidence of impairment. • evaluating the collective impairment assessment performed by management and checking management's calculation of the collective impairment allowance.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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.

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan Wo Mi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

15 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	NOTES	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Continuing operations			
Revenue	7	**727,066**	113,227
Net gains on financial assets/liabilities at fair value through profit or loss	7	**674,963**	54,776
		1,402,029	168,003
Other income and gains or losses, net	8	**(27,659)**	39,208
Brokerage and commission expenses		**(8,571)**	(20,872)
Administrative and other operating expenses		**(170,346)**	(74,738)
Gain on disposal of available-for-sale investments		**–**	96,575
Provision for impairment of other loans and advances	23	**(50,077)**	–
Net reversal of impairment of advances to customers in margin financing and accounts receivable	24, 25	**625**	1,392
Finance costs	10	**(449,148)**	(33,663)
Profit before tax from continuing operations	9	**696,853**	175,905
Income tax expense	13	**(145,939)**	(20,690)
Profit for the year/period from continuing operations		**550,914**	155,215
Discontinued operations			
Loss for the year/period from discontinued operations	14	**–**	(15,818)
Profit for the year/period		**550,914**	139,397
Profit for the year/period attributable to:			
Owners of the Company			
– from continuing operations		**550,914**	155,215
– from discontinued operations		**–**	(15,818)
		550,914	139,397

	NOTES	**1.1.2016 to 31.12.2016 HK$'000**	1.5.2015 to 31.12.2015 HK$'000
			(Restated)
Earnings per share attributable to owners of the Company	16		
From continuing and discontinued operations			
– Basic		**HK16.41 cents**	HK5.70 cents
– Diluted		**HK16.40 cents**	HK5.64 cents
From continuing operations			
– Basic		**HK16.41 cents**	HK6.35 cents
– Diluted		**HK16.40 cents**	HK6.27 cents
From discontinued operations			
– Basic		**N/A**	HK(0.65) cents
– Diluted		**N/A**	HK(0.63) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTE	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Profit for the year/period		**550,914**	139,397
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on available-for-sale investments	21	**(25,347)**	75,534
Reclassification adjustments relating to disposal of available-for-sale investments during the year/period	21	**–**	(96,859)
Reclassification adjustments relating to distribution of Distributed Group during the year/period		**–**	1,511
Exchange differences on translation of foreign operations:			
Exchange differences arising during the year/period		**(228)**	(1,621)
Reclassification adjustments relating to distribution of Distributed Group during the year/period		**–**	10,604
Other comprehensive expense for the year/period, net of tax		**(25,575)**	(10,831)
Total comprehensive income for the year/period		**525,339**	128,566
Total comprehensive income (expense) for the year/period attributable to:			
Owners of the Company			
– from continuing operations		**525,339**	133,890
– from discontinued operations		**–**	(5,324)
		525,339	128,566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property and equipment	17	**18,512**	3,419
Other long term assets	18	**4,525**	6,653
Intangible assets	19	**4,778**	4,778
Financial assets at fair value through profit or loss	20	**1,078,852**	313,418
Other loans and advances	23	**2,217,463**	–
Deferred tax assets	33	**300**	–
Investments accounted for using the equity method	22	**190**	190
Total non-current assets		**3,324,620**	328,458
Current assets			
Advances to customers in margin financing	24	**4,236,463**	866,523
Accounts receivable	25	**684,577**	45,509
Interest receivable	26	**34,400**	–
Prepayments, deposits and other receivables	26	**61,537**	15,920
Available-for-sale investments	21	**4,339,012**	–
Financial assets at fair value through profit or loss	20	**1,935,158**	438,346
Other loans and advances	23	**2,736,696**	–
Amount due from a joint venture	22	**660,000**	–
Tax recoverable		**–**	10
Restricted bank balances	27	**3,315,589**	623,241
Pledged bank deposits	28	**–**	10,353
Cash and cash equivalents	28	**956,675**	3,040,911
Total current assets		**18,960,107**	5,040,813
Current liabilities			
Accounts payable	29	**2,942,458**	602,269
Other payables and accruals	30	**200,702**	65,945
Amount due to an associate	22	**190**	190
Interest-bearing borrowings	31	**5,620,480**	–
Tax payable		**76,747**	16,244
Convertible notes issued	32	**–**	26,393
Financial liabilities at fair value through profit or loss	20	**256,734**	–
Total current liabilities		**9,097,311**	711,041
Net current assets		**9,862,796**	4,329,772
Total assets less current liabilities		**13,187,416**	4,658,230

	NOTES	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Other payables and accruals	30	**481**	1,424
Deferred tax liabilities	33	**99,251**	13,515
Interest-bearing borrowings	31	**11,634,000**	3,875,250
Financial liabilities at fair value through profit or loss	20	**166,743**	32,886
Total non-current liabilities		**11,900,475**	3,923,075
Net assets		**1,286,941**	735,155
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	34	**3,338**	3,278
Equity component of convertible notes	32	**–**	36,780
Share premium and reserves		**1,283,603**	695,097
Total equity		**1,286,941**	735,155

The consolidated financial statements on pages 62 to 159 were approved by the Board of Directors on 15 March 2017 and are signed on its behalf by:

Liu Xiaodong
Director

Wang Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company							
	Issued capital HK$'000	Share premium account HK$'000	Contributed Surplus (ii) HK$'000	Available-for-sale investment revaluation reserve HK$'000	Currency translation reserve HK$'000	Convertible notes equity reserve HK$'000	(Accumulated losses) retained profit HK$'000	Total equity HK$'000
At 1 May 2015	1,576	1,844,708	37,809	19,814	(8,983)	36,780	(675,533)	1,256,171
Profit for the period	–	–	–	–	–	–	139,397	139,397
Other comprehensive income (expense) for the period								
Fair value gain on available-for-sale investments	–	–	–	75,534	–	–	–	75,534
Reclassification adjustments relating to disposal of available-for-sale investments during the period	–	–	–	(96,859)	–	–	–	(96,859)
Reclassification adjustments relating to distribution of Distributed Group	–	–	–	1,511	–	–	–	1,511
Exchange differences on translation of foreign operations								
Exchange differences arising during the period	–	–	–	–	(1,621)	–	–	(1,621)
Reclassification adjustments relating to distribution of Distributed Group during the period	–	–	–	–	10,604	–	–	10,604
Total comprehensive income (expense) for the period	–	–	–	(19,814)	8,983	–	139,397	128,566
Shares premium reduction (i)	–	(1,386,591)	1,311,647	–	–	–	74,944	–
Shares issued (note 34)	1,702	466,467	–	–	–	–	–	468,169
Distribution in specie of shares in a subsidiary (notes 14 and 15)	–	–	(1,209,841)	–	–	–	92,090	(1,117,751)
At 31 December 2015	3,278	924,584	139,615	–	–	36,780	(369,102)	735,155
Profit for the year	–	–	–	–	–	–	550,914	550,914
Other comprehensive expense for the year								
Fair value loss on available-for-sale investments	–	–	–	(25,347)	–	–	–	(25,347)
Exchange differences on translation of foreign operations								
Exchange differences arising during the year	–	–	–	–	(228)	–	–	(228)
Total comprehensive income (expense) for the year	–	–	–	(25,347)	(228)	–	550,914	525,339
Issue of shares upon conversion of convertible notes (note 34)	60	63,167	–	–	–	(36,780)	–	26,447
At 31 December 2016	3,338	987,751	139,615	(25,347)	(228)	–	181,812	1,286,941

Notes:

(i) Following the passing of the special resolution of shareholders on 24 July 2016, the share premium account was reduced pursuant to Companies Act 1981 of Bermuda and the bye-law of the Company. The share premium account was first applied to offset the entire amount of accumulated losses of the Company and the remaining balance was credited to the contributed surplus account of the Company.

(ii) Under the Companies Act of Bermuda, the Company's contributed surplus is distributable to shareholders under certain circumstances.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTE	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Cash flows from operating activities			
Profit before tax			
– From continuing operations		**696,853**	175,905
– From discontinued operations	14	**–**	(4,409)
Adjustments for:			
Finance costs		**449,148**	35,348
Interest income		**(395,796)**	(9,980)
Net fair value gain on financial assets at fair value through profit or loss		**(674,963)**	(54,719)
Gain on disposal of available-for-sale investments		**–**	(95,064)
Dividend income		**(25,548)**	–
Fair value loss (gain) on financial liabilities at fair value through profit or loss		**47,436**	(34,894)
Depreciation		**3,101**	1,438
(Reversal of) provision for long service payments, net		**(746)**	253
Loss on disposal of items of property and equipment		**–**	79
Net reversal of impairment of advances to customers in margin financing loans and accounts receivable		**(625)**	(1,392)
Provision for impairment of finance leases receivable		**–**	9,818
Provision for impairment of other loans and advances		**50,077**	–
Provision for (reversal of) reinstatement		**402**	(388)
Loss on reclassification of foreign currency translation reserve from equity to profit or loss in relation to Distributed Group	14	**–**	10,604
		149,339	32,599
Decrease in finance leases receivable		**–**	21,559
Increase in other loans and advances		**(4,909,604)**	–
Increase in advances to customers in margin financing loans and accounts receivable		**(4,008,383)**	(824,417)
Increase in prepayments, deposits and other receivables		**(45,617)**	(3,024)
Increase in financial assets at fair value through profit or loss		**(1,587,283)**	(697,092)
Increase in restricted bank balances		**(2,692,348)**	(329,652)
Increase in accounts payable		**2,340,189**	290,210
Increase in other payables and accruals		**21,728**	37,510
Decrease in amount due from former group company		**–**	9,560
Cash used in operations		**(10,731,979)**	(1,462,747)
Tax paid		**–**	(2,349)
Interest received		**266,366**	8,844
Net cash used in operating activities		**(10,465,613)**	(1,456,252)

	NOTE	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Cash flows from investing activities			
Interest received		398	1,136
Dividend received		25,548	–
Proceeds from disposal of available-for-sale investments		–	68,929
Proceeds from disposal of items of property and equipment		–	11
Purchases of available-for-sale investments		(4,366,163)	(10,903)
Decrease (increase) in other long term assets		2,128	(512)
Purchases of items of property and equipment		(18,194)	(2,938)
Addition in amount due from a joint venture		(660,000)	–
Acquisition of subsidiaries		–	(2,462)
Net cash (used in) from investing activities		(5,016,283)	53,261
Cash flows from financing activities			
Net cash outflow on distribution in specie	14	–	(87,474)
Issuance of share capital		–	468,169
Contribution from non-controlling interests of unlisted consolidated investment funds		321,653	67,780
Interest paid		(336,718)	(2,036)
Decrease in pledged bank deposits		10,353	372
Proceeds from interest-bearing borrowings		15,729,010	3,951,146
Repayment of interest-bearing borrowings		(2,326,050)	(137,570)
Net cash from financing activities		13,398,248	4,260,387
Net (decrease) increase in cash and cash equivalents		(2,083,648)	2,857,396
Cash and cash equivalents at beginning of year/period			
– as stated in the consolidated statement of financial position		3,040,911	68,337
– attributed to discontinued operations	14	–	115,195
		3,040,911	183,532
Effect of foreign exchange rate changes, net		(588)	(17)
Cash and cash equivalents at end of year/period		956,675	3,040,911

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company is situated at Level 29, One Pacific Place, 88 Queensway, Hong Kong.

On 30 January 2015, the Company entered into a subscription agreement (as supplemented by the supplemental agreements dated 20 March 2015 and 20 May 2015) with China Huarong International Holdings Limited (formerly known as Huarong (HK) International Holdings Limited, an indirectly wholly-owned subsidiary of China Huarong Asset Management Co., Ltd.) ("CHIH"), pursuant to which CHIH has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,702,435,038 new shares at the subscription price of HK$0.275 per subscription share (the "Subscription"). The aggregate nominal value of the subscription shares was HK$1,702,435. The aggregate subscription price of the subscription shares was HK$468,169,635. The completion of the Subscription took place on 31 August 2015, and 1,702,435,038 subscription shares was duly allotted and issued to Camellia Pacific Investment Holding Limited ("Camellia"), a wholly-owned subsidiary of CHIH. Immediately after the completion of the subscription, there were 3,278,107,918 shares of the Company in issue and the shareholding indirectly held by CHIH, amounted to approximately 51.93% of the issued share capital of the Company as enlarged by the issue of the subscription shares. Accordingly, Camellia became the immediate controlling shareholder of the Company and CHIH became an intermediate holding company of the Group. China Huarong Asset Management Co., Ltd., ("China Huarong") a company established in the People's Republic of China ("PRC") and whose shares are listed on the Stock Exchange of Hong Kong Limited, became the indirect controlling shareholder of the Company. China Huarong is a PRC Government related entity as it is controlled by Ministry of Finance of the PRC.

One of the condition precedents for the completion of the Subscription is that the Company shall undergo a group reorganisation (the "Group Reorganisation") and effect a distribution in specie of shares in Modern Series Limited, a then wholly-owned subsidiary of the Company ("MSL") (the "Distribution in Specie").

On 23 March 2015, the Company announced details of the Group Reorganisation and Distribution in Specie. As at 30 April 2015, the assets and liabilities related to MSL and its subsidiaries (the "Distributed Group") were classified as held for distribution to owners and the results of the Distributed Group were presented as discontinued operations in the annual financial statements of the Group for the year ended 30 April 2015. The principal activities of the companies which comprise the Distributed Group are bullion and forex contracts broking and trading, provision of finance lease, pawn loan, medium and short term financing services and financial consultation services. The Group Reorganisation and Distribution in Specie were completed on 3 August 2015.

The consolidated financial statements of the Group are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

1. CORPORATE AND GROUP INFORMATION (continued)

The principal activity of the Company is investment holding. Information and particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect	Principal activities
Excel Vision Development Limited 卓迅發展有限公司	Hong Kong	HK$1,000	–	100%	–	100%	Provision for sub-leasing arrangement
Huarong International Asset Management Limited 華融國際資產管理有限公司	Hong Kong	HK$126,150,000	–	100%	–	100%	Provision of asset management services
Huarong International Securities Limited 華融國際證券有限公司	Hong Kong	HK$2,620,000,000	–	100%	–	100%	Broking and dealing of securities, futures and options contracts and provision of margin financing services
Skymart Global Limited 天進國際集團有限公司	Hong Kong	HK$1	100%	–	100%	–	Money lending
Linewear Assets Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	100%	–	Investment holding
Brilliant Focus Limited 萬輝煌有限公司	Hong Kong	HK$1	–	100%	–	100%	Investment holding
Ample Professional Limited 溢專有限公司	British Virgin Islands/ Hong Kong	US$1	–	100%	–	100%	Investment in fund
Admire Idea Limited 尊略有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	100%	Investment in convertible bond
Huarong International Capital Limited 華融國際融資有限公司	Hong Kong	HK$45,000,000	–	100%	–	100%	Advisory and corporate financing
Amazing Union Limited 奇盟有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	100%	Investments in equities
Beyond Steady Limited 堅越有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect	Principal activities
Huarong International Asset Management Great China Investment Fund Limited	Cayman Islands	US$1	–	100%	–	100%	Investment in fund
Huarong International Asset Management Great China Investment Fund L.P. ("GCI Fund")	Cayman Islands	HK$232,853,873 capital contribution	–	71%	–	71%	Investment in equities
Grand Shine International Holdings Limited 崇曦國際有限公司	Hong Kong	HK$100	–	100%	–	100%	Investment holding
Huarong International Services Limited 華融國際服務有限公司	Hong Kong	HK$1	–	100%	–	100%	Provision of consultancy service
Energetic Unity Limited 怡剛有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	100%	Investment holding
Cottonfield Enterprises Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Huarong International Asset Management Growth Fund L.P. ("Growth Fund")	Cayman Islands	US$40,000,000 capital contribution	–	90%	–	–	Investment in equities
Beaverway Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Champion Sense Limited 冠思有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Diamond Fox Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Dragongate Ventures Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect	Principal activities
Eternity Sky Investments Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Abundant Ally Limited 豐盟有限公司	British Virgin Islands/Hong Kong	US$100	–	100%	–	–	Investment holding
Clear Connect Limited 明合有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Ever Ascend Investments Limited 永晉投資有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Global Celestial Limited 宇天有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Link Right Investments Limited 正協投資有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Sonic Cosmo Limited 宇迅有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Success Asia Global Limited 成亞環球有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Victor Source Investments Limited 勝源投資有限公司	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Concept Pioneer Limited	British Virgin Islands/ Hong Kong	US$100	–	100%	–	–	Investment holding
Bridge Rock Industry Fund Limited	Cayman Islands	US$1	–	100%	–	–	Investment in fund
Bridge Rock Industry Fund, L.P. ("BRI Fund")	Cayman Islands	HK$268,000,000 capital contribution	–	50%	–	–	Investment in equities

1. CORPORATE AND GROUP INFORMATION (continued)

Name	Place of incorporation/ establishment and operations	Nominal value of issued and paid-up ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect	Principal activities
Valley Stone Industry Fund Limited	Cayman Islands	US$1	–	100%	–	–	Investment in fund
華融天海（上海）投資管理有限公司	PRC	Registered capital RMB13,718,400	100%	–	–	–	Provision of professional investment and investment management services
Huarong International South China Investment Fund Limited	Cayman Islands	US$1	–	100%	–	–	Investment in fund
Huarong International South China Investment Fund Limited Partnership ("SCI Fund")	Cayman Islands	HK$99,996,000 capital contribution	–	60%	–	–	Investment in equity
Vigorous Plan Investments Limited	British Virgin Islands/Hong Kong	US$1	–	100%	–	–	Investment holding
Advance High Global Limited 晉高環球有限公司	British Virgin Islands/Hong Kong	US$100	–	100%	–	–	Investment holding
Main Choice Global Limited 明擇環球有限公司	British Virgin Islands/Hong Kong	US$100	–	100%	–	–	Investment holding
Neo Prospect Limited 新景有限公司	British Virgin Islands/Hong Kong	US$100	–	100%	–	–	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, primarily 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 excess length.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT YEAR

During the year 2016, the Group has commenced money lending business through its wholly-owned subsidiaries. Further details of the relevant assets are set out in note 23. During the year 2016, the Group invested in available-for-sale investments and increased the investments in financial assets at fair value through profit or loss mainly funded by interest-bearing borrowings. Further details are set out in notes 20, 21 and 31.

2. BASIS OF PREPARATION

Since the prior financial period ended 31 December 2015, the reporting period end date of the Group has been changed from 30 April to 31 December to align the Company's financial year end with China Huarong. Accordingly, the consolidated financial statements for the year cover the year ended 31 December 2016. The corresponding comparative amounts shown cover a eight-month period from 1 May 2015 to 31 December 2015.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out in Note 4.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective which may be relevant to the Group:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKFRS 4	Applying to HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

HKFRS 15 Revenue from contracts with customers

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$143,582,000 as disclosed in note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except for the above, the directors of the Company do not anticipate that the application of the new and amendments to HKFRSs listed above will have a material impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

Distribution in specie

Where the Company distributes ownership interests of a subsidiary to its equity holders, the dividend declared is measured at the fair value of the shares distributed at distribution date.

The subsidiary is classified as disposal group held for distribution to equity holders when the Group is committed to distribute and the distribution is highly probable. Immediately before the initial classification of the disposal group held for distribution to equity holders, the carrying amounts of all the assets and liabilities of the disposal group were measured in accordance with applicable accounting policies set out in this note.

Disposal group classified as held for distribution to equity holders is measured at the lower of its carrying amount and fair value less costs to distribute.

Dividends

Special dividends are recognised as a liability when they are approved by the shareholders in a special general meeting.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or a joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or a joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or a joint venture on the same basis as would be required if that associate or a joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or a joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or a joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or a joint venture that are not related to the Group.

Property and equipment and depreciation

Property and equipment including leasehold improvements and furniture, equipment and motor vehicles are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment on tangible and intangible assets

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessee

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in net gains on financial assets at FVTPL line item. Fair value is determined in the manner described in note 44.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated certain items as AFS financial assets on initial recognition of those items.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets (continued)

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other loans and advances, other long term assets, amount due from a joint venture, advances to customers in margin financing, accounts receivable, deposits and other receivables, interests receivable, restricted bank balances, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as other loans and advances, assets are assessed on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in market conditions that correlate with default on receivables.

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in market conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other loans and advances, advances to customers in margin financing and accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When other loans and advances, advances to customers in margin financing and accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities at FVTPL

The interests of the non-controlling interests in the consolidated investment funds are designated as at FVTPL. A financial liability is designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities including accounts payable, other payables, amount due to an associate, interest-bearing borrowings and the liability component of convertible notes issued are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Convertible notes issued

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

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

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible notes issued, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are 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 notes issued using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

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

(a) Fees and commission income for broking business is recorded as income on a trade date basis;

(b) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the carrying amount 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;

(c) Dividend income from investments is recognised when the shareholders' right to receive payment have been established;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(d) Underwriting commission income, placing commission are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed; and

(e) Income from consultancy, financial advisory, financial arrangement services and other service income are recorded when services and other service income are rendered.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs, depending on the location of the subsidiaries, of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompany disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

In the process of applying the Group's accounting policies, which are described in note 4, the directors of the Company have made the following judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of other loans and advances, advances to customers in margin financing and accounts receivable

The Group reviews its other loans and advances, advances to customers in margin financing and accounts receivable portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Group makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of other loans and advances, advances to customers in margin financing and accounts receivable before the decrease can be identified with an individual account receivable in that portfolio. Other loans and advances are assessed on a collective basis even if they were assessed not to be impaired individually. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or any observable changes in market conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Income taxes

No deferred tax asset has been recognised on the estimated tax losses of HK$179,877,000 (2015: HK$118,689,000) and deductible temporary differences of HK$50,077,000 (2015: Nil) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The finance department would report the valuation findings to the Board of Directors of the Company every month to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 20 and 44 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

6. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

Specifically, the Group's reportable and operating segments are as follows:

(a) the securities segment comprises the broking and dealing of securities, futures and options contracts and the provision of margin financing services;

(b) the corporate finance segment provides securities underwriting and sponsoring, financial advisory and financial arrangement services to institutional clients; and

(c) the asset management and direct investment segment comprises provision of asset management services and direct investments in equities, bonds, funds, derivative instruments and other financial products and provision of money lending services.

Segment performance is evaluated based on reportable segment profit, which is measured consistently with the Group's profit before tax except that gain on disposal of available-for-sale investments, certain other income and gains or losses, certain finance costs and other unallocated expenses (including certain staff costs, certain rental expense, certain legal and professional fee and certain other expenses, incurred for strategic planning of the Group) are excluded from such measurement.

6. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments

The following tables present the revenue and results from continuing operations for the year ended 31 December 2016 and period from 1 May 2015 to 31 December 2015 and certain assets, liabilities and expenditure information for the Group's operating segments as at 31 December 2016 and 31 December 2015 and for the year/period then ended. The comparative figures have been re-presented to conform with the current year's presentation.

From 1 January 2016 to 31 December 2016

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Total HK$'000
Segment revenue				
Revenue from external customers	289,185	219,412	218,469	727,066
Net gains on financial assets/liabilities at fair value through profit or loss	–	–	674,963	674,963
Other income and gains or losses, net	2,340	(2)	(44,918)	(42,580)
Administrative expenses	(35,730)	(21,076)	(76,984)	(133,790)
Finance costs	(111,110)	(78)	(199,289)	(310,477)
Segment results	144,685	198,256	572,241	915,182
Other unallocated income and gains or losses, net				14,921
Other unallocated expenses				(233,250)
Profit before tax from continuing operations				696,853
Income tax expense				(145,939)
Profit for the year from continuing operations				550,914

6. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

From 1 May 2015 to 31 December 2015

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Total HK$'000
Segment revenue				
Revenue from external customers	45,607	59,370	8,250	113,227
Net (losses) gains on financial assets at fair value through profit or loss	(696)	–	55,472	54,776
Other income and gains or losses, net	2,125	–	34,894	37,019
Administrative expenses	(18,379)	(14,889)	(6,899)	(40,167)
Finance costs	(21)	–	(4,240)	(4,261)
Segment results	28,636	44,481	87,477	160,594
Gain on disposal of available–for-sale investments				96,575
Other unallocated income and gains or losses, net				2,189
Other unallocated expenses				(83,453)
Profit before tax from continuing operations				175,905
Income tax expense				(20,690)
Profit for the period from continuing operations				155,215

6. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

As at 31 December 2016

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Total HK$'000
Segment assets	7,463,761	89,897	14,555,346	22,109,004
Deferred tax assets				300
Other unallocated assets (note 1)				175,423
Total assets				22,284,727
Segment liabilities	2,957,135	110	424,830	3,382,075
Tax payable				76,747
Deferred tax liabilities				99,251
Other unallocated liabilities (note 2)				17,439,713
Total liabilities				20,997,786

From 1 January 2016 to 31 December 2016

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Unallocated HK$'000	Total HK$'000
Other segment information:					
Net gains on financial assets/liabilities at fair value through profit or loss	–	–	674,963	–	674,963
Fair value loss on financial liabilities lat fair value through profit or loss	–	–	(47,436)	–	(47,436)
Depreciation	330	19	19	2,733	3,101
Net reversal of impairment of advances to customers in margin financing and accounts receivable	625	–	–	–	625
Provision for impairment of other loans and advances	–	–	50,077	–	50,077
Additions of property and equipment	–	–	–	18,194	18,194

6. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

As at 31 December 2015

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Total HK$'000
Segment assets	2,361,876	26,423	789,385	3,177,684
Tax recoverable				10
Other unallocated assets (note 1)				2,191,577
Total assets				5,369,271
Segment liabilities	605,911	8,031	42,436	656,378
Tax payable				16,244
Deferred tax liabilities				13,515
Other unallocated liabilities (note 2)				3,947,979
Total liabilities				4,634,116

From 1 May 2015 to 31 December 2015

	Securities HK$'000	Corporate finance HK$'000	Asset management and direct investment HK$'000	Unallocated HK$'000	Total HK$'000
Other segment information:					
Net (losses) gains on financial assets/liabilities at fair value through profit or loss	(696)	–	55,472	–	54,776
Fair value gain on financial liabilities at fair value through profit or loss	–	–	34,894	–	34,894
Depreciation	239	17	5	288	549
Net reversal of impairment of advances to customers in margin financing and accounts receivable	1,392	–	–	–	1,392
Loss on disposal of items of property and equipment	–	16	–	7	23

6. OPERATING SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

Note 1: The balance comprises bank balances of HK$95,484,000 (2015: HK$2,169,165,000), investments accounted for using the equity method of HK$190,000 (2015: HK$190,000), prepayment, deposits and other receivables of HK$60,033,000 (2015: HK$15,143,000), intangible assets of HK$1,462,000 (2015: HK$4,286,000) and property and equipment of HK$18,254,000 (2015: HK$2,793,000).

Note 2: The balance comprises other payables and accruals of HK$185,233,000 (2015: HK$46,336,000), interest-bearing borrowings of HK$17,254,480,000 (2015: HK$3,875,250,000) and no convertible notes were outstanding for the year ended 31 December 2016 (2015: HK$26,393,000).

(b) Geographical information

All continuing segments' operations are primarily located in Hong Kong and all of the Group's revenue is derived from Hong Kong.

The geographical location of the non-current assets is based on the physical location of the asset in the case of property and equipment, and the location of the core operations in the case of other non-current assets. All non-current assets of the Group are located in Hong Kong.

(c) Information about major customers

Revenue from customers who contributed over 10% of total revenue of the Group are as follows:

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Customer (ultimate holding company) from corporate finance segment	**N/A (note)**	22,798
Customer from corporate finance segment	**N/A (note)**	33,094

Note : No customer contributed over 10% of total revenue of the Group for the year ended 31 December 2016.

7. REVENUE AND NET GAINS ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

An analysis of the Group's revenue and net gains on financial assets/liabilities at fair value through profit or loss from continuing operations is as follows:

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Revenue		
Securities:		
Commission income	22,959	19,488
Interest income from margin financing activities	212,747	8,844
Other service fee income	53,479	17,275
Corporate finance:		
Consultancy, financial advisory fee and financing arrangement fee income	166,076	150
Placing and underwriting fee income	52,536	59,220
Other service income	800	–
Asset management and direct investment:		
Dividend income	25,548	–
Interest income from other loans and advances	94,632	–
Interest income from convertible bonds and convertible notes	61,238	–
Interest income from available-for-sale investments	11,958	–
Fund subscription and management fee income	24,177	8,250
Other service income	916	–
	727,066	113,227
Net gains on financial assets/liabilities at fair value through profit or loss	674,963	54,776
	1,402,029	168,003

8. OTHER INCOME AND GAINS OR LOSSES, NET

An analysis of other income and gains or losses, net from continuing operations is as follows:

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Bank interest income	15,221	1,110
Foreign exchange differences, net	4,510	(904)
Fair value (loss) gain on financial liabilities at FVTPL (note 20)	(47,436)	34,894
Others	46	4,108
	(27,659)	39,208

9. PROFIT BEFORE TAX

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
The Group's profit before tax from continuing operations is arrived at after charging (crediting):		
Depreciation	3,101	549
Loss on disposal of items of property and equipment	–	23
Minimum lease payments under operating leases:		
Office premises	33,321	11,002
Office equipment	350	100
	33,671	11,102
Provision for (reversal of) reinstatement	402	(388)
Auditor's remuneration	2,380	2,880
Referral fee for underwriting of shares (included in brokerage and commission expenses)	–	7,801
Legal and professional fees	10,255	7,336
Directors' and chief executive's remuneration (note 11)	7,477	2,753
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 11)):		
Salaries and other benefits*	71,634	32,533
Pension scheme contributions (defined contribution scheme)	1,887	636
(Reversal of) provision for long service payments, net	(746)	255
Provision for unused annual leaves	878	537

* Approximately HK$77,000 (2015: HK$289,000) was included in "Brokerage and commission expenses" in the consolidated statement of profit or loss.

10. FINANCE COSTS

An analysis of finance costs for from continuing operations is as follows:

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Interest on bank borrowings	12,094	22
Interest on other borrowings	–	1,338
Interest on borrowings from the intermediate holding company	437,000	30,390
Imputed interest expense on convertible notes (note 32)	54	1,913
	449,148	33,663

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year/period is as follows:

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Fees	705	746
Other emoluments:		
Salaries and other benefits	3,975	1,613
Pension scheme contributions	51	73
Discretionary bonuses	2,746	321
	6,772	2,007
	7,477	2,753

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

2016

(a) Executive directors

		Chief Executive					
	Mr. Liu Xiadong HK$'000	Mr. Huang Rui (appointed on 13 June 2016 and resigned on 20 February 2017) HK$'000	Ms. Wang Wei (appointed on 20 December 2016) HK$'000	Mr. Lai Jinyu (appointed on 27 April 2016 and resigned on 20 December 2016) HK$'000	Mr. Jiang Rongjian (resigned on 27 April 2016) HK$'000	Mr. Xiong Hao (resigned on 13 June 2016) HK$'000	Total 1 January to 31 December 2016 HK$'000
Fees	–	–	–	–	–	–	–
Other emoluments:							
Salaries, allowances and benefits in kind	737	1,057	44	641	739	757	3,975
Discretionary related bonuses	1,940	584	–	222	–	–	2,746
Retirement benefits	18	7	–	11	6	9	51
Sub-total	2,695	1,648	44	874	745	766	6,772

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company or its subsidiaries.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

2016 (continued)

(b) Non-executive directors

	Mr. Zeng Jianyong (appointed on 19 August 2016 and resigned on 20 February 2017)	Mr. Ming Hang (appointed on 13 June 2016 and resigned on 19 August 2016)	Total 1 January 2016 to 31 December 2016
Fees	–	–	–
Other emoluments:			
Salaries, allowance and benefits in kind	–	–	–
Discretionary related bonuses	–	–	–
Retirement benefits	–	–	–
Sub-total	–	–	–

(c) Independent non-executive directors

	Dr. Wong Tin Yau Kelvin HK$'000	Mr. Yeung Siu Keung HK$'000	Mr. Ma Lishan (appointed on 19 August 2016) HK$'000	Mr. Tse Yung Hoi (resigned on 13 June 2016) HK$'000	Total 1 January 2016 to 31 December 2016 HK$'000
Fees	250	250	92	113	705
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	–	–	–
Discretionary related bonuses	–	–	–	–	–
Retirement benefits	–	–	–	–	–
Sub-total	250	250	92	113	705

The non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	7,477

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

2015

(a) Executive directors

		Chief executive					
	Mr. Xiong Hao (appointed on 2 September 2015) HK$'000	Mr. Liu Xiaodong (appointed on 6 August 2015) HK$'000	Mr. Jiang Rongjian (appointed on 6 August 2015) HK$'000	Mr. Fu Jiwen (resigned on 2 September 2015) HK$'000	Ms. Zhou Baoying (resigned on 2 September 2015) HK$'000	Ms. Cheng Yan (appointed on 13 October 2015 and resigned on 12 November 2015) HK$'000	Total 1 May 2015 to 31 December 2015 HK$'000
Fees	–	–	–	370	41	–	411
Other emoluments:							
Salaries, allowances and benefits in kind	324	586	550	–	–	153	1,613
Discretionary bonuses	138	–	183	–	–	–	321
Retirement benefits	6	41	26	–	–	–	73
Sub-total	468	627	759	370	41	153	2,418

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company or its subsidiaries. The directors' emoluments for Mr. Xiong Hao, Mr. Liu Xiaodong, Mr. Jiang Rongjian for the period ended 31 December 2015 were borne by the immediate holding company of the Company. Mr. Liu Xiaodong is also the Chief executive of the Company during the period.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

2015 (continued)

(b) Independent non-executive directors

	Mr. Zhu Chengwu (resigned on 23 October 2015) HK$'000	Mr. Yeung Siu Keung HK$'000	Mr. Chen Wai Chung, Edmund (resigned on 23 October 2015) HK$'000	Mr. Tse Yung Hoi (appointed on 23 October 2015) HK$'000	Dr. Wong Tin Yau Kelvin (appointed on 23 October 2015) HK$'000	Total 1 May 2015 to 31 December 2015 HK$'000
Fees	101	80	58	48	48	335
Other emoluments:						
Salaries, allowances and benefits in kind	–	–	–	–	–	–
Discretionary bonuses	–	–	–	–	–	–
Retirement benefits	–	–	–	–	–	–
Sub-total	101	80	58	48	48	335

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	2,753

Apart from the directors, the Group has not classified any other person as a chief executive during the year ended 31 December 2016 and eight months ended 31 December 2015. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (eight months ended 31 December 2015: Nil).

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees did not included directors for the year ended 31 December 2016 and for the eight months ended 31 December 2015, details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the five (period ended 31 December 2015: five) highest paid employees who are non-directors of the Company are as follows:

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Salaries and other benefits	**9,760**	5,802
Pension scheme contributions	**159**	156
	9,919	5,958

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	1.1.2016 to 31.12.2016 Number of employees	1.5.2015 to 31.12.2015 Number of employees
HK$500,001 to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**3**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
	5	5

13. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year/period.

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Continuing operations		
Current tax:		
Hong Kong	60,503	7,183
Overprovision in prior year:		
Hong Kong	–	(8)
	60,503	7,175
Deferred tax (note 33)	85,436	13,515
	145,939	20,690

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of Hong Kong, where the Company is headquartered, to the tax expense is as follows:

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Profit before tax from continuing operations	696,853	175,905
Tax at the statutory tax rate of 16.5%	114,981	29,024
Income not subject to tax	(3,312)	(16,169)
Expenses not deductible for tax	15,911	5,444
Tax effect of deductible temporary differences not recognised	8,263	–
Overprovision in prior year	–	(8)
Tax losses utilised from previous periods	–	(6,064)
Tax losses not recognised	10,096	8,773
Others	–	(310)
Tax expense	145,939	20,690

14. DISCONTINUED OPERATIONS AND DISTRIBUTED GROUP

On 30 January 2015, the Company entered into a conditional subscription agreement (which was later supplemented by the supplemental subscription agreements dated 20 March 2015 and 20 May 2015) with CHIH (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,702,435,038 new shares at the subscription price of HK$0.275 per subscription share (the "Subscription"). One of the conditions precedents for the completion of the Subscription is that the Company shall undergo a group reorganisation as set out in the subscription agreement (the "Group Reorganisation") and effect the Distribution in Specie.

On 23 March 2015, the Company announced details of the Group Reorganisation and the Distribution in Specie. As at 30 April 2015, the assets and liabilities related to the Distributed Group have been classified as held for distribution to owners and the results of the Distributed Group have been presented as discontinued operations in the annual financial statements of the Group for the year ended 30 April 2015. The principal activities of the companies which comprise the Distributed Group are bullion and forex contracts broking and trading, provision of finance lease, pawn loan, medium and short term financing services and financial consultation services.

The Group Reorganisation and the Distribution in Specie were approved by the independent shareholders of the Company at a special general meeting held on 24 July 2015. The completion of the Distribution in Specie was conditional on certain pre-conditions which were specified in the Company's circular dated 30 June 2015.

Details of the Group Reorganisation and the Distribution in Specie were set out in the Company's circular dated 30 June 2015. As at 3 August 2015, all the pre-conditions were fulfilled, and thus, the distribution of shares of MSL to the then owners of the Company pursuant to the Distribution in Specie became effective and unconditional on 3 August 2015.

14. DISCONTINUED OPERATIONS AND DISTRIBUTED GROUP (continued)

The results of the Distributed Group for the period are presented below.

	1.5.2015 to 3.8.2015 HK$'000
Revenue	30,945
Other income and gains or losses, net (note (iii))	9,599
Brokerage and commission expenses	(23)
Administrative and other operating expenses	(21,312)
Provision for impairment of finance leases receivable, advances to customers in margin financing and accounts receivable, net	(9,818)
Finance costs	(1,685)
Profit before tax from discontinued operations	7,706
Income tax expense	(2,348)
Profit after tax from discontinued operations	5,358
Loss on reclassification of available-for-sale investments revaluation reserve in relation to the Distributed Group upon distribution of MSL	(1,511)
Loss on reclassification of foreign currency translation reserve from equity to profit or loss in relation to the Distributed Group	(10,604)
Income tax expenses arising on transfer of the Distributed Group (note (ii))	(9,061)
Loss for the period from discontinued operations	(15,818)

Notes:

(i) In the opinion of the directors of the Company, the fair value of the shares of MSL distributed to the shareholders of the Company approximated the carrying value of the net assets of the MSL Group of approximately HK$1,117,751,000 as at 3 August 2015. The difference between the carrying amount of the net assets of the MSL Group and its fair value was considered insignificant by the directors. The fair value of shares of MSL as at 3 August 2015 was estimated by independent valuer using market approach based on price-to-book ratio of comparable listed companies adjusted for lack of marketability. Price-to-book ratio of comparable listed companies are ranged from 0.64 to 3.2 with a medium of 1.17 and a lack of market liability discount of 15% was adopted for the valuation of MSL Group.

(ii) Management of the Company are of the view that the Restructuring of the Group would be subject to “Bulletin of the State Administration of Taxation on Issues of Enterprise Income Tax on Indirect Transfer of Assets by Non-resident Enterprises” (“Bulletin 7”) and taxable in China. An amount of HK$9,061,000 in tax provision has been made for the eight months ended 31 December 2015. The provision was determined based on the estimated fair market value of MSL shares (determined by management of the Company using the net carrying amounts of the assets and liabilities of Distributed Group). The fair market value attributable to the PRC taxable assets was then determined by reference to the fractional amount of net asset value of the Chinese Entities compared to the total net asset value as of 31 October 2014. The applicable tax rate of 10% is then applied after taking into account deductible costs.

14. DISCONTINUED OPERATIONS AND DISTRIBUTED GROUP (continued)

Notes: (continued)

(iii) Amount of HK$9,061,000 was recognised as other income from Mr. Cui Zhanhui ("Mr. Cui") in relation to the PRC tax liabilities. On 26 June 2015, the Company and Mr. Cui, one of the existing beneficial owners of the Company, entered into a deed of indemnity, pursuant to which Mr. Cui has undertaken to fully compensate and indemnify the loss which may be suffered by the Company by reason of, among other things, any tax liability that may be incurred pursuant to applicable laws and in connection with the reorganisation and distribution of the MSL Group. Mr. Cui shall fully indemnify the Company on a dollar-to-dollar basis against any loss, taxation, claims, liability, costs, expenses, penalty, etc. suffered by the Company by reason of any matters in connection with the reorganisation and distribution of the MSL Group. By virtue of the deed of indemnity and the tax provision made under Bulletin 7 (see (ii) above), the Group recognised HK$9,061,000 as the amount due from Mr. Cui (included in other receivables as at 31 December 2015). Management of the Company considered the recoverability of the amount due from Mr. Cui is satisfactory.

The major classes of assets and liabilities of the Distributed Group as at the date of distribution are as follows:

	3.8.2015 HK$'000
Assets	
Property and equipment	3,434
Goodwill	22,279
Available-for-sale investments	115,163
Finance leases receivable	115,106
Loans and accounts receivable	891,729
Prepayments, deposits and other receivables	16,850
Tax recoverable	16
Restricted bank balances	147
Cash and cash equivalents	87,474
	1,252,198
Liabilities	
Accounts payable	(195)
Other payables and accruals	(54,276)
Interest-bearing borrowings	(70,975)
Tax payable	(9,001)
	(134,447)
Net assets of the Distributed Group	1,117,751
Amount recognised in other comprehensive income and accumulated in equity directly related to Distributed Group	
Negative currency translation reserve	(10,604)
Negative available-for-sale investment revaluation reserve	(1,511)
Net cash outflow arising on distribution in specie cash and cash equivalents relinquished	87,474

14. DISCONTINUED OPERATIONS AND DISTRIBUTED GROUP (continued)

The net cash flows incurred by the Distributed Group which are included in the consolidated statement of cash flows of the Group are as follows:

	1.5.2015 to 3.8.2015 HK$'000
Operating activities	586
Investing activities	(10,902)
Financing activities	(19,008)
Net cash outflow	(29,324)

The Distributed Group's loss before tax from discontinued operations is arrived at after charging (crediting):

	1.5.2015 to 3.8.2015 HK$'000
Interest income	(26)
Foreign exchange differences, net	165
Depreciation	889
Loss on disposal of items of property and equipment	56
Minimum lease payments under operating leases:	
Office premises	2,777
Office equipment	27
	2,804
Fair value gains on equity investments at fair value through profit or loss	(57)
Auditor's remuneration	126
Employee benefit expenses	
Salaries and other benefits	9,844
Pension scheme contributions (defined contribution scheme)	120
Write-back of long service payments, net	(2)
Write-back of unused annual leaves	(5)

14. DISCONTINUED OPERATIONS AND DISTRIBUTED GROUP (continued)

	1.5.2015 to 3.8.2015 (Restated)
Loss per share:	
Basic, from the discontinued operations	HK(0.65) cent
Diluted, from the discontinued operations	HK(0.63) cent

The calculations of basic and diluted loss per share from the discontinued operations are based on:

	1.5.2015 to 3.8.2015 HK$'000 (Restated)
Loss attributable to owners of the Company from the discontinued operations	(15,818)
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation (note 16)	2,445,682
Weighted average number of ordinary shares in issue during the period used in the diluted loss per share calculation (note 16)	2,506,060

15. DIVIDENDS

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Special dividend by way of the Distribution in Specie (note 14)	**–**	1,117,751

Pursuant to the approval by the shareholders of the Company at the special general meeting held on 24 July 2015, the Company distributed the ordinary shares of MSL to the shareholders on 3 August 2015 in the proportion of one MSL share for every share of the Company held by the then shareholders of the Company.

The amount of dividends is based on the carrying amount of the net assets of the Distributed Group amounting to HK$1,117,751,000 at the time of distribution. Details of the assets and liabilities distributed are set out in note 14.

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

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

The calculation of basic and diluted earnings per share from continuing and discontinued operations are based on the following data:

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Earnings		
Profit for the year/period attributable to owners of the Company used as earnings for the purpose of basic earnings per share calculation	**550,914**	139,397
Effect of dilutive potential ordinary shares:		
Interest on convertible notes issued	**54**	1,913
Earnings for the purpose of dilutive earnings per share calculation	**550,968**	141,310

	Number of shares 2016 '000	2015 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**3,358,156**	2,445,682
Effect of dilutive potential ordinary shares on		
– convertible notes issued	**990**	60,378
Weighted average number of ordinary shares for the purpose of dilutive earnings per share calculation	**3,359,146**	2,506,060

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Earnings		
Profit for the year/period attributable to owners of the Company	550,914	139,397
Adjusted for: Loss for the year/period from discontinued operations	–	15,818
Earnings for the purpose of basic earnings per share calculation from continuing operations	550,914	155,215
Effect of dilutive potential ordinary shares:		
Interest on convertible notes issued	54	1,913
Earnings for the purpose of dilutive earnings per share calculation from continuing operations	550,968	157,128

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss per share from discontinued operations was HK0.65 cent per share (restated) and diluted loss per share from discontinued operations was HK0.63 cent per share (restated) for the period ended 31 December 2015.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Note: The rights issue on the basis of 1.5 rights shares for every 20 existing shares held on the record date of 11 January 2017 became unconditional on 6 February 2017. On 10 February 2017, the Company issued and allotted 250,358,093 rights shares at HK$2.63 per rights share and successfully raised net proceeds of approximately HK$652,032,000 for expanding and developing the securities and direct investment business (Note 47(a)). The basic and diluted earnings per share for the year ended 31 December 2016 and period ended 31 December 2015 have been adjusted and restated respectively to take into account the rights issue in which the rights shares are issued at a discount on market price subsequent to the year ended 31 December 2016. The weighted average number of shares outstanding was retrospectively increased to reflect the discount in the rights issue.

17. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, equipment and motor vehicles HK$'000	Total HK$'000
31 December 2016			
COST			
At 1 January 2016	3,894	11,753	15,647
Additions	14,666	3,528	18,194
At 31 December 2016	18,560	15,281	33,841
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 January 2016	(3,264)	(8,964)	(12,228)
Depreciation provided during the year	(2,016)	(1,085)	(3,101)
At 31 December 2016	(5,280)	(10,049)	(15,329)
CARRYING VALUES			
At 31 December 2016	13,280	5,232	18,512

17. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Furniture, equipment and motor vehicles HK$'000	Total HK$'000
31 December 2015			
COST			
At 1 May 2015	4,389	10,516	14,905
Additions	440	2,800	3,240
Disposals	(935)	(1,563)	(2,498)
At 31 December 2015	3,894	11,753	15,647
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 May 2015	(3,889)	(10,265)	(14,154)
Depreciation provided during the period	(310)	(239)	(549)
Disposals	935	1,540	2,475
At 31 December 2015	(3,264)	(8,964)	(12,228)
CARRYING VALUES			
At 31 December 2015	630	2,789	3,419

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	25% or over the lease terms, whichever is shorter
Furniture, equipment and motor vehicles	25% to 33%

18. OTHER LONG TERM ASSETS

	2016 HK$'000	2015 HK$'000
Deposits with The Stock Exchange of Hong Kong Limited (the "SEHK"):		
Compensation Fund	**293**	293
Fidelity Fund	**250**	250
Admission fee paid to Hong Kong Securities Clearing Company Limited	**250**	250
Deposit with the Guarantee Fund of the Central Clearing and Settlement System	**561**	2,691
Deposit with the Reserve Fund of SEHK Options Clearing House Limited	**1,662**	1,645
Deposit with the Reserve Fund of Hong Kong Futures Exchange Clearing Corporation Limited	**1,509**	1,524
	4,525	6,653

19. INTANGIBLE ASSETS

	Trading rights HK$'000	**Other licences** HK$'000	**Total** HK$'000
COST			
At 1 May 2015	20,171	–	20,171
Additions	–	2,428	2,428
At 31 December 2015 and 31 December 2016	20,171	2,428	22,599
ACCUMULATED IMPAIRMENT			
At beginning and end of year/period	17,821	–	17,821
CARRYING VALUES			
At 31 December 2015 and 31 December 2016	2,350	2,428	4,778

The trading rights represents the eligibility rights to trade on or through the SEHK and Hong Kong Futures Exchange Limited and have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. No additional impairment is considered necessary for the year ended 31 December 2016 and eight months ended 31 December 2015.

19. INTANGIBLE ASSETS (continued)

Other licences used for the Group's operations are expected to be renewable without significant cost. Therefore, licences are considered by the management of the Group as having indefinite useful lives. These licences will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. No impairment is considered necessary.

20. FINANCIAL ASSETS (LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Asset		
Non-current:		
Unlisted investments		
Convertible bonds and convertible notes, at fair value (note (i))	1,078,852	–
Convertible bonds with put option, at fair value (note (ii))	–	313,418
Current:		
Listed investments		
Equity investments, at fair value (note (iii))	1,205,417	435,958
Unlisted investments		
Convertible bonds and convertible notes, at fair value (note (i))	294,615	–
Convertible bonds with put option, fair value (note (ii))	385,783	–
Put options on listed equity investment, at fair value (note (iv))	49,343	2,388
	1,935,158	438,346
Liabilities		
Current:		
Unlisted investments		
Non-controlling interests of unlisted consolidated investment funds, at fair value (note (v))	256,734	–
Non-current:		
Unlisted investments		
Non-controlling interests of unlisted consolidated investment fund, at fair value (note (v))	166,743	32,886

20. FINANCIAL ASSETS (LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(i) On 3 February 2016, the Group set up a fund which acquired unlisted convertible notes with principal amount of US$30,000,000, approximately HK$233,625,000 equivalent and US$40,000,000, approximately HK$310,660,000 equivalent on 15 February 2016 and 10 March 2016, respectively, which were issued by an independent party, a listed company in Hong Kong, bearing fixed interest rate of 4.5% per annum payable semi-annually, maturity on 15 February 2019 and 10 March 2019, and with conversion price of HK$3.00 per share of the aforesaid listed company in Hong Kong. The convertible notes are freely transferrable. On 14 December 2016, convertible notes with principal amount of US$30,000,000 were disposed. The fair value of the remaining convertible notes amounted to approximately HK$404,941,000 as at 31 December 2016, which was estimated by an independent firm of professional valuer. The Group does not expect that the remaining convertible notes will be transferred to third parties by the Group within the next twelve months and has accordingly classified the convertible notes as non-current assets.

On 18 May 2016, the Group acquired unlisted convertible bonds, with principal amount of US$20,000,000, approximately HK$155,250,000 equivalent issued by an independent party, a listed company in Hong Kong, bearing fixed interest rate of 6% per annum payable semi-annually, maturity on 18 November 2017, extendable on a mutually agreed basis, to 18 May 2019 with conversion price of HK$0.86 per share of the aforesaid listed company in Hong Kong. The fair value of the convertible bonds amounted to approximately HK$165,490,000 as at 31 December 2016, which was estimated by an independent firm of professional valuer.

On 20 May 2016, the Group acquired unlisted convertible bonds, with principal amount of HK$500,000,000 issued by an independent party, a listed company in Hong Kong, bearing fixed interest rate of 7% per annum payable semi-annually, maturity on 20 May 2019 with conversion price of HK$3.476 per share of the aforesaid listed company in Hong Kong. The fair value of the convertible bonds amounted to approximately HK$673,911,000 as at 31 December 2016, which was estimated by an independent firm of professional valuer. The Group does not expect that the convertible bonds will be transferred to third parties by the Group within the next twelve months and has accordingly classified the convertible bonds as non-current assets.

On 26 October 2016, the Group acquired unlisted convertible bonds, with principal amount of HK$100,000,000 issued by an independent party, a listed company in Hong Kong, bearing fixed interest rate of 5% per annum payable annually, maturity on 26 October 2017, extendable on a mutually agreed basis, to 26 October 2018 with conversion price of HK$0.675 per share of the aforesaid listed company in Hong Kong. The fair value of the convertible bonds amounted to approximately HK$129,125,000 as at 31 December 2016, which was estimated by an independent firm of professional valuer.

20. FINANCIAL ASSETS (LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(ii) On 12 November 2015, the Group acquired unlisted convertible bonds with principal amount of HK$275,000,000 which was issued by an independent party, a listed company in Hong Kong, and bears fixed interest rate of 4% per annum payable quarterly, and matures on 12 November 2017, extendable at the issuer's sole and absolute discretion, to 12 November 2018 with initial conversion price of HK$0.77 per share of the aforesaid listed company in Hong Kong. On 13 November 2015, a put option was granted by an independent third party to the Group. The Group has the right to require the issuer of the put option to purchase all outstanding convertible bonds held by the Group anytime within the 30 days period prior to the maturity date of the convertible bonds at an agreed share price. The fair value of the convertible bonds amounted to approximately HK$273,705,000 (31 December 2015: HK$307,306,000) and the put option amounted to approximately HK$112,078,000 (31 December 2015: HK$6,112,000) as at 31 December 2016, which was estimated by an independent firm of professional valuer.

(iii) The equity investments with fair value of approximately HK$1,205,417,000 as at 31 December 2016 (31 December 2015: HK$435,958,000) were securities listed in Hong Kong.

(iv) On 30 March 2016, the Group purchased listed securities together with a put option at an aggregate consideration of approximately HK$339,659,000. The put option gives the Group the right to require the issuer, an independent third party, to purchase a maximum of 190,798,000 shares of a listed company in Hong Kong at a range of pre-determined prices in a specific period. At the expiry date of the put option, the issuer shall purchase and the Group shall sell all shares that has not been sold till then, at a price determined in accordance with the put option agreement. The fair value of the put option amounted to approximately HK$49,343,000 as at 31 December 2016, which was estimated by an independent firm of professional valuer.

On 30 December 2015, the Group purchased a put option at a consideration of approximately HK$2,388,000 which gives the Group the right to require the issuer of the option, an independent third party, to purchase a maximum of 45,920,000 shares of a listed company in Hong Kong, at a pre-determined price. The option is exercisable any time within one year till 30 December 2016. The fair value of the put option amounted to approximately HK$2,388,000 as at 31 December 2015, which was estimated by an independent firm of professional valuer.

(v) As at 31 December 2016 and 31 December 2015, included in financial liabilities at fair value through profit or loss are the non-controlling interests of unlisted consolidated investment funds.

As at 31 December 2016 and 31 December 2015, a wholly-owned subsidiary of the Group held 71% (31 December 2015: 71%) interests in Huarong International Asset Management Great China Investment Fund L.P. (the "GCI Fund") as a limited partner (the "First-Tier Limited Partner of the GCI Fund"). According to the limited partnership agreement, at the end of the term of the GCI Fund, the First-Tier Limited Partner of the GCI Fund will be entitled to a priority return of its own capital contribution and a 8% preferred return; thereafter the second-tier limited partner is entitled to return of its own capital contribution. Thereafter 60% and 40% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the GCI Fund and second-tier limited partner, respectively. Accordingly, the interests of the second-tier limited partner in the consolidated investment fund are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$80,105,000 (31 December 2015: HK$32,886,000) as at 31 December 2016.

20. FINANCIAL ASSETS (LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(v) (continued)

As at 31 December 2016, a wholly-owned subsidiary of the Group held 90% interests in Huarong International Asset Management Growth Fund L.P. (the "Growth Fund") as a limited partner (the "First-Tier Limited Partner of the Growth Fund"). Pursuant to the limited partnership agreement of the Growth Fund, the interests in the Growth Fund as a limited partner provide the Group with the return of capital equal to 100% of its total invested capital and a fixed proceed of 8% per annum return of its invested capital. If the Growth Fund eventually holds the convertible notes till maturity (three years period), total minimum return of First-Tier Limited Partner of the Growth Fund is guaranteed at 12% per annum of its invested capital. Thereafter, the second-tier limited partner is entitled to return of its own capital contribution. Thereafter 20% and 80% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the Growth Fund and second-tier limited partner, respectively. The effective interest rate of the underlying convertible notes is 4.5%. Accordingly, the interests of the second-tier limited partner are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$166,743,000 as at 31 December 2016.

As at 31 December 2016, a wholly-owned subsidiary of the Group held 50% interests in Bridge Rock Industry Fund, L.P. (the "BRI Fund") as a limited partner (the "First-Tier Limited Partner of the BRI Fund"), another subsidiary of the Group acted as the general partner of the BRI Fund. As the Group has control over the BRI Fund, it is accounted for as a subsidiary. Pursuant to the limited partnership agreement of the BRI Fund the interests in the BRI Fund as a limited partner provide the Group with the return of capital equal to 100% of its total invested capital and a fixed proceed of 10% and 12% per annum return of its invested capital to First-Tier Limited Partner of the BRI Fund and the second-tier limited partner, respectively. Thereafter 30% and 70% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the BRI Fund and second-tier limited partner, respectively. Accordingly, the interests of the second-tier limited partner are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$133,303,000 as at 31 December 2016.

As at 31 December 2016, a wholly-owned subsidiary of the Group held 60% interests in Huarong International South China Investment Fund L.P. (the "SCI Fund") as a limited partner (the "First-Tier Limited Partner of the SCI Fund"). Pursuant to the limited partnership agreement of the SCI Fund the interests in the SCI Fund as a limited partner provide the Group with the return of capital equal to 100% of its total invested capital and a fixed proceed of 9% per annum return of its invested capital to First-Tier Limited Partner of the SCI Fund. Thereafter 30% and 70% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the SCI Fund and second-tier limited partner, respectively. Accordingly, the interests of the second-tier limited partner are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$43,326,000 as at 31 December 2016.

The Group did not provide any financial support to the above unlisted consolidated investment funds during the year ended 31 December 2016 and period ended 31 December 2015.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Listed equity and debt securities, at fair value	**4,339,012**	–

During the year, the loss in respect of changes in fair value of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK$25,347,000 (2015: gain of HK$75,534,000). A gain of approximately HK$96,859,000 was reclassified from other comprehensive income to the consolidated statement of profit or loss upon disposal for the period from 1 May 2015 to 31 December 2015.

During the period from 1 May 2015 to 31 December 2015, the Group disposed of approximately HK$69,214,000 available-for-sale investments to independent third parties.

Interest income derived from available-for-sale investments was recognised as "interest income from available-for-sale investments".

22. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2016 HK$'000	2015 HK$'000
Associates:		
Cost of unlisted investments in associates	**190**	190
A joint venture:		
Cost of unlisted investment in a joint venture	**–**	–

No profit or loss has arisen from the associates since the setup of the associates, China Huarong Tianxing Oversea Acquisition Fund 1 Limited, from 21 July 2015 and 華融柏潤(珠海)資產管理有限公司, from 27 December 2016.

The investment in a joint venture represents the 16.5% interests (33 ordinary shares) held by the Group in Gold Brilliant Investment Limited from 21 December 2016 amounting to HK$33, which was incorporated in Hong Kong and principally engaged in land development.

The amount due to an associate China Huarong Tianxing Oversea Acquisition Fund 1 Limited of approximately HK$190,000 as at 31 December 2016 is unsecured, interest free and repayable on demand. The amount due from a joint venture of approximately HK$660,000,000 as at 31 December 2016 is unsecured, interest free and repayable on demand, and the management considered the amount due from a joint venture will be repaid within one year.

23. OTHER LOANS AND ADVANCES

	2016 HK$'000	2015 HK$'000
Other loans and advances	5,004,236	–
Less: Provision for impairment	(50,077)	–
	4,954,159	–
Secured	2,236,814	–
Unsecured	2,717,345	–
	4,954,159	–
Analysed as:		
Current	2,736,696	–
Non-current	2,217,463	–
	4,954,159	–

At 31 December 2016, other loans and advances included loans to independent third parties which are secured and/or backed by guarantees and collaterals, bearing interest at rates ranging from 5% to 9% per annum with contractual maturity ranging from approximately six months to three years from 31 December 2016. At 31 December 2016, other loans and advances with carrying amount of approximately HK$2,236,814,000 (2015: Nil) is secured by properties in Australia and the PRC, unlisted convertible bonds issued by a company listed in Hong Kong, listed equity issued by a company listed in Hong Kong and unlisted equity. The remaining carrying amount of approximately HK$2,184,565,000 (2015: Nil) represent unsecured other loans and advances with personal or corporate guarantees. The management of the Group believes that the amount is considered recoverable given the collateral is sufficient to cover the entire balance for secured loans and no recent history of default of borrowers for unsecured loans. Other loans and advances that are individually not significant or assessed not to be impaired individually are reviewed at the end of each reporting period on a collective portfolio basis. The directors of the Company believe that the allowances for impaired debts are sufficient.

Regular reviews on these loans are conducted by the risk management department based on the latest status of these loans, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial positions.

At 31 December 2016, unsecured other loans and advances included investments in a 5% guaranteed notes with carrying amount of HK$198,000,000 and contractual maturity of one year and a 8.5% redeemable fixed coupon notes with carrying amount of HK$334,780,000 and contractual maturity of two years.

At 31 December 2016, the Group has concentration of credit risk as 63% (2015: Nil) of the total other loans and advances was due from the Group's five largest borrowing customers.

23. OTHER LOANS AND ADVANCES (continued)

Interest income derived from other loans and advances was recognised as "interest income from other loans and advances".

Movements in the allowances for impaired debts are as follows:

	2016 HK$'000	2015 HK$'000
At beginning of year/period	–	–
Provision for impairment losses	50,077	–
At end of year/period	50,077	–

Other loans and advances are netted off by allowances for impaired debts of HK$50,077,000 (2015: Nil) which are collective allowance. No further impairment allowance was considered necessary based on the Group's evaluation of collectability.

There are no loans and advances that are past due but not impaired.

The carrying amounts of the Group's other loans and advances are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong Dollar	3,655,758	–
United States Dollar ("USD")	1,298,401	–
	4,954,159	–

24. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2016 HK$'000	2015 HK$'000
Loans to customers in margin financing	4,237,786	868,474
Less: provision for impairment	(1,323)	(1,951)
	4,236,463	866,523

The loans to customers in margin financing are interest-bearing and secured by the underlying pledged securities. The Group maintains a list of approved securities for margin lending at a specific loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make additional funds for the shortfall.

24. ADVANCES TO CUSTOMERS IN MARGIN FINANCING (continued)

The movements in provision for impairment of advances to customers in margin financing are as follows:

	2016 HK$'000	2015 HK$'000
At beginning of year/period	1,951	3,285
Reversal of impairment losses, net	(628)	(1,334)
At end of year/period	1,323	1,951

No ageing analysis is disclosed as in the opinion of the Directors, the ageing analysis does not give additional value in the view of the revolving nature of the business of securities margin financing.

Securities, futures, options dealing services

The Group allows a credit period of up to the settlement dates of the respective securities, futures, options transactions or a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Loans for margin financing are secured by the pledge of customers' securities as collateral. The credit facility limits to customers in margin financing are determined by the market value of the collateral securities accepted by the Group. Overdue balances are reviewed regularly by management.

All the pledged securities are listed equity securities in Hong Kong as at 31 December 2016, and significant portion of the pledged securities are listed securities in Hong Kong as at 31 December 2015. The loans are repayable on demand subsequent to settlement date and normally carry interest at Hong Kong Prime Rate + 1% to 15% per annum (2015: Hong Kong Prime Rate + 1% to 15% per annum). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

The Group has concentration of credit risk as 57% (2015: 91%) of the total loans to securities margin clients were due from the Group's five largest securities margin clients. The balance includes an aggregate amount of approximately HK$2,394,288,000 (2015: HK$793,446,000) which is neither past due nor impaired, of which the whole amount is secured by clients' pledged securities with an aggregate fair value of HK$12,855,095,000 (2015: HK$5,287,325,000). The Group believes that the amount is considered recoverable given the collaterals are sufficient to cover each balance on individual basis.

25. ACCOUNTS RECEIVABLE

	2016 HK$'000	2015 HK$'000
Accounts receivable from:		
– securities, futures and options dealing services		
– clients	**8,902**	9,614
– brokers, dealers and clearing houses	**629,685**	9,749
– corporate finance	**45,104**	26,366
– asset management	**1,109**	–
	684,800	45,729
Provision for impairment	**(223)**	(220)
	684,577	45,509

An aged analysis of the Group's accounts receivable, based on the trade date and net of provision for impairment, is as follows:

	2016 HK$'000	2015 HK$'000
Current to 1 month	**682,633**	44,509
1 to 3 months	**1,779**	652
3 months to 1 year	**102**	237
Over 1 year	**63**	111
	684,577	45,509

The movements in provision for impairment of accounts receivable are as follows:

	2016 HK$'000	2015 HK$'000
At beginning of year/period	**220**	278
Provision for (reversal of) impairment losses, net	**3**	(58)
At end of year/period	**223**	220

25. ACCOUNTS RECEIVABLE (continued)

Securities, futures, options dealing services

Included in the above provision for impairment of accounts receivable is provision for individually impaired accounts receivable of approximately HK$223,000 (2015: HK$220,000) with carrying amounts before provision of approximately HK$226,000 (2015: HK$1,154,000). These individually impaired accounts receivable relate to customers that do not have sufficient amount of collateral at the end of the reporting period and are not expected to be fully recoverable.

The aged analysis of the accounts receivable that are past due but not individually nor collectively considered to be impaired is as follows:

	2016 HK$'000	2015 HK$'000
Less than 1 month past due	23,630	8,141
1 to 3 months past due	1,779	652
3 months to 1 year past due	102	231
Over 1 year past due	63	111
	25,574	9,135

The directors of the Company are of the opinion that no provision for impairment is necessary in respect of those receivables that were past due but not impaired as there has not been a significant change in credit quality or listed securities of clients are held as collateral against certain receivables and thus the balances are still considered fully recoverable.

The carrying amounts of the Group's accounts receivable are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong Dollar	15,677	38,840
United States Dollar ("USD")	668,900	6,669
	684,577	45,509

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES AND INTEREST RECEIVABLE

	2016 HK$'000	2015 HK$'000
Prepayments	**32,787**	2,237
Deposits	**18,117**	4,137
Other receivables (Note (a))	**10,633**	9,546
	61,537	15,920
Interest receivable (Note (b))	**34,400**	–

Notes:

(a) As mentioned in note 14, Mr. Cui shall fully indemnify the Company for the tax provision made under Bulletin 7, the Group recognised HK$9,061,000 as the amount due from Mr. Cui. The directors of the Company considered the recoverability of the amount due from Mr. Cui is satisfactory. The remaining balance mainly represents the interest receivables for bank deposits.

(b) Interest receivable represents the interest income receivable from financial assets at FVTPL and available-for-sale investments.

27. RESTRICTED BANK BALANCES

The Group maintains segregated trust accounts with licenced banks to hold clients' monies arising from its normal course of business licenced by the Securities and Futures Commission (the "SFC"). The Group has classified these clients' monies as restricted bank balances under the current assets section of the consolidated statement of financial position and recognised the corresponding amounts payable to the respective clients on the ground that it is liable for any loss or misappropriation of these client's monies. The Group is not permitted to use the clients' monies to settle its own obligations.

28. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2016 HK$'000	2015 HK$'000
Cash and balances with financial institutions	**956,675**	3,040,911
Pledged bank deposits	**–**	10,353
	956,675	3,051,264
Less: Pledged deposits for bank loans (note 31)	**–**	10,353
Cash and cash equivalents	**956,675**	3,040,911

At the end of the reporting period, the cash and balances with financial institutions of the Group denominated in Renminbi ("RMB") amounted to approximately HK$12,670,000 (2015: HK$11,210,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable, based on the settlement due date, is as follows:

	2016 HK$'000	2015 HK$'000
Current to 1 month	**2,942,458**	602,269

The accounts payable are unsecured and repayable on the settlement date of the relevant trades or upon demand from customers.

As at 31 December 2016, accounts payable with carrying amount of approximately HK$2,931,001,000 (2015: HK$566,209,000) are interest-bearing at bank savings deposit rates.

30. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Current portion:		
Other payables (note (i))	10,651	15,562
Interest payable (note (ii))	142,817	30,387
Accruals (note (iii))	47,234	19,996
	200,702	65,945
Non-current portion:		
Other payables	481	1,424

Notes:

(i) Other payables are non-interest-bearing and have an average term of three months. Major other payables represent HK$9,516,000 (2015: Nil) interest payable for bank borrowings.

(ii) Interest payables are incurred from the interest bearing loan from the intermediate holding company of an aggregate amount of US$1,500,000,000 (2015: US$500,000,000) at annual interest rate of ranging from 3.85% to 6.02% (2015: 5.761%).

(iii) Accruals mainly represent HK$19,526,000 (2015: HK$15,006,000) salaries and bonus payable.

31. INTEREST-BEARING BORROWINGS

	2016 HK$'000	2015 HK$'000
Current portion:		
Bank borrowings	5,620,480	–
Non-current portion:		
Loan from the intermediate holding company	11,634,000	3,875,250
	17,254,480	3,875,250

As at 31 December 2016, the Group had loans (the "Company Loans") amounting to US$1,500,000,000 (31 December 2015: US$500,000,000) (approximately HK$11,634,000,000 (31 December 2015: HK$3,875,250,000)) from CHIH for the expansion of the Group's business. The Company Loans bear interest at fixed interest rates ranging from 3.85% to 6.02% per annum (31 December 2015: 5.761% per annum) and are repayable in three to ten years (31 December 2015: three years) from the end of the reporting period.

31. INTEREST-BEARING BORROWINGS (continued)

As at 31 December 2015, the Group has revolving bank loan facilities which are secured by pledge of the Group's time deposits with carrying amount of approximately HK$10,353,000. The Group has not utilised these facilities as at 31 December 2015.

In addition, bank borrowings of HK$550,000,000 (31 December 2015: Nil) are secured by listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent) as at 31 December 2016, the Company had provided corporate guarantees in respect of the Group's banking facilities to the extent of HK$850,000,000 (2015: HK$30,000,000), corporate guarantees from the indirect wholly-owned subsidiaries Huarong International Securities Limited, Huarong International Asset Management Limited and Huarong International Capital Limited in respect of the Group's banking facilities to the extent of HK$232,680,000 (2015: Nil). As at 31 December 2016, the Group has undrawn bank facilities of HK$807,500,000 (2015: HK$30,000,000), and the Group utilised HK$5,620,480,000 (2015: Nil) of these banking facilities.

32. CONVERTIBLE NOTES ISSUED

On 19 February 2014, the Company issued zero coupon convertible notes (the "Convertible Notes") with a nominal value of HK$500,000,000 to an independent third party. The notes are convertible at the option of the noteholders into ordinary shares within 36 months from the date of issuance of the Convertible Notes at the initial conversion price of HK$5 per conversion share. Any Convertible Notes not converted will be redeemed on 18 February 2017 at the outstanding principal amounts. The conversion price for the Convertible Notes was adjusted to HK$0.5 per share on 9 April 2014, upon completion of the issue of bonus shares. A total principal amount of HK$135,000,000 Convertible Notes was converted into 270,000,000 ordinary shares of the Company during the year ended 30 April 2014. On 4 July 2014, a total principal amount of HK$335,000,000 Convertible Notes was converted into 670,000,000 ordinary shares of the Company. In July 2014, the independent third party has transferred his convertible notes to Mr. Cui Zhanhui ("Mr. Cui") (崔占輝), a then substantial shareholder of the Company during the period. Immediately after the conversion on 4 July 2014 and as at 31 December 2015, the outstanding principal of the Convertible Notes issued by the Company amounted to HK$30,000,000 which was held by Mr. Cui. The effective interest rate is 12% per annum.

All outstanding Convertible Notes were subsequently converted to ordinary shares on 7 January 2016.

Fair value of equity component on initial recognition was determined to be approximately HK$613,000,000 using Binomial Option Pricing Model. Valuation of the Convertible Notes is based on certain key inputs, including 0.98% risk free rate, 119.88% volatility, zero dividend yield, HK$17 stock price on issuance date of the Convertible Notes, conversion price of HK$5 per conversion share and 3 years option life.

Fair value of the liability component on initial recognition was determined to be approximately HK$179,877,000, being the present value of the future cash flows discounted at 12% effective interest. The fair value of the liability component is deducted from the fair value of the instrument as a whole, with the resulting residual amount of approximately HK$613,000,000 being recognised as the equity component.

32. CONVERTIBLE NOTES ISSUED (continued)

The movements in the liability and equity components of the Convertible Notes as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 May 2015	24,480	36,780	61,260
Imputed interest expense (note 10)	1,913	–	1,913
At 31 December 2015	26,393	36,780	63,173
At 1 January 2016	**26,393**	**36,780**	**63,173**
Imputed interest expense (note 10)	**54**	**–**	**54**
Conversion	**(26,447)**	**(36,780)**	**(63,227)**
At 31 December 2016	**–**	**–**	**–**

33. DEFERRED TAXATION

The movements in deferred tax liabilities during the year/period are as follows:

	Temporary difference on provision for impairment of advances to customers in margin financing and accounts receivable HK$'000	Temporary difference on net unrealised gain on financial assets/ liabilities at FVTPL HK$'000	Total HK$'000
At 1 May 2015	–	–	–
Charge to profit or loss	–	(13,515)	(13,515)
At 31 December 2015	–	(13,515)	(13,515)
At 1 January 2016	**–**	**(13,515)**	**(13,515)**
Credit (charge) to profit or loss	**300**	**(85,736)**	**(85,436)**
At 31 December 2016	**300**	**(99,251)**	**(98,951)**

33. DEFERRED TAXATION (continued)

The Group has tax losses arising in Hong Kong of approximately HK$179,877,000 (2015: HK$118,689,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group does not have tax losses arising in the Mainland China as at 31 December 2016 (2015: Nil). Deferred tax assets have not been recognised in respect of these tax losses previously as it was not considered probable that the tax losses can be utilised in the foreseeable future.

At 31 December 2016, the Group has deductible temporary differences of HK$50,077,000 (2015: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At 31 December 2016, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. SHARE CAPITAL

Shares

	Number of shares '000	Total value HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 31 December 2015 and 31 December 2016	1,000,000,000	1,000,000
Issued and fully paid:		
At 1 May 2015	1,575,673	1,576
Issue of new shares (note (a))	1,702,435	1,702
At 31 December 2015 and 1 January 2016	3,278,108	3,278
Issue of new shares upon conversion of convertible notes (note (b))	60,000	60
At 31 December 2016	3,338,108	3,338

34. SHARE CAPITAL (continued)

Notes:

(a) Pursuant to the subscription agreement and its supplemental agreements, 1,702,435,038 subscription shares have been duly allotted and issued to Camellia Pacific Investment Holding Limited, a wholly-owned subsidiary of CHIH on 31 August 2015. Immediately after the completion of the subscription, there are 3,278,107,918 shares of the Company in issue and the shareholding held indirectly by CHIH amounted to approximately 51.93% of the issued share capital of the Company as enlarged by the issue of the subscription shares.

(b) On 7 January 2016, a total principal amount of HK$30,000,000 convertible notes has been converted into 60,000,000 shares of the Company.

All shares issued during the period rank pari passu with the then existing ordinary shares in all respects.

Share options

Details of the Company's share option scheme are included in note 35.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The directors of the Company consider that it is important to continue to provide eligible participants with an additional incentive by offering them an opportunity to obtain equity interest in the Company and to reward them for contributing to the long-term success of the business of the Group. Accordingly, pursuant to an ordinary resolution passed at the annual general meeting held on 9 September 2011, a new share option scheme (the "New Scheme") was adopted to replace the Old Scheme and the Old Scheme was terminated with effect from 9 September 2011. The New Scheme became effective on 9 September 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other share option scheme of the Company must not exceed 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at the exercise date. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options to be granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company.

In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

35. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options.

The subscription price of the share options is determinable by the directors of the Company, but must be at least the higher of (i) the SEHK closing price of the Company's shares on the date of offer of the share options which must be a business day; and (ii) the average SEHK closing price of the Company's shares as stated in the SEHK's daily quotations sheets for the five trading days immediately preceding the date of offer.

No option has been granted or outstanding under the New Scheme during the year ended 31 December 2016 and eight months ended 31 December 2015.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity on pages 67 and 68 of this report.

37. PLEDGE OF ASSETS

Details of the Group's interest-bearing borrowings, which were secured by the assets of the Group, are included in note 31.

38. CONTINGENT LIABILITIES

Huarong International Securities Limited (previously known as United Simsen Securities Limited) ("HISL"), an indirect wholly owned subsidiary of the Company was joined as the 10th defendant to the High Court action HCA 64/2012 commenced by Mayer Holdings Limited ("Mayer") as plaintiff (the "Action") and served with the Re-amended Writ of Summons and Re-amended Statement of Claim for the Action. Mayer is claiming against HISL for damages for, among other things, breach of contract. HISL has sought legal advice on the alleged claims against it. Based on their understanding of the factual background concerning the alleged claims against HISL, the directors of the Company consider that HISL has a defence of merit and will therefore direct HISL to defend the alleged claims strenuously. HISL was in the course of providing relevant information to the High Court and there was no substantial progress as at 31 December 2016 and up to the date of authorisation for the issuance of these consolidated financial statements.

Save as disclosed above, the Group had no other material contingent liabilities at 31 December 2016.

39. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years (2015: one to three years), and those for office equipment are for terms of five years (2015: five years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**43,841**	12,409
In the second to fifth years, inclusive	**99,741**	826
	143,582	13,235

40. ACQUISITION OF SUBSIDIARIES

On 21 July 2015, the Group acquired the entire issued share capital of Brilliant Focus Limited ("Brilliant") from an independent third party, at a total cash consideration of RMB1,170,000 (approximately HK$1,462,000) which is principally engaged in investment holding.

On 18 August 2015, the Group acquired the entire issued share capital of Skymart Global Limited ("Skymart") from an independent third party at a cash consideration of HK$1,000,000, which is principally engaged in the provision of money lending business.

The fair value of the identifiable assets and liabilities of Brilliant and Skymart at the date of acquisition were as follows:

	Brilliant HK$'000	**Skymart** HK$'000	**Total** HK$'000
Non-current asset			
Intangible assets	1,462	966	2,428
Current asset			
Prepayments, deposits and other receivables	–	34	34
	1,462	1,000	2,462

40. ACQUISITION OF SUBSIDIARIES (continued)

Net cash outflow arising on the acquisition of subsidiaries is as follows:

	HK$'000
Consideration paid in cash	(2,462)
Less: Cash and cash equivalent balances acquired	–
	(2,462)

Since the acquisition up to 31 December 2015, Brilliant and Skymart did not contribute to the Group's turnover or to the Group's consolidated results.

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following commitment at year end. As at 31 December 2016, a loan commitment of US$65,000,000, equivalent to approximately HK$504,140,000 to Utopia International Club Limited in respect of the facility agreement dated 30 December 2016 (2015: Nil) which falling due within one year as at 31 December 2016.

As at 31 December 2016, a capital commitment of RMB80,000,000, equivalent to approximately HK$89,434,000 to 華融柏潤(珠海)資產管理有限公司 for the 40% of total capital injection in respect of the Articles of Association dated 22 December 2016 (2015: Nil) which will be fully paid by 20 December 2046.

42. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group:

The emoluments paid to the directors of the Company, who are the key management personnel of the Group, are included in note 11.

42. RELATED PARTY TRANSACTIONS

(b) Save as disclosed below and elsewhere in these consolidated financial statements, the Group did not have any material transactions with related parties during the year ended 31 December 2016.

During the year ended 31 December 2016 and period ended 31 December 2015, the Group had the following material transactions with related parties.

	2016		2015	
	Underwriting fee income HK$'000	**Interest expense HK$'000**	Underwriting fee income HK$'000	Interest expense HK$'000
Intermediate holding company (i)	**–**	**437,000**	3,327	30,390
Ultimate holding company (ii)	**11,197**	**–**	22,798	–
Fellow subsidiary (iii)	**14,651**	**–**	–	–
	25,848	**437,000**	26,125	30,390

(i) During the year/period, the intermediate holding company CHIH provided an aggregate amount of US$1,500,000,000 (equivalent to HK$11,634,000,000) (2015: US$500,000,000 (equivalent to HK$3,875,250,000)) company loans. The loans bears annual interest rate ranging from 3.85% to 6.02% (2015: 5.761%) and repayable in 3 to 10 years (2015: 3 years). Approximately HK$142,817,000 (2015: HK$30,387,000) interest payables are accrued from the company loans during the year/period. During the eight months ended 31 December 2015, the Group earned underwriting fee income from CHIH in respect of issue of a bond by its subsidiary. The total amount represented continuing connected transactions.

(ii) During the year/period, the Group earned underwriting income from the ultimate holding company, China Huarong in respect of the listing and initial public offering of its shares in 2015. The total amount represented continuing connected transactions.

(iii) During the year, the Group earned underwriting income from its fellow subsidiary, Huarong Finance II Co. Ltd in respect of the issuance of medium term notes. The total amount represented continuing connected transactions (2015: Nil).

The Group is indirectly controlled by China Huarong, which is indirectly controlled by the PRC government through the Ministry of Finance (the "MOF"). MOF is the major shareholder of China Huarong as at 31 December 2016. For the current year, the Group has undertaken transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to receiving loan facilities, rendering underwriting services. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting periods are as follows:

As at 31 December 2016

Financial assets

	Financial assets designated as at fair value through profit or loss HK$'000	Held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Other long term assets	–	–	4,525	–	4,525
Advances to customers in margin financing	–	–	4,236,463	–	4,236,463
Accounts receivable	–	–	684,577	–	684,577
Interest receivable	–	–	34,400	–	34,400
Deposits and other receivables	–	–	28,750	–	28,750
Other loans and advances	–	–	4,954,159	–	4,954,159
Amount due from a joint venture	–	–	660,000	–	660,000
Financial assets at fair value through profit or loss	2,468,305	545,705	–	–	3,014,010
Available-for-sale investments	–	–	–	4,339,012	4,339,012
Restricted bank balances	–	–	3,315,589	–	3,315,589
Cash and cash equivalents	–	–	956,675	–	956,675
	2,468,305	545,705	14,875,138	4,339,012	22,228,160

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2016 (continued)

Financial liabilities

	Financial liabilities designated as at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts payable	–	2,942,458	2,942,458
Other payables	–	153,468	153,468
Interest-bearing borrowings	–	17,254,480	17,254,480
Amount due to an associate	–	190	190
Financial liabilities at fair value through profit or loss	423,477	–	423,477
	423,477	20,350,596	20,774,073

As at 31 December 2015

Financial assets

	Financial assets designated as at fair value through profit or loss HK$'000	Held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Other long term assets	–	–	6,653	6,653
Advances to customers in margin financing	–	–	866,523	866,523
Accounts receivable	–	–	45,509	45,509
Deposits and other receivables	–	–	13,683	13,683
Financial assets at fair value through profit or loss	313,418	438,346	–	751,764
Restricted bank balances	–	–	623,241	623,241
Pledged bank deposits	–	–	10,353	10,353
Cash and cash equivalents	–	–	3,040,911	3,040,911
	313,418	438,346	4,606,873	5,358,637

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2015 (continued)

Financial liabilities

	Financial liabilities designated as at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts payable	–	602,269	602,269
Other payables	–	45,949	45,949
Convertible notes issued	–	26,393	26,393
Interest-bearing borrowings	–	3,875,250	3,875,250
Amount due to an associate	–	190	190
Financial liabilities at fair value through profit or loss	32,886	–	32,886
	32,886	4,550,051	4,582,937

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The financial controller of the Company, determines the appropriate valuation techniques and inputs for fair value measurements and reports to the board of directors of the Company semi-annually.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The financial controller of the Company works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The financial controller of the Company reports the findings to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair value.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at 31 December 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/–	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets							
(1) Financial assets classified as held for trading	Listed equity securities: – HK$545,705	Listed equity securities: – HK$435,958	Level 1	Note (a)	N/A	N/A	N/A
(2) Financial asset classified as available-for-sale investments	Listed bond securities and preference shares: – HK$4,322,147	–	Level 1	Note (a)	N/A	N/A	N/A
(3) Financial assets classified as available-for-sale investments	Listed bond securities – HK$16,865	–	Level 2	Note (b)	N/A	N/A	N/A
(4) Financial assets designated at fair value through profit or loss	Unlisted convertible bonds with put option: – HK$385,783	Unlisted convertible bonds with put option: – HK$313,418	Level 3	Note (c)	Volatility of 33.4% (2015: 63.26%) Discount rate 23.29% (2015: 34.37%)	10% (volatility ranging from 30.06% to 36.74% (2015: 56.93% to 69.59%) 10% (discount rate ranging from 20.96% to 25.62% (2015: 30.93% to 37.81%))	Increase/decrease in volatility: HK$(45,000)/ HK$(13,000) (2015: HK$5,908,000/ HK$(3,287,000) Decrease/increase in discount rate: HK$6,648,000/ HK$(6,409,000)/ (2015: HK$11,635,000/ HK$(10,551,000))
(5) Financial assets classified as held for trading	–	Unlisted put option: – HK$2,388	Level 3	Note (d)	2015: Volatility of 11.2%	2015: 10% (volatility ranging from 10.08% to 12.32%)	2015: Increase/decrease in volatility: HK$715,000/ HK$(654,000)
(6) Financial assets designated at fair value through profit or loss	Unlisted convertible bonds and convertible notes: – HK$1,373,467	–	Level 3	Note (c)	Volatilities ranging from 39.31% to 50.56% (2015: Nil) Discount rates ranging from 17.62% to 28.78% (2015: Nil)	10% (volatility ranging from 35.38% to 55.62% (2015: Nil)) 10% (discount rate ranging from 15.86% to 31.57% (2015: Nil))	Increase/decrease in volatility: HK$(10,669,000)/ HK$9,027,000 (2015: Nil) Decrease/increase in discount rate: HK$22,861,000/ HK$(18,728,000) (2015: Nil)

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Fair value as at 31 December 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/–	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets (continued)							
(7) Financial assets designated at fair value through profit or loss	Unlisted put option: – HK$49,343	–	Level 3	Note (c)	Volatility of 40.19% (2015: Nil)	10% (volatility ranging from 36.17% to 44.21% (2015: Nil)	Increase/decrease in volatility: HK$5,099,000/ HK$(5,043,000) (2015: Nil)
(8) Financial assets designated at fair value through profit or loss	Listed equity securities: – HK$659,712	–	Level 1	Note (a)	N/A	N/A	N/A
Financial liabilities							
(1) Non-controlling interests of unlisted consolidated investment funds Financial liabilities designated as at fair value through profit or loss	Non-controlling interests in consolidated investment fund: – HK$256,734	Non-controlling interests in a consolidated investment fund: – HK$32,886	Level 2	Note (e)	N/A	N/A	N/A
(2) Non-controlling interests of unlisted consolidated investment funds Financial liabilities designated as at fair value through profit or loss	Non-controlling interests in consolidated investment fund: – HK$166,743	–	Level 3	Note (f)	Volatility of 39.31%Discount rate of 17.62%	10% (volatility ranging from 35.38% to 43.24% (2015: Nil) 10% (discount ranging from 15.86% to 19.38% (2015: Nil)	Increase/decrease in volatility: HK$1,669,000/ HK$(1,790,000) Decrease/increase in discount rate: HK$(4,000,000)/ HK$4,107,000

Notes:

(a) Quoted bid price in an active market.

(b) The fair value was determined with reference to the recent transaction price of the investment.

(c) Discounted cash flows model for debt component. The key inputs are credit rating of the issuer, cash flows, discount rate and remaining time to maturity. Binomial option pricing model for equity component. The key inputs are exercise price of the options, current share price of the underlying assets of the options, expected volatility, time to maturity, risk free rate, dividend yield and discount rate.

(d) Binomial option pricing model. The key inputs are exercise price of the options, current share price of the underlying assets of the options, expected volatility, time to maturity, dividend yield and discount rate.

(e) Share of net asset value based on (i) the fair value of underlying investments which are publicly traded equity investments and (ii) the terms of the consolidated investment fund.

(f) Share of net asset value based on (i) the fair value of unlisted convertible investments and (ii) the terms of the consolidated investment fund.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Details of above financial instruments are set out in notes 20 and 21.

The directors of the Company consider that the carrying amounts of financial assets and liabilities measured at amortised cost recognised in the consolidated financial statements approximate their fair value.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2016

	Fair value measurement			
	(Level 1) HK$'000	(Level 2) HK$'000	(Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	1,205,417	–	1,808,593	3,014,010
Available-for-sale investments	4,322,147	16,865	–	4,339,012
	5,527,564	16,865	1,808,593	7,353,022
Financial liabilities at fair value through profit or loss	–	256,734	166,743	423,477

As at 31 December 2015

	Fair value measurement			
	(Level 1) HK$'000	(Level 2) HK$'000	(Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	435,958	–	315,806	751,764
Financial liabilities at fair value through profit or loss	–	32,886	–	32,886

During the year ended 31 December 2016 and period ended 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Reconciliation of Level 3 fair value measurements

The movements in fair value measurements in Level 3 during the year/period are as follows:

	2016 HK$'000	2015 HK$'000
Financial assets designated at fair value through profit or loss:		
At beginning of the year/period	315,806	–
Purchased during the year/period	1,299,535	277,388
Disposed during the year/period	(236,372)	–
Fair value gain recognised on financial asset designated at fair value through profit or loss	429,624	38,418
At end of the year/period	1,808,593	315,806

	2016 HK$'000	2015 HK$'000
Financial liabilities designated at fair value through profit or loss:		
At beginning of the year/period	–	–
Net losses during the period	135,582	–
Contribution from second-tier limited partners of consolidated investment fund during the year	54,429	–
Disposed during the year/period	(23,268)	–
	166,743	–

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise available-for-sale investments, other long term assets, financial assets at fair value through profit or loss, other loans and advances, accounts receivable, deposit and amount due from a joint venture, other receivables, restricted bank balance, pledge bank deposits, cash and cash equivalents, accounts payable, amount due to an associate, interest-bearing borrowings, other payables, convertible notes issued and financial liabilities at fair value through profit or loss. Details of these financial instruments are disclosed in the respective notes.

The main risks arising from the Group's financial instruments are foreign currency risk, equity price risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the value of an asset and liability denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group's foreign currency risk primarily arises from sales purchases, loans and investments by operating entities in currencies other than the entities' functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Foreign currency	2016 HK$'000	2015 HK$'000
Financial assets at FVTPL	USD	570,431	–
Accounts receivable	USD	668,900	6,669
Other loans and advances	USD	1,298,401	–
Available-for-sale investments	USD	4,339,012	–
Restricted bank balances	USD	13,255	25,120
	RMB	403	357
Pledged bank deposits	RMB	–	10,353
Cash and cash equivalents	USD	317,235	2,331,378
	RMB	12,670	857
Other receivables	USD	332	301
	RMB	1,619	102
Accounts payable	USD	(3,618)	(24,955)
	RMB	(403)	(357)
Interest-bearing borrowings	USD	(12,254,480)	(3,875,250)
Other payables	USD	(144,513)	(30,387)
	RMB	(156)	–
Financial liabilities at FVTPL	USD	(166,743)	–

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

As USD is pegged to HK$, the Group does not expect any significant movement in the USD/HK$ exchange rate. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's profit after tax.

As at 31 December 2016

	Decrease/ increase in profit after tax HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	**590**

As at 31 December 2015

	Decrease/ increase in profit after tax HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	472

Other price risk

The Group is exposed to other price changes arising from financial assets at fair value through profit or loss (see note 20) and available-for-sale investments (see note 21).

The following table demonstrates the sensitivity to a 5% (2015: 5%) increase/decrease in the relevant stock price and quoted price, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Other price risk (continued)

As at 31 December 2016

	Increase (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase (decrease) in profit after tax HK$'000	Increase/ decrease in other comprehensive income HK$'000
Investments:				
Financial assets at fair value through profit or loss:				
– Held-for-trading listed equity investments	increase/ decrease 5%	545,705	22,783/ (22,783)	–
– Unlisted convertible bonds and convertible notes	increase/ decrease 10%	1,373,467	80,215/ (67,218)	–
– Unlisted put options on listed equity investment	increase/ decrease 10%	49,343	(5,301)/ 16,284	–
– Listed equity investments	increase/ decrease 5%	659,712	16,810/ (16,810)	–
– Unlisted convertible bonds with put option	increase/ decrease 10%	385,783	(38,413)/ (16,810)	–
Available-for-sale investments	increase/ decrease 10%	4,339,012	–	362,308/ (362,308)
Financial liabilities at fair value through profit or loss:				
– Unlisted non-controlling interests of unlisted consolidated investment funds	5% to 10%	423,477	(30,437)/ 30,073	–

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Other price risk (continued)

As at 31 December 2015

	Increase (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase (decrease) in profit after tax HK$'000	Increase/ decrease in other comprehensive income HK$'000
Investments:				
Financial assets at fair value through profit or loss:				
– Held-for-trading listed equity investments	increase/ decrease 5%	435,958	18,201/ (18,201)	–
– Unlisted convertible bonds	increase/ decrease 10%	313,418	23,108/ (20,668)	–
– Unlisted put option on listed equity investment	increase/ decrease 10%	2,388	(1,681)/ 6,416	–
Financial liabilities at fair value through profit or loss:				
– Unlisted non-controlling interests of unlisted consolidated investment funds	increase/ decrease 5%	32,886	8,237/ (8,237)	–

Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to advances to customers in margin financing accounts receivable, deposits with banks and accounts payable. The Group is also exposed to fair value interest rate risk in relation to fixed rate borrowings and fixed rate convertible bonds held by the Group. The Group currently does not have an interest rate hedging policy. However, the Group closely manages its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

The Group prices these loans receivable strategically to reflect market fluctuations and achieve a reasonable interest-rate spread.

Cash flow interest rate risk

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate arising from the Group's variable interest rate instruments. As at 31 December 2016, if the interest rate had been 50 basis points (2015: 50 basis points) higher/lower, the Group's profit after tax would increase/decrease by HK$23,287,000 (2015: profit after tax would increase/decrease by HK$16,447,000).

The sensitivity analysis above is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2015: 50 basis points) increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value interest rate risk

The Group's fair value interest rate risk that would affect profit or loss is mainly concentrated on the fluctuation of market interest rate arising from the Group's investment in fixed rate financial assets at FVTPL and available-for-sale investments.

As at 31 December 2016, if the interest rate had been 100 basis points (2015: 100 basis points) higher/lower with all other variables held constant, the Group's profit after tax would decrease/increase by HK$146,634,000/HK$141,538,000 (2015: decrease/increase by HK$3,291,000/HK$5,679,000).

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the Board of Directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment provision for losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Further quantitative data in respect of the Group's exposure to credit risk arising from other loans and advances, advances to customers in margin financing and accounts receivable are disclosed in notes 23, 24 and 25.

Bank balances are placed with various authorised institutions. Accordingly, the directors of the Company consider the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies. The Group has exposure to the concentration of credit risk from one bank of approximately HK$287,950,000 (2015: approximately HK$1,550,660,000).

The Group invested in unlisted convertible bond and convertible notes, unlisted convertible bonds with put option and a put option of equity investment classified as financial assets at fair value through profit or loss. The credit risk of the issuers of these instruments are monitored by the Group regularly. The fair value of the convertible bonds and put options was estimated by an independent firm of professional valuer.

For amount due from a joint venture, credit revaluation are performed on the joint venture. The evaluation focuses on the joint venture's current ability to pay and take into account information specific to the joint venture as well as pertaining to the economic environment in which it operate. In view of the financial position of the joint venture, the directors of the Company consider the concentration of credit risk is remote.

Apart from the exposures to the concentration of credit risk mentioned as above, the Group does not have any other significant concentration of credit risk.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Internally generated cash flows, interest-bearing borrowings are the general sources of funds to finance the operations of the Group. Majority of the Group's banking facilities are subject to floating rates and are renewable annually. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations and compliance with the statutory requirements applying to various licenced activities. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2016

	Weighted average effective interest rate	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Accounts payable	–	2,932,765	9,693	–	–	–	2,942,458	2,942,458
Other payables and accruals	–	–	113,668	39,800	–	–	153,468	153,468
Interest-bearing borrowings	4.56%	5,798,324	–	–	10,469,229	1,772,820	18,040,373	17,254,480
Amount due to an associate	–	190	–	–	–	–	190	190
Financial liabilities at fair value through profit or loss	–	–	–	256,734	166,743	–	423,477	423,477
		8,731,279	123,361	296,534	10,635,972	1,772,820	21,559,966	20,774,073
Loan commitment	–	–	504,140	–	–	–	504,140	–

As at 31 December 2015

	Weighted average effective interest rate	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Accounts payable	–	593,888	8,381	–	–	–	602,269	602,269
Other payables and accruals	–	–	15,562	30,387	–	–	45,949	45,949
Convertible Notes issued	12%	–	30,000	–	–	–	30,000	26,393
Interest-bearing borrowings	5.76%	–	–	189,889	4,324,237	–	4,514,126	3,875,250
Amount due to an associate	–	190	–	–	–	–	190	190
Financial liabilities at fair value through profit or loss	–	–	–	–	32,886	–	32,886	32,886
		594,078	53,943	220,276	4,357,123	–	5,225,420	4,582,937

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. In addition, certain subsidiaries of the Group licenced by the SFC are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("FRR").

The Group manages its capital structure to maintain a balance between the higher shareholder returns with higher levels of borrowings and the security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. For licenced subsidiaries, the directors of the Company and the corresponding responsible officers closely monitors their liquidity position to ensure each of them maintain liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2016 and eight months ended 31 December 2015.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

46. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the Group's consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), brokers and dealers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with its clients in the Group's brokerage business ("Clients") that are due to be settled on the same date with reference to the settlement method set by the HKSCC and the Group intends to settle these balances on a net basis.

46. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (continued)

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to Clients, HKSCC, brokers and dealers that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC, brokers and dealers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2016

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Cash collateral received HK$'000	
Description						
Advances to customers in margin financing and accounts receivable	4,914,191	(39,364)	4,874,827	–	(4,245,112)	629,715

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2016

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Cash collateral received HK$'000	
Description						
Accounts payable	2,980,185	(39,364)	2,940,821	(561)	–	2,940,260

46. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (continued)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2015

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Cash collateral received HK$'000	
Description						
Advances to customers in margin financing and accounts receivable	1,020,882	(135,216)	885,666	–	(875,832)	9,834

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2015

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Cash collateral received HK$'000	
Description						
Accounts payable	729,380	(135,216)	594,164	(571,752)	–	22,412

46. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (continued)

	2016 HK$'000	2015 HK$'000
Advances to customers in margin financing and accounts receivable		
Net amount of advances to customers in margin financing and accounts receivable as stated above	**4,874,827**	885,666
Amount not in scope of offsetting disclosure	**46,213**	26,366
Total amount of advances to customers in margin financing and accounts receivable stated in notes 24 and 25	**4,921,040**	912,032
Accounts payable		
Net amount of accounts payable as stated above	**(2,940,821)**	(594,164)
Amount not in scope of offsetting disclosure	**(1,637)**	(8,105)
Total amount of accounts payable stated in note 29	**(2,942,458)**	(602,269)

47. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Rights Issue

The rights issue on the basis of 1.5 rights shares for every 20 existing shares held on the record date of 11 January 2017 became unconditional on 6 February 2017. On 10 February 2017, the Company issued and allotted 250,358,093 rights shares at HK$2.63 per rights share and successfully raised net proceeds of approximately HK$652,032,000 for expanding and developing the securities and direct investment business.

(b) Senior perpetual capital securities

On 21 February 2017, the Company issued 5.797% senior perpetual capital securities in the principal amount of US$99,118,000 (equivalent of approximately HK$768,759,000) to CHIH, with no maturity date.

(c) The Group has entered several discloseable transactions after the year ended 31 December 2016 as defined in the Listing Rules, details of which are set out in the relevant announcements.

48. RECLASSIFICATION

Certain comparative figures have been reclassified or restated to conform to the current year presentation.

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Property and equipment	16,275	2,793
Investments in subsidiaries	16,516	1,000
Total non-current assets	32,791	3,793
Current assets		
Due from subsidiaries	15,975,088	2,826,257
Available-for-sale investments	994,676	–
Interest receivable	11,841	–
Prepayments, deposits and other receivables	55,820	13,578
Cash and cash equivalents	79,041	2,148,155
Total current assets	17,116,466	4,987,990
Current liabilities		
Due to subsidiaries	125,533	536,610
Other payables and accruals	184,635	45,395
Tax payable	9,061	9,061
Provision for reinstatement	–	123
Interest-bearing borrowings	4,770,480	–
Convertible Notes issued	–	26,393
Total current liabilities	5,089,709	617,582
Net current assets	12,026,757	4,370,408
Total assets less current liabilities	12,059,548	4,374,201
Non-current liabilities		
Other payables and accruals	12	371
Interest-bearing borrowings	11,634,000	3,875,250
	11,634,012	3,875,621
Net assets	425,536	498,580
Equity		
Issued capital (note 34)	3,338	3,278
Equity component of convertible notes	–	36,780
Share premium and reserves	422,198	458,522
Total equity	425,536	498,580

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium account HK$'000	Contributed surplus HK$'000	Available-for-sale investment revaluation reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2015 (restated)	1,837,555	37,809	4,923	36,780	(607,082)	1,309,985
Loss for the period	–	–	–	–	(66,386)	(66,386)
Other comprehensive expense for the period:						
Fair value gain on available-for-sale investments	–	–	44	–	–	44
Reclassification adjustment relating to disposal of available-for-sale investments	–	–	(4,967)	–	–	(4,967)
Total comprehensive expense for the period	–	–	(4,923)	–	(66,386)	(71,309)
Share premium reduction (ii)	(1,386,591)	1,311,647	–	–	74,944	–
Shares issued	466,467	–	–	–	–	466,467
Distribution in specie of shares in a subsidiary (note 14)	–	(1,209,841)	–	–	–	(1,209,841)
At 31 December 2015	917,431	139,615	–	36,780	(598,524)	495,302
Loss for the year	–	–	–	–	(89,194)	(89,194)
Other comprehensive expense for the year:						
Fair value loss on available-for-sale investments	–	–	(10,297)	–	–	(10,297)
Total comprehensive expense for the year	–	–	(10,297)	–	(89,194)	(99,491)
Issue of shares upon conversion of convertible notes (note 32)	63,167	–	–	(36,780)	–	26,387
At 31 December 2016	980,598	139,615	(10,297)	–	(687,718)	422,198

Notes:

(i) Pursuant to the Companies Act 1981 of Bermuda, a company may make distributions to its shareholders out of the contributed surplus in certain circumstances.

(ii) Following the passing of the special resolution of shareholders on 24 July 2015, the share premium account was reduced pursuant to Companies Act 1981 of Bermuda and the by-laws of the Company.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial periods, as extracted from the published audited consolidated financial statements.

RESULTS

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000	1.5.2014 to 30.4.2015 HK$'000 (Restated)	1.5.2013 to 30.4.2014 HK$'000 (Restated)	1.5.2012 to 30.4.2013 HK$'000
Revenue and net gains on financial assets/liabilities at fair value through profit or loss:					
Continuing operations	**1,402,029**	168,003	46,368	39,356	95,558
Discontinued operations	**–**	30,945	198,893	126,936	–
	1,402,029	198,948	245,261	166,292	95,558
Profit (loss) before tax:					
Continuing operations	**696,853**	175,905	(70,542)	(579,087)	(55,183)
Discontinued operations	**–**	(4,409)	20,195	(17,613)	–
	696,853	171,496	(50,347)	(596,700)	(55,183)
Income tax expense	**(145,939)**	(32,099)	(16,281)	(10)	(1,674)
Profit (loss) before non-controlling interests	**550,914**	139,397	(66,628)	(596,710)	(56,857)
Non-controlling interests classified as equity	**–**	–	–	–	(44)
Profit (loss) attributable to owners of the parent	**550,914**	139,397	(66,628)	(596,710)	(56,901)

ASSETS AND LIABILITIES

	31.12.2016 HK$'000	31.12.2015 HK$'000	30.4.2015 HK$'000 (Restated)	30.4.2014 HK$'000 (Restated)	30.4.2013 HK$'000
Non-current assets	**3,324,620**	328,458	105,695	204,079	206,120
Current assets	**18,960,107**	5,040,813	1,666,348	1,544,774	1,208,029
Total assets	**22,284,727**	5,369,271	1,772,043	1,748,853	1,414,149
Current liabilities	**(9,097,311)**	(711,041)	(489,494)	(192,141)	(211,431)
Non-current liabilities	**(11,900,475)**	(3,923,075)	(26,378)	(266,992)	(3,005)
Total liabilities	**(20,997,786)**	(4,634,116)	(515,872)	(459,133)	(214,436)
	1,286,941	735,155	1,256,171	1,289,720	1,199,713

華融國際金融控股有限公司
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED