中國恒嘉融資租賃集團有限公司

CHINA EVER GRAND FINANCIAL LEASING GROUP CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

ANNUAL REPORT

2016

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping *(Chairman)*
Mr. Lai Ka Fai
Mr. Tao Ke
Mr. Qiao Weibing

NON-EXECUTIVE DIRECTORS

Mr. Cheng Kwok Woo
Ms. Yeung Sau Han Agnes

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

CHIEF EXECUTIVE OFFICER

Mr. Liu Bing

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung
Mr. Lai Ka Fai

AUTHORISED REPRESENTATIVES

Mr. Wong Lik Ping
Mr. Lai Ka Fai

AUDIT COMMITTEE

Mr. Ho Hin Yip *(Chairman)*
Mr. Goh Choo Hwee
Mr. U Keng Tin

REMUNERATION COMMITTEE

Mr. Ho Hin Yip *(Chairman)*
Mr. Wong Lik Ping
Mr. Goh Choo Hwee

NOMINATION COMMITTEE

Mr. Wong Lik Ping *(Chairman)*
Mr. Goh Choo Hwee
Mr. Ho Hin Yip

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

In Hong Kong:
The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited
China Minsheng Bank – Hong Kong branch

In the PRC:
China Citic Bank
China Guangfu Bank
Bank of China
Industrial and Commercial Bank of China

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2203, 22/F.
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

379

WEBSITE

http://www.egichk.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Ever Grand Financial Leasing Group Co., Ltd (the "Company"), I hereby present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 for your review. 2016 is a successful year. The Group's business was transformed from persistently loss-making polishing materials equipment to the prosperous financial leasing business in the PRC. The Group also achieved a robust growth in profit attributable to owner of the Company from HK$3.4 million in 2015 to HK$29.8 million in 2016.

RESULTS OF OPERATIONS

For the year under review, the financial leasing business has contributed a segment profit of HK$61.0 million (2015: nil since consolidation of its profit or loss upon the completion of the acquisition in early 2016). The terminal and logistics service recorded a decrease in segment profit from HK$47.6 million in 2015 to HK$27.5 million in 2016. The investment division recorded a significant improvement in segment profit from HK$9.1 million in 2015 to HK$44.8 million in 2016. The Polishing segment, currently classified as discontinued operations, remained loss-marking at HK$27.4 million in 2016 as compared with HK$6.5 million in 2015. After further considering the corporate expenses and one-off gains on disposal of subsidiaries and certain other income, the Group recorded a net profit attributable to owners of the Company of HK$29.8 million in 2016 against that of HK$3.4 million in 2015.

FUTURE OUTLOOK

In the backdrop of the slowdown of China economy and global political and economic uncertainties, the Group will face number of challenges ahead. The management of the Group will embrace those challenges and will continue to optimise the operation efficiency in all Group's current business segments, in particular emphasizing the development of the finance lease business newly acquired in this year. Meanwhile, the Group will look for new potential growth opportunities in a very diligent manner through merger & acquisition, business integration and expansion in order to sustain the growth and profitability of the Group.

ACKNOWLEDGEMENT

Here, on behalf of the Board of the Company, I hereby wish to extend my gratitude for the hard work contributed by all staff and the Directors, as well as the support to the Company from all our customers, creditors, business partners and the shareholders. We will adhere to proven management strategy, grasp market trend and opportunities, and endeavor to bring greater value to our shareholders and make new contribution to the community.

Wong Lik Ping
Chairman
Hong Kong, 21 March 2017

BUSINESS REVIEW

Upon completion of the acquisition of the entire issued share capital in China Ever Grand Capital Group Limited ("CEGCG") and completion of capital injection into Beijing Ever Grand International Finance Lease Co., Ltd. ("BEGIFL") on 7 January 2016, the Group owns 51.39% of the equity interest of BEGIFL which is principally engaged in provision of finance lease and related consultancy services in the PRC ("Financial leasing business").

On 17 November 2016, the Group entered into a disposal agreement to dispose the entire equity interest of Teamcom Group Limited ("Teamcom"). The principal activities of Teamcom and its subsidiaries are manufacturing and trading of polishing materials and equipment ("Polishing segment"). The completion took place on 5 January 2017.

Accordingly, the Group has consolidated the result and financial position of the Financial leasing business for the year under review. Though completion of disposal of the Polishing segment took place after the end of reporting period, the Group has committed the disposal in the current year, and its profit or loss for current and prior years and its assets and liabilities as at the end of 2016 were classified as discontinued operation in accordance with HKFRS 5.

For the year under review, the Group regarded (i) Financial leasing business, (ii) Terminal and logistics services and (iii) Investment division as continuing operations and (iv) Polishing segment as discontinued operation.

As a result of the above changes, the continuing operations of the Group recorded revenue of HK$221.2 million in 2016 as compared with nil in 2015, gross profit of HK$72.5 million in 2016 against nil in 2015 and net profit of HK$79.2 million as compared to HK$10.0 million in 2015. The discontinued operation recorded a net loss of HK$27.4 million in 2016 as compared with HK$6.5 million in 2015.

For the year under review, the Financial leasing business has contributed a segment profit of HK$61.0 million (2015: nil) since consolidation of its profit or loss upon the completion of the acquisition in early 2016. The Terminal and logistic service recorded a decrease in segment profit from HK$47.6 million in 2015 to HK$27.5 million in 2016. The decrease is mainly due to the sluggish shipping and import and export markets in the PRC as a result of the weak global macroeconomic environment in current year. The investment division recorded a significant improvement in segment profit from HK$9.1 million in 2015 to HK$44.8 million in 2016. It is primarily due to an overall gain of HK$43.3 million on a fair value gain upon conversion of all convertible bonds into shares and a loss on disposal of half of those shares. The Polishing segment, currently classified as discontinued operations, remained loss-marking at HK$27.4 million in 2016 as compared with HK$6.5 million in 2015. The expansion of loss is mainly due to an impairment loss of HK$19.2 million as a result of lower-than-net asset value consideration of HK$10.0 million in accordance with the disposal agreement on 17 November 2016.

After further considering the corporate expenses and one-off gains on disposal of subsidiaries and certain other income, the Group achieved a remarkable performance recording net profit attributable to owners of the Company of HK$29.8 million in 2016 against that of HK$3.4 million (restated) in 2015.

FINANCIAL REVIEW

Continuing Operations

Revenue and gross profit

During the year, the Group's revenue and gross profit, entirely derived from the Financial leasing business, represented HK$221.2 million and HK$72.5 million (2015: nil and nil) respectively. The revenue represents (i) service fee income for financing arrangement and consultation services and (ii) finance lease interest income generated from financial leasing. The cost of services mainly represents (i) service cost to banks and other non-bank financial institutions on various kinds of factoring and consultancy services and (ii) interest expenses on borrowings from banks and other non-bank financial institutions.

During the year, the Group entered into 21 finance lease transactions. The aggregate finance lease volume is approximately RMB6.1 billion or HK$7.1 billion. The main customer base primarily includes large corporations covering industries of energy resources, chemical, manufacturing, medical and urban infrastructure and public utility construction.

Other income, gains or losses

The breakdown of other income and gains or losses are set out as below:

		2016	2015
		HK$'000	*HK$'000* (restated)
Other income			
Interest income from loan receivables	*Note 1*	**4,544**	–
Interest income from banks and non-bank financial institutions		**1,934**	1,982
Interest income from convertible bonds designated as financial assets at FVTPL		**820**	1,600
Rental income		**691**	144
Government grants	*Note 2*	**13,080**	–
Sundry income		**2,764**	–
		23,833	3,726

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Other gains and losses		
Change in fair value of held for trading investments	**(5,263)**	27,570
Net foreign exchange gains	**12**	–
Loss on disposal of plant and equipment	**(8)**	–
Realised gain on disposal of available-for-sale investments	**550**	–
Change in fair value of investment properties	**3,250**	–
	(1,459)	27,570

Note 1: the amount represents interest income arising from subscriptions of trust products in the PRC and money lending in Hong Kong.

Note 2: the amount represents government subsidies from local finance bureau which are calculated by reference to the amount of tax paid and based on fulfilment of certain conditions in accordance with the rules and regulations issued by the local government.

Administrative expenses

The Group's administrative expenses for the year mainly included staff costs (including directors' and chief executive's emoluments) of HK$58.6 million (2015: HK$32.0 million (restated)), legal and professional and various other administrative expenses. The increase is primarily due to consolidation of staff costs and other administrative expenses of financial leasing business of HK$28.9 million in 2016.

Change in fair value of convertible bonds

A net fair value gain of convertible bonds designated as financial assets at FVTPL of HK$43.3 million in 2016 as compared with a fair value loss of HK$8.8 million in 2015 is mainly due to dramatic increase in the underlying stock price by more than a double during the year.

Gain on disposal of subsidiaries

A one-off gain on disposal of subsidiaries of HK$20.5 million was resulted from entering into sale and purchase agreements with several independent third parties to dispose of the entire share capital of several subsidiaries at aggregate considerations of approximately HK$2.1 million during the year.

Share of joint venture's result

Decrease in share of joint venture's result from a profit of HK$47.6 million (restated) in 2015 to a profit of HK27.5 million in 2016 was mainly due to the sluggish shipping and import and export markets in the PRC as a result of the weak global macroeconomic environment.

Income taxation

Income tax expense for the year mainly comprised of current tax payable of HK$16.5 million primarily from the PRC and deferred tax charge on distributable profits of PRC subsidiaries and a joint venture, whereas income tax credit for the prior year mainly represented the overprovision of withholding tax payable and deferred tax liabilities in previous years.

Discontinued operation

During the year, the Polishing segment was struggling in low product demand and high cost profiles leading to decrease in revenue from HK$82.8 million in 2015 to HK$74.3 million in 2016 and increase in net loss from HK$6.5 million in 2015 to HK$27.4 million in 2016. The increase in net loss is also attributable to an impairment loss of HK$19.2 million as a result of lower-than-net asset value consideration of HK$10 million in accordance with the disposal agreement on 17 November 2016.

FINANCIAL POSITION

Increase in the total asset amount of the Group as at 31 December 2016 of HK$1,833.9 million as compared with HK$1,336.0 million as at 31 December 2015 is mainly due to significant increase in finance lease receivables of HK$502.3 million and goodwill relating to Financial leasing business of HK$103.4 million as a result of acquisition of Financial leasing business. Similarly, in the year of transforming the principal business from low-leveraged manufacturing to high-leveraged financial leasing business, the total liability amount increased from HK$127.7 million as at 31 December 2015 to HK$494.0 million as at 31 December 2016 as a result of increase in borrowings by HK$275.6 million and increase in deposits received from customers by HK$93.4 million. As such, the gearing ratios (measured as total liabilities over total asset) increased from 9.6% as at 31 December 2015 to 26.9% at 31 December 2016 and the current ratios (measured as total current assets over total current liabilities after excluding the assets and liabilities classified as held for sale) decreased from 5.1 as at 31 December 2015 to 2.4 as at 31 December 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had bank balances, restricted bank deposits, deposits placed with non-bank financial institutions and cash of approximately HK$204.6 million (of which HK$105.6 million was pledged to the banks to secure bank borrowings granted to the Group for Financial leasing business (2015: nil)) as compared to HK$449.6 million as at 31 December 2015. As at 31 December 2016, the Group had bank and other borrowings amounting to HK$135.3 million (2015: HK$2.3million), HK$46.8 million (2015: nil) and HK$95.8 million (2015: nil) which are due within one year, one to two years and two to five years respectively.

For the year under review, the Group has financed its operations with facilities provided by banks and other non-bank financial institutions and internally generated cash flows.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2016, the continuing operations of the Group had no foreign currency sales and purchases.

During the year ended 31 December 2015, several subsidiaries of the Group had foreign currency sales and purchases which exposed the Group to foreign currency risk. Approximately 49% of the Group's sales and approximately 37% of the Group's purchases were denominated in currencies other than the functional currency of the group entities making the sale.

CHARGE OF ASSETS

As at 31 December 2016, the restricted bank deposits of HK$105.6 million (2015: nil) and the finance lease receivables of RMB248.8 million or HK$277.9 million (2015: nil) were pledged to the banks and other non-bank financial institutions for facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2016 and 2015.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2016 and 2015.

PROSPECT

There were two important events occurred in the year 2016. On one side, the Group gained access to the financial leasing business in the PRC through the acquisition in CEGCG and the capital injection into BEGIFL in January 2016. On the other side, the Group entered into a disposal agreement on 17 November 2016 to dispose entire equity interest in persistently loss-making Polishing segment. The disposal was completed in January 2017. The Group turns over a new leaf as an enterprise with principal activities of financial leasing, logistic and terminal and investment.

In the backdrop of the slowdown of China economy and global political and economic uncertainties, the Group will continue facing difficult operating environment. On the other hand, as a result of the various stimulus policies implemented by the Chinese government, the economic growth will tend to be stable.

The finance lease business is a new alternative financing channel for the business in asset intensive industries in the PRC. It experienced a rapid growth over the past decade. The segment performance remained strong during the year and contributed segment profit of HK$61.0 million to the Group. Given relatively low penetration rate of financial leasing in the PRC as compared with developed countries, abundant opportunities for future industry development arising from improved regulation on government support and strong demand for financial leasing driven by industrial upgrade for manufacture of high-quality and innovative products, we believe the future industry will continue to grow. Coupled with leverage on local management team with extensive knowledge and network in the industry and adoption of effective and prudent risk management policies, the segment will bring positive contribution to the Group.

Due to the sluggish China import and export markets as a result of weak global macroeconomic conditions, the performance of terminal and logistics services was adversely affected, with a significant decrease in segment profit from HK$47.6 million in 2015 to HK$27.5 million in 2016. The Group believes the favorable effect of recent depreciation of RMB will possibly stimulate the export activities in the PRC, the segment performance will slowly improve. Meantime, disposal of terminal and logistics services experiences delay since additional time is required by the both contracting parties to fulfil the conditions (other than the approval from the shareholders as required under the Listing Rules for the disposal agreements and the transactions contemplated thereunder having been obtained by the Vendor) for the disposal agreements taking effect. Reference is made to the announcement of the Company dated 22 January 2015 in relation to the disposal, the announcements of the Company dated 29 April 2015, 30 October 2015 , 28 April 2016 and 28 October 2016 relating to the delay in despatch of the circular for the disposal.

The investment business segment continued to improve. Due to the unstable and complicated market conditions, the Group will continue to adopt a proven investment strategy towards the investment portfolio in a prudent manner.

The Group will face number of challenges in times of adversity. The management of the Group will embrace those challenges and will continue to optimise the business models in all Group's business segments, in particular emphasizing the development of the finance lease business newly acquired in this year. Meanwhile, the Group will look for new potential growth opportunities in a very diligent manner in order to sustain the growth and profitability and thus bringing higher value for our shareholders, business partners, all employees and the public over the long term.

SIGNIFICANT INVESTMENTS

At 31 December 2016, the Group held loan receivables of HK$69.1 million (2015: nil), available-for-sale investments of HK$22.3 million (2015: HK$2.0 million) and held for trading investments of approximately HK$113.0 (2015: HK$44.1 million).

During the year, the Group recorded loan interest income from loan receivables amounting to HK$4.5 million (2015: nil).

The available-for-sale investment of HK$22.3 million represents unlisted equity securities issued by private entities established in the PRC newly acquired during the year. As their fair value cannot be measured reliably, it is accounted for at cost.

With fair value loss of HK$5.3 million during the year (2015: a fair value gain of HK$27.6 million (restated)), the increase in held for trading investments of approximately HK$68.8 million was mainly due to remaining additional shares after conversion of all convertible bonds into shares and disposal of half of those shares.

During the year, the Group acquired an office premise, classified as investment property, in Hong Kong through acquisition of a subsidiary, Multi Kingdom Limited, subsequently changed the name to Multi Kingdom Investment Limited, at consideration of approximately HK$22.9 million in March 2016. Other than the investment properties, there are no significant assets and liabilities owned by this subsidiary at the date of completion of acquisition. The office was leased to a third party and generated rental income of approximately HK$0.7 million during the year.

MATERIAL ACQUISITION AND DISPOSALS

Following the acquisition of the entire issued share capital in CEGCG and capital injection into BEGIFL both took place on 7 January 2016, the Group owns 51.39% of the equity interest of BEGIFL which is principally engaged in Financial leasing business in the PRC and has become a non wholly-owned subsidiary of the Company. Further details of the acquisition are set out in the Company's announcements dated 21 July 2015, 26 October 2015 and 7 January 2016.

On 17 November 2016, one of the subsidiaries of the Group, Lucky Ride Investments Limited entered into a disposal agreement with Harmonic Lead Limited, for transferring the entire issued share capital of Teamcom Group Limited, the subsidiary of the Group which holds the polishing business, at a consideration of HK$10,000,000. Further details of the disposal are set out in the Company's announcements dated 17 November 2016 and 9 January 2017.

During the year, the Group entered into sale and purchase agreements with several independent third parties to dispose of the entire share capital of several of its subsidiaries at total cash considerations of approximately HK$2.1 million.

EMPLOYEE AND REMUNERATION

As at 31 December 2016, the Group had approximately 75 (2015: 42) employees (excluding employees of the Company's joint ventures) in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

A new share option scheme was adopted on 29 July 2016. As at 31 December 2016, a total number of 145,500,000 share options were granted to the eligible employees, including directors of the Company. Details of the share options granted are set out in the announcement of the Company dated 8 December 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year.

FOREWORD

China Ever Grand Financial Leasing Group Co., Ltd (the "**Company**") and its subsidiaries (the "**Group**") primarily adopts the principles of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with an aim to establish a sound environment, social and governance structure.

This report comprises the review of environmental, social and governance areas, which sets out the Group's policies and practices as well as certain major subsidiaries' policies and practices in respect of three environmental aspects and eight social aspects in accordance with ESG Reporting Guide for the year from 1 January 2016 to 31 December 2016 (the "**Year 2016**"). This report is designed to allow the Company's stakeholders, such as shareholders, investors, customers, suppliers, employees, creditors, regulators and the general public to have comprehensive understanding of the long-term sustainability information of the Group. The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long term prosperity.

The Group's major revenues are finance lease income and service fee income which are derived from the provision of finance lease services and financing services. The scope of this report mainly covers the above business operations as to the office of the Company located in Hong Kong as well as the combined office of its major subsidiaries named Beijing Ever Grand International Finance Lease Co., Ltd (北京恒嘉國際融資租賃有限公司) ("**Beijing Ever Grand**") and Ever Grand (Tianjin) Finance Lease Co., Ltd (恒嘉(天津)融資租賃有限公司) ("**Tianjin Ever Grand**") located in Beijing.

In January 2016, Beijing Ever Grand received the "*Outstanding Contribution*" award from Leasing Business Committee of China Association of Enterprises with Foreign Investment (中國外商投資企業協會租賃業委員會).

EMISSIONS

As mentioned above, the Group's major continuing operations are the provision of finance lease services and financing services. Hence, no production or manufacturing activities was conducted by the Group during the Year 2016.

During the Year 2016, the major emissions of the Hong Kong office were: (i) the fuel consumption, kilometres travelled and greenhouse gases generated by a motor vehicle; (ii) greenhouse gases generated from the electricity used; (iii) greenhouse gases generated from the paper waste disposed at landfills; and (iv) greenhouse gases generated from business air travel by employees.

The electricity consumed in Hong Kong office is 24,902 kWh for the Year 2016, representing 19,423kg of CO_2 emitted. In order to minimise the energy consumed, employees in Hong Kong office were required to address environmental responsibilities are under normal operating procedures, such as LED lightings were installed as much as possible, ensuring all electronic devices were switched off when leaving office, extensive use of recycle papers and extensive use of scanner for electronic copies instead of hard copies. Smoking was prohibited in the indoor area of Hong Kong office. In addition, the main purpose for using the motor vehicle are serving customers and serving senior management for business meeting instead of private use as stated in the employee handbook. Every business trip, all employees need to fill business trip application form to seek for approval by relevant superior.

There is no hazardous waste is produced from the operations in Hong Kong office. Non-hazardous waste produced from the operations in Hong Kong office is mainly office consumables and such waste is processed by the building management office.

During the Year 2016, the major emissions of the Beijing office are: (i) greenhouse gases generated by the electricity used; and (ii) greenhouse gases generated by the paper waste disposed at landfills.

The electricity consumed in Beijing office is 15,690 kWh for the Year 2016, representing 16,343kg of CO_2 emitted. In order to minimise the energy consumed, employees in Beijing office were encouraged to adjust the temperature to not lower than 26° C in summer and not higher than 26° C in winter. They should ensure the windows were closed before switching on the air-conditioner. In addition, they were required to switch off all the electronic devices before leaving the office. For the policies to reduce usage of papers, employees in Beijing office are encouraged to implement paperless solutions which require the storage and backup of information are in electronic forms.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste of the Group during the Year 2016. In addition, no significant fine or non-monetary sanction for non-compliance with relevant laws and regulations has been reported in the Year 2016.

USE OF RESOURCES

The Group is committed to minimising the impact of business activities on the environment, and supporting environmental protection programmes. In particular, a number of initiative measures designed to conserve resources were introduced to promote employee awareness of the need in order to achieve efficient utilisation of resources.

As mentioned in the above "Emissions" section, the Group has a series of policies and procedures to minimise the electricity used by the employees in those Hong Kong and Beijing offices. For Hong Kong office, multi-function devices with printing, scanning and photo copy were widely adopted. Employees were encouraged to switch on the computers only when use and switch off after office hours. In addition, employees were encouraged to switch off lightings during lunch hour or after the use of a room.

As the Company, Beijing Ever Grand and Tianjin Ever Grand were not engaged in trading and manufacturing activities during the Year 2016, no packaging material was used.

THE ENVIRONMENT AND NATURAL RESOURCES

The 12th National People's Congress adopted the Outline of the 13th Five-Year Plan for National Economic and Social Development of the People's Republic of China (the "**13th Five-Year Plan**") which emphasise "Green Development", enhancing the construction of ecological civilization of the People's Republic of China.

On 31 August 2016, approved by the State Council, the People's Bank of China, Ministry of Finance, National Development and Reform Commission, Ministry of Environmental Protection, China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission jointly issued "*Guidelines for Establishing the Green Financial System*".

The Group provides finance lease and related consultancy services mainly to: (i) energy industries such as coal industry, electrical power industry and green energy business; (ii) infrastructure construction industries such as transportation constructions, site constructions of gas supply, water supply and drainage, and power supply facilities; (iii) chemical industries such as petrochemical and coal chemical industries; and (iv) energy saving and environmental protection industries such as steel industries and chemical industries. The Group fully understands the importance of environmental protection. They take up social responsibilities, and cooperate with the customers to make contributions to the conservation of environment. They tend to provide services to green business, energy saving and environmental protection industries in order to align with the 13th Five-Year Plan.

There is no significant impact on the environment and natural business from the operations of the Hong Kong office and Beijing office in the Year 2016.

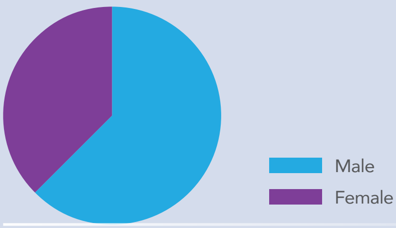
EMPLOYMENT

The Group seriously emphasises on developing human resources and provides competitive remuneration and welfare packages. Promotion opportunities and salary increments are benchmarked against individual performance. Employees are entitled to benefits such as annual leave, sick leave, maternity leave, marriage leave, funeral leave, jury leave and medical insurance coverage in accordance with local laws and regulations.

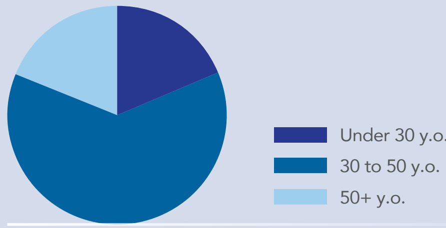
The Group emphasises on equal opportunities for all personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment. The Group committed to providing a work environment that is free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation.

The Group has diversified cultures including the employees with different genders, ages, skills, educational backgrounds, industry experiences and other qualifications in order to achieve the most suitable composition and balance.

The compositions of the Group's workforce in Hong Kong office by gender and by age group as at 31 December 2016 are stated as follows:



Percentage of workforce by gender



Percentage of workforce by age group

In January 2016, the Group has enhanced its employee handbook which applicable for the Company and all subsidiaries incorporated in Hong Kong. Such employee handbook is developed in accordance with the Employment Ordinance of Hong Kong and has distributed to all employees for their records. The Group upholds high standards in its market practices.

The remuneration of the employees of Hong Kong office will be adjusted based on the levels of business prospect, the annual operating results, annual performance appraisal, market trend and inflation. Equity incentive plan was implemented by the Group in December 2016. The purpose of the plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Group by offering them an opportunity to participate in the Group's future performance through the grant of a total of 145.5 million stock options. The incentives include the senior management and core employees in Hong Kong and People's Republic of China (the "**PRC**").

Treatment of employee's misconduct is to be fair and reasonable in all of the circumstances. Misconduct may lead to a warning, and more serious misconduct may result in a dismissal. Any acts of misconduct are to be reported to the human and administration department. In Year 2016, no incident of serious misconduct was identified.

For Beijing office, all employees are required to sign employment contracts with Beijing Ever Grand or Tianjin Ever Grand. Beijing office has established a series of policies on management of employment contracts to ensure compliance with Labour Law in the PRC and other local laws and regulations.

Employees' wages, overtime payments and related benefits are made in accordance with the local minimum wage. The working hours for general employees are normally not greater than 8 hours a day and 40 hours a week. Integrated computation of working hours is implemented with reference to the requirements of the PRC Labour Law.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the Year 2016. In addition, no non-compliance with relevant laws and regulations that resulted in significant fine or sanction has been reported in the Year 2016.

HEALTH AND SAFETY

The Group adopts non-discriminatory employment practices and provides a healthy and safe workplace. All employees are required to keep the office premises in good and cleaning condition. Smoking is prohibited in Hong Kong office and Beijing office.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on providing a safe working environment and protecting employees from occupational hazards of the Group during the Year 2016. In addition, no non-compliance with relevant laws and regulations that resulted in significant fine or sanction has been reported in the Year 2016.

DEVELOPMENT AND TRAINING

The Group has committed to provide on-the-job training of its employees in order to enhance their knowledge and skills. All employees are encouraged to enhance their skills and knowledge in order to perform their duties more efficiently and effectively and to be better prepared for career opportunities which may arise. During the Year 2016, certain external training expenses recommended to the employees were borne by the Group such as the topics about treasury investment and compliance updates.

The Group encourages employees to strike a balance between work and life. All employees are encouraged to participate in the recreation activities held by the Group in order to enhance the team spirit, employee's sense of belonging and morale. During the Year 2016, the management of Beijing office has arranged a walkathon for all office employees on 28 October 2016.

LABOUR STANDARDS

The Group fully understand that the exploitation of child and forced labour are universally condemned, and therefore take the responsibility against child and forced labour very seriously. The Group strictly comply with all laws and regulations against child labour and forced labour for the offices located in Hong Kong and Beijing.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that preventing from employment of child or forced labour by the Group during the Year 2016. In addition, no non-compliance with relevant laws and regulations that resulted in significant fine or sanction has been reported in the Year 2016.

SUPPLY CHAIN MANAGEMENT

The Group has the greatest respect for the laws and regulations that govern the way we go about our business. The Group always adheres to international best practices and conducts fair and unbiased processes when dealing with suppliers.

The Group adheres to the principle of transparency and implement the values of honesty, integrity and fairness in the supply chain management. When selecting suppliers, the Group takes into account factors such as quality of services and products, past performance and reputation of the suppliers. When dealing with suppliers of goods and services, the approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management. The Group expects major suppliers to observe the same environmental, social, health and safety and governance policies in their operating practices as those adopted by the Group.

PRODUCT RESPONSIBILITY

A high priority for the Group is to ensure customer satisfaction in terms of our products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which the Group operates. The Group requires its employees to comply with applicable governmental and regulatory laws, rules, codes and regulations.

The Group deals with lots of private and confidential information of its finance lease customers. Hence, the Group has set up strict code of conduct requirements for their employees. In addition, the employees should maintain all reasonable methods to safeguard the information of the Group and the customers, which includes but not limited to (i) prohibit to discuss private information in public areas; (ii) keep private information only in office or a location approved by the Management; (iii) require due care to protect the passwords of the computers and such passwords should be regularly changed; (iv) prohibit to send confidential information though mobile phone; and (v) prohibit visitor to stay alone beyond the areas which keep confidential information.

Policies for compliance with local laws and regulations are stated on the Group's written polices in respect of handling of commercial confidential information and customer privacy which are clearly communicated to the employees.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress on the Company during the Year 2016. In addition, no significant fine has been reported in the Year 2016.

ANTI-CORRUPTION

Corruption, bribery or fraud in any forms are strictly prohibited. The Group's anti-corruption policies set out standards of conduct to which all employees are required to adhere to promote the integrity environment in the workplace. Any employee is prohibited to give and accept of advantages, by using the excuse of work or the authority granted from the Group. The advantages includes but not limited to money, gifts, loans, rewards, contracts, services and benefits-in-kind.

The Group encourages the reporting of dishonest acts among the employees. The human resources department may terminate the employment contract with the employee who carries out dishonest acts as stated in the employee handbook. Employees who have or may have potential conflict of interests in certain business activities they are being involved, they should notify human resources department or their department head and prevent to participate in such business activities.

Compliance with relevant laws and regulations

There is no legal case concerning corruption brought against the Group or its employees for the Year 2016.

COMMUNITY INVESTMENT

As a global responsible citizen, the Group strives to improve the society through community investment such as supporting the local education events.

During the Year 2016, the Group provides sponsorship to one of its strategic partner, Shanghai University of Finance and Economics, to participate in the 12th Xuanzang Route Gobi Business Challenge (第十二屆玄奘之路商學院戈壁挑戰賽).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance of the Company is crucial to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code and Report") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2016, except for the following deviations:

1. **Code Provision A.2.7**

   During 2016, the Chairman did not hold any formal meeting with independent non-executive director without the presence of executive directors (as provided under code provision A.2.7 of the CG Code) due to the tight schedule of the Chairman and independent non-executive Directors. Nevertheless, the Board continues to maintain a culture of openness and constructive relations between executive and non-executive Directors (including independent non-executive Directors). In the absence of the Chairman, the chief executive officer ("CEO") is in the position to facilitate the effective contribution of non-executive directors, and ensure their views are communicated and heard by the Board.

2. **Code Provision A.6.7**

   Under Code Provision A.6.7 of the CG Code, the non-executive directors and independent non–executive directors should attend the annual general meetings of the Company. Mr. Cheng Kwok Woo and Ms. Yeung Sau Han Agnes, both are non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 15 June 2016 due to their other business commitments.

3. **Code Provision B.1.2**

   The terms of reference of the Remuneration Committee exclude review of and making recommendations to the Board in relation to senior management remuneration as in the Board's opinion, it was more appropriate for the executive directors to perform these duties.

4. **Code Provision E.1.2**

   Under Code Provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. Mr. Wong Lik Ping, Chairman of the Board was unable to attend the annual general meeting of the Company held on 15 June 2016 due to his other important commitment.

THE BOARD OF DIRECTORS

The Board currently comprises four Executive Directors, two Non-Executive Directors ("NED") and three Independent Non-Executive Directors ("INEDs"). The brief biographic details of and the relationship among Board members is set out in the Directors and Senior Management Profiles section on pages 28 and 29. The Board has established three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee. Attendance of the Board Meetings, the meetings of the Board Committees and the General Meetings for the year ended 31 December 2016 is given below. The respective responsibilities of the Board and Board Committees are discussed later in this report.

	Number of meetings attended/eligible to attend				
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Executive Directors					
Wong Lik Ping	2/11		1/1	1/3	0/4
Lai Ka Fai	11/11				4/4
Feng Gang (note 1)	4/4				0/1
Tao Ke	4/11				0/4
Qiao Weibing (note 2)	4/7				0/3
Non-executive Directors					
Cheng Kwok Woo	5/11				0/4
Yeung Sau Han Agnes	3/11				0/4
Independent non-executive Directors					
Goh Choo Hwee	11/11	3/3	1/1	3/3	3/4
Ho Hin Yip	11/11	3/3	1/1	3/3	1/4
U Keng Tin	9/11	3/3			4/4

Notes:

1. Resigned on 17 March 2016
2. Appointed on 17 March 2016

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in discharge of their duties.

The Board held meetings from time to time whenever necessary. Notice of at least 14 days has been given to all Directors for all regular board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meeting. Draft minutes of all board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of board meetings and meetings of Board Committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the CG Code, the roles of chairman and CEO should be separate and should not be performed by the same individual. During 2016, Mr. Wong Lik Ping served as the Chairman and Mr. Liu Bing served as the CEO of the Group separately. The Chairman provides leadership for the Board. The CEO has overall chief executive responsibility for the Group's business development and day-to-day management generally. With the support of Executive Directors and Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

NON-EXECUTIVE DIRECTORS

The Board currently has two NEDs and three INEDs, one of the INEDs hold appropriate professional qualifications, or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. All NEDs and INEDs of the Company have been appointed for a specific term and are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

Each of the INEDs has given the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs are independent and meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

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

The Directors are committed to complying with the code provision A.6.5 on Directors' training. All Directors have participated in continuous professional development activities by reading regulatory updates, and/or attending seminars/workshops relevant to the business/Directors' duties.

A record of training they received for the year ended 31 December 2016 was provided to the Company. The individual training record of each Director received for the year ended 31 December 2016 is set out below:

	Reading Regulatory updates	Attending seminars/ workshops relevant to the business/ directors' duties
Executive Directors		
Wong Lik Ping	✔	✔
Lai Ka Fai	✔	✔
Feng Gang (resigned on 17 March 2016)	✔	✔
Tao Ke	✔	✔
Qiao Weibing (appointed on 17 March 2016)	✔	✔
Non-Executive Directors		
Cheng Kwok Woo	✔	✔
Yeung Sau Han Agnes	✔	✔
Independent non-executive Directors		
Goh Choo Hwee	✔	✔
Ho Hin Yip	✔	✔
U Keng Tin	✔	✔

DELEGATION BY THE BOARD

The Board sets the Group's objectives and strategies and monitors its performance. The Board also decides on matters such as annual and interim results, major transactions, director appointments, and dividend and accounting policies and monitors the internal controls of the Group's business operation. The Board has delegated the authority and responsibility of overseeing the Group's day to day operations to management executives.

When the Board delegates aspect of its management and administration functions to management, clear directions would be given as to the power of management, in particular, the circumstances where management should report back to the Board before making decision or entering into any commitments on behalf of the Group.

Principal functions that are specifically delegated by the Board to the management include (i) implementation of corporate strategy and policy initiatives; (ii) provision of management reports to the Board in respect of Group's performance, financial position and prospects; and (iii) day-to-day management of the Group.

BOARD DIVERSITY POLICY

The Board has adopted a Diversity of Board Members Policy (the "Board Diversity Policy") and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on merit and the candidates will be considered against measurable objectives, taking into account the Company's business and needs. Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, knowledge, professional experience and skills. The ultimate decision will be based on merit and the contribution that the selected candidates may bring to the Board.

The Nomination Committee will review the Board Diversity Policy as appropriate from time to time in light of experience, evolving standards of corporate governance and recommend any proposed changes to the Board for approval.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors. For the year ended 31 December 2016, the Remuneration Committee comprises the Board's Chairman, Mr. Wong Lik Ping, and two INEDs, namely Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Remuneration Committee is chaired by Mr. Ho Hin Yip.

During the year, three Remuneration Committee meetings were held to review the remuneration packages of the Directors. The Remuneration Committee ensures that no Director is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

NOMINATION COMMITTEE

The Company has set up a Nomination Committee to ensure fair and transparent procedures for the appointment, re-election and removal of Directors to the Board. For the year ended 31 December 2016, the Nomination Committee comprises the Board's Chairman, Mr. Wong Lik Ping, and two INEDs, namely Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Nomination Committee is chaired by Mr. Wong Lik Ping.

During the year, one Nomination Committee meeting was held to discuss appointment and re-election of Directors. In selecting and recommending candidates for directorship, the Committee will consider the experience, qualification and suitability of the candidates as well as the Board Diversity Policy. The Board will approve the recommendations based on the same criteria. The terms of reference of the Nomination Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

AUDIT COMMITTEE

For the year ended 31 December 2016, the Audit Committee comprises three INEDs, namely Mr. Ho Hin Yip, Mr. Goh Choo Hwee and Mr. U Keng Tin. The Audit Committee is chaired by Mr. Ho Hin Yip.

The principal duties of the Audit Committee are to review and provide supervision over the financial reporting process, risk management and internal control systems of the Group, and perform the corporate governance duties. During the year, three Audit Committee meetings were held to review the financial reporting matters, risk management and internal control procedures of the Group. The terms of reference of the Audit Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

To comply with the code provision A.6.4 of the CG Code and Report, the Company has also adopted the Model Code as the code of conduct for securities transactions by Relevant Employees to regulate the dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of unpublished price sensitive information of the Company.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects.

Management shall provide sufficient explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information presented before board meeting for approval.

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements and ensuring that the preparation of the Group's consolidated financial statements is in accordance with the relevant requirements and applicable standards.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on pages 36 to 40 of this annual report.

The Board will present a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Risk Management and Internal Controls

The Board acknowledged that they are responsible for the Group's risk management and internal control systems and reviewing their effectiveness. During the year ended 31 December 2016, the Board reviewed the adequacy and effectiveness of the risk management and internal control systems.

In mid of 2016, the Company engaged Netis Advisory Limited ("Netis") to provide consultancy services in relation to enterprises risk management and internal control. The Board understands that it is the Board's responsibility to evaluate the risks of the Group and to implement the Group's strategic objective through an established, appropriate and effective risk management and internal control systems. During the year of 2016, the management had completed the review on risk management and internal control systems. The review covered material controls, including financial, operational and compliance controls of the Group. For risk assessment, the management and functional responsible persons evaluate the likelihood and impact of each identified risk item in a risk register. Once significant risks are identified, mitigating measures are required to put in place immediately in order to manage such risks. For internal control review, areas of improvement have been identified and appropriate measures have been put in place and various follow up actions had been done based on the findings and recommendations made by Netis. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Company's control environment and processes.

The Company has established a whistleblowing policy which encourages employees to raise concerns in confidence about possible improprieties in any matter related to the Company. The Company treats all information received confidentially and protects the identity and the interest of all whistleblowers.

The Company formulated the policy on risk management mechanism and disclosure of inside information. The Company regularly reminds the directors and employees about due compliance with all policies regarding the inside information and also keeps directors, senior management and all relevant staff appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with latest regulatory requirements.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the auditor of the Company provided audit and non-audit services to the Company and the Group.

The auditor's remuneration in relation to audit and non-audit services for the year ended 31 December 2016 amounted to HK$1,100,000 and HK$380,000 respectively.

The statement of the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 36 and 40.

JOINT COMPANY SECRETARIES

All directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring the Board policies and procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and Management.

Mr. Li Chak Hung and Mr. Lai Ka Fai are the joint company secretaries of the Company. Both of Mr. Li and Mr. Lai report to Mr. Wong Lik Ping, the Chairman of the Board.

Mr. Li Chak Hung was appointed as company secretary of the Company on 13 March 2002. He is a member of the Hong Kong Institute of Certified Public Accountants. He undertook over 15 hours of relevant professional training to update his skills and knowledge during the year.

Mr. Lai Ka Fai was appointed as joint company secretary of the Company on 22 June 2010. He was then appointed as an executive director of the Company on 18 January 2012. He is a solicitor of the High Court of the Hong Kong Special Administrative Region. He undertook over 15 hours of relevant professional training to update his skills and knowledge during the year.

SHAREHOLDERS' RIGHTS

Convening an extraordinary General Meeting by shareholders

Pursuant to Article 58 of the Company's Articles of Association, 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 Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the company secretary at the Company's office in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

As regards proposing a person for election as a Director, please refer to the procedures available on the websites of the Company and the Stock Exchange.

Making enquiry to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established a range of communication channels between itself, its shareholders and investors, including answering questions through the annual general meeting, the publications of annual and interim reports, notices, announcements and circulars on the website of the Company at www.egichk.com. During the year, the Board is not aware of any significant changes in the Company's constitutional documents.

On behalf of the Board
Wong Lik Ping
Chairman

Hong Kong, 21 March 2017

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping, aged 56, is the Chairman of the Group. He joined the Group in August 2012 and is responsible for strategic planning, business development and Board issues of the Group. He was (i) an executive director and a vice-chairman of Shougang Fushan Resources Group Limited (stock code: 639) from March 2009 to December 2015 and (ii) an executive director and the chairman of Theme International Holdings Limited (stock code: 990) from November 2009 to January 2016, both companies listed on the Main Board of the Stock Exchange. He is a director and the sole shareholder of Worldkin Development Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Mr. Wong is a member of the National Committee of the Chinese People's Political Consultative Conference. He has extensive experience in trading business, financial industry and investments in a wide range of businesses in the PRC. Mr. Wong is also a director of a joint venture of the Company in the PRC.

Mr. Lai Ka Fai, aged 48, joined the Group in June 2010 and was appointed as an executive director of the Company in January 2012. Mr. Lai is responsible for the corporate governance and port operation business of the Group. He holds a Bachelor degree in Laws from The Manchester Metropolitan University in the United Kingdom, a Postgraduate Certificate in Laws from The University of Hong Kong and a Master degree of Business Administration from the University of Leicester in the United Kingdom. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has over 10 years of experience in the legal field. He is also a director of a joint venture of the Company in the PRC and the joint company secretary of the Company.

Mr. Tao Ke, aged 34, was appointed as an executive director of the Company on 6 March 2015. Mr. Tao holds a Master of Social Science degree from University of Glasgow and a Bachelor degree in Economics from Beijing Institute of Technology. Mr. Tao has extensive experience in corporate finance and overseas merger and acquisition. He had been working in international investment banks and responsible for clients' project management, project acquisition and various initial public offerings. Mr. Tao is currently a general manager of a chemical production group in Shandong.

Mr. Qiao Weibing, aged 50, was appointed as an executive director of the Company on 17 March 2016. Mr. Qiao holds a bachelor degree from Shanxi University and a master degree in management engineering from China University of Mining and Technology. Mr. Qiao has over 20 years' working experience in the government regulatory authorities and financial institutions in the PRC. Mr. Qiao is currently the chief investment officer of the Company and the chairman and CEO of Beijing Ever Grand International Finance Lease Co., Ltd., a subsidiary of the Company in the PRC.

NON-EXECUTIVE DIRECTORS

Mr. Cheng Kwok Woo, aged 60, joined the Group in 1990 and acted as the Chairman and an executive director of the Company since 2002 and was re-designated to a non-executive director since 9 August 2012. He has over 25 years of experience in the trading and manufacturing of abrasive products.

Ms. Yeung Sau Han Agnes, aged 51, joined the Group in May 2007 and was an executive director and the CEO of the Group. She resigned as the CEO and was re-designated from an executive director to a non-executive director on 12 June 2015. She graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in fashion design.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Goh Choo Hwee, aged 45, was appointed as an independent non-executive director of the Company in January 2012. He has over 10 years of experience in PRC-related, corporate and securities practice. He is currently a partner at Ma Tang & Co, Solicitors, a law firm in Hong Kong. He graduated from The University of Hong Kong with Postgraduate Certificate in Laws in 1995. He has become a member of The Law Society of Hong Kong and has been a practicing solicitor in Hong Kong since 1997. He is currently an independent non-executive director of each of Tsui Wah Holdings Limited (stock code: 1314) and Huajin International Holdings Limited (stock code: 2738) and was an independent non–executive director of Theme International Holdings Limited (stock code: 990) from September 2013 to November 2015, all of which are companies listed on the Main Board of the Stock Exchange. He was appointed and remain as the company secretary of Xinhua News Media Holdings Limited (stock code: 309), a company listed on the Main Board of the Stock Exchange, in December 2013.

Mr. Ho Hin Yip, aged 43, was appointed as an independent non-executive director of the Company in December 2012. He is presently the Financial Controller and Joint Company Secretary of Singapore-listed Dukang Distillers Holdings Limited, where he is responsible for the finance and accounting functions, statutory compliance and corporate governance affairs. He has more than 17 years of financial and auditing experience. He is a fellow member of The Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. He currently act as an independent non-executive director of each of Xinhua News Media Holdings Limited (stock code: 309) and Jiyi Household International Holdings Limited (stock code: 1495), and was an independent non-executive director of LC Group Holdings Limited (stock code:1683) during August 2015 to February 2017, all of which are companies listed on the Main Board of the Stock Exchange.

Mr. U Keng Tin, aged 67, was appointed as an independent non-executive director of the Company in May 2013. He holds the Bachelor's degree of Arts from York University, Canada and Master's degree of Arts in International Economics from University of San Francisco, USA. He is presently a director of an estate management company, Full Fill Services Co., Limited and an executive director of a listed company in Singapore, Chinese Global Investors Group Limited. He has over 30 years of experience in the securities industry.

CHIEF EXECUTIVE OFFICER

Mr. Liu Bing, aged 44, was appointed as the CEO of the Company on 1 November 2015. Mr. Liu graduated from Jimei University with a bachelor degree in 1997 and from Zhejiang University with a master degree in business administration in 2003. Mr. Liu is a member of China Association of Chief Financial Officer and a professional member of International Financial Management Association. Mr. Liu had extensive experience in corporate finance and investment of various sectors in PRC and had been the senior executive member including the executive president and chief financial officer in various sizable organizations in PRC. Mr. Liu was an executive director and chief financial officer of Theme International Holdings Limited (stock code: 990) from October 2013 to December 2015, a company listed on the Main Board of the Stock Exchange.

The Board is pleased to present this Report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of finance lease and related consulting services in the PRC, the trading of equity securities, investment in property, investment in terminal and logistics services business and investment holding. The Group was also engaged in the manufacture and trading of polishing materials and equipment which was considered as discontinued operation in current year.

Details of the activities and other particulars of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and segment information for the year ended 31 December 2016 is set out in note 5 and note 6 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 41 and 42 of this annual report.

The directors do not recommend payment of final dividend for the year ended 31 December 2016.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 128 of this annual report.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Under the Companies Law, Cap. 22(Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

At 31 December 2016, in the opinion of the directors, the Company's share premium and reserves available for distribution to shareholders amounted to HK$408,754,000.

Movement in the share premium and reserves of the Group during the year are set out on pages 45 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest customer and five largest customers taken together accounted for 16.0% and 60.8% of the total revenue from the continuing operations for the year respectively.

Due to the nature of our continuing operations, we do not have any significant purchases from suppliers during the normal course of our business during the year. However, we relied on interest-bearing borrowings from various banks and non-bank financial institutions to operate our business.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors) owns more than 5% of the Company's share capital has any interest in the Group's five largest customers.

RELATED PARTY TRANSACTIONS

Related party transactions during the year are disclosed in note 39 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year ended 31 December 2016 and up to the date of this report were:

Executive directors

Mr. Wong Lik Ping *(Chairman)*
Mr. Lai Ka Fai
Mr. Tao Ke
Mr. Qiao Weibing (appointed on 17 March 2016)
Mr. Feng Gang (resigned on 17 March 2016)

Non-executive directors

Mr. Cheng Kwok Woo
Ms. Yeung Sau Han Agnes

Independence non-executive directors

Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Wong Lik Ping, Mr. Tao Ke, Ms. Yeung Sau Han Agnes and Mr. Goh Choo Hwee shall retire from offices by rotation in the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

The biographic details of the existing directors are set out on pages 28 and 29 of this annual report.

DIRECTORS' SERVICES CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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.

SHARE OPTION SCHEME

At the extraordinary general meeting of the Company held on 29 July 2016, the shareholders of the Company approved the adoption of a new share option scheme ("the Scheme") to enable the directors of the Company the power to implement and administer the Scheme with effect from the date of passing of the resolution. The scheme was designed to grant option to eligible participants, including but not limited to eligible employees and directors of any member of the Group, who contributed to the development of the Group as incentives or rewards for their contribution and promotion for the success of the Group. The Scheme is enforceable for a period of 5 years from the adoption of the Scheme on 29 July 2016.

During the year ended 31 December 2016, 145,500,000 share options were granted to the employees, directors and chief executive of the Company with an exercise price of HK$0.12 per share. Details of the share option scheme of the Company are set out in note 31 to the consolidated financial statements. Save as disclosed, no outstanding options were exercised, cancelled or lapsed under the Scheme during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors have any interest in competing business to the Group.

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

At 31 December 2016, the 9 directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code:

Long and short positions in the ordinary shares/underlying shares of the Company:

Directors/chief executive	Personal interests	Corporate interests	*(Note 2)* Number of underlying shares held under equity derivatives	Total interests	Long(L) or Short(S) Position	Percentage of interests
	Number of share/underlying shares held					
Wong Lik Ping	466,000,000	1,455,000,000 *(Note1)*		1,921,000,000	S	16.12%
Yeung Sau Han Agnes	27,250,000	–		27,250,000	L	0.23%
Cheng Kwok Woo	6,500,000	–		6,500,000	L	0.05%
Qiao Weibing			10,000,000	10,000,000	L	0.08%
Lai Ka Fai			4,000,000	4,000,000	L	0.03%
Tao Ke			3,000,000	3,000,000	L	0.03%
Goh Choo Hwee			2,000,000	2,000,000	L	0.02%
Ho Hin Yip			2,000,000	2,000,000	L	0.02%
U Keng Tin			2,000,000	2,000,000	L	0.02%
Liu Bing			10,000,000	10,000,000	L	0.08%

Notes:

1. These interests are held by Worldkin Development Limited ("Worldkin") which is wholly-owned by Mr. Wong Lik Ping. Mr. Wong is therefore deemed to be interested in the shares held by Worldkin. The interests held by Worldkin are disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS" below.

2. These interests represented the interests in underlying shares in respect of the share options granted by the Company to the directors/chief executive. Details of which are set out in note 31 to the consolidated financial statements.

Save as disclosed above, none of the directors, chief executive and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The directors and chief executive have been granted unlisted options under the Company's share option scheme, details of which are set out in note 31 to the consolidated financial statements.

Save as disclosed above, as at 31 December 2016, the directors, chief executive of the Company nor their associates had or was deemed to have any long positions or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following persons were interest (including short positions) in the shares or underlying shares of the Company.

Interest in the ordinary shares/underlying shares of the Company:

Name of Shareholders	*Notes*	Number of Shares/ underlying Shares held	Long(L) or Short (S) positions	Percentage holding
Worldkin Development Limited		1,455,000,000	S	12.21%
Mr. Wong Lik Ping	*1*	1,921,000,000	S	16.12%
Funde Sino Life Insurance Co. Ltd.		3,574,430,000	L	29.99%
Active Way International Limited	*2&3*	1,921,000,000	L	16.12%
FDG Kinetic Investment (BVI) Limited (formerly known as CIAM Investment (BVI) Limited)	*3*	1,921,000,000	L	16.12%
FDG Kinetic Limited	*3*	1,921,000,000	L	16.12%
Sinopoly Strategic Investment Limited	*3*	1,921,000,000	L	16.12%
FDG Electric Vehicles Limited	*3*	1,921,000,000	L	16.12%
Profit Win International Limited		600,000,000	L	5.03%
Mr. Chen Hui	*4*	600,000,000	L	5.03%
Mr. Xu Yufeng		800,000,000	L	6.71%
Mr. Li Bensheng		600,000,000	L	5.03%

Notes:

1. Mr. Wong Lik Ping holds entire equity interest of Worldkin Development Limited ("Worldkin") and is accordingly deemed to have interest in 1,455,000,000 shares of the Company that Worldkin has interests in. Mr. Wong personally owns 466,000,000 shares of the Company.

2. Active Way International Limited has security interests in 1,921,000,000 shares.

3. Active Way International Limited is a wholly owned subsidiary of FDG Kinetic Investment (BVI) Limited (formerly known as CIAM Investment (BVI) Limited), which in turn is wholly owned by FDG Kinetic Limited, which in turn owned as to 67.19% by Sinopoly Strategic Investment Limited, which in turn is a wholly owned subsidiary of FDG Electric Vehicles Limited. Accordingly, FDG Electric Vehicles Limited is deemed to have interests in 1,921,000,000 shares held by Active Way International Limited.

4. Mr. Chen Hui holds entire equity interests of Profit Win International Limited and is accordingly deemed to have interests in 600,000,000 shares of the Company that Profit Win International Limited has interests in.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2016.

CORPORATE GOVERNANCE

THE Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 27 of this annual report.

OTHER CHANGES OF DIRECTOR'S INFORMATION

Mr. Ho Hin Yip has resigned as an independent non-executive director of LC Group Holdings Limited (stock code: 1683) with effect from 10 February 2017.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 467 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the benefit of the directors of the Group is currently in force and was in force during the year. The Company has taken out insurance against the liabilities and costs associated with proceedings which may be brought against directors of the Group.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the amount of public float as approved by the Hong Kong Stock Exchange and as permitted under the Listing Rules as at the date of this report.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining shareholders' entitlement to attend and vote at the coming annual general meeting, the register of members of the Company will be closed from 26 May 2017 to 1 June 2017 (both days inclusive), during such period no transfer of shares in the Company will be effected. In order to qualify for entitlement to attend and vote at the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company Hong Kong Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m., 25 May 2017.

AUDITOR

The consolidated financial statements for the years ended 31 December 2014 and 2015 were audited by Messrs. HLB Hodgson Impey Cheng Limited.

The consolidated financial statements for the year ended 31 December 2016 were audited by Messrs. Deloitte Touche Tohmatsu.

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wong Lik Ping
Chairman

Hong Kong, 21 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA EVER GRAND FINANCIAL LEASING GROUP CO., LTD.
中國恒嘉融資租賃集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Ever Grand Financial Leasing Group Co., Ltd. (formerly known as PME Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 127, 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 MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Impairment of finance lease receivables	
We identified the impairment of finance lease receivables as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in evaluating the recoverability of finance lease receivables. Refer to note 4 to the consolidated financial statements, the carrying amount of finance lease receivables is HK$502,259,000 as at 31 December 2016, which contributed to approximately 27% to the total assets. In determining the impairment for finance lease receivables, the management considers the creditworthiness, past collection history, subsequent settlement of each finance lease customer, and also relevant deposits received, pledge of leased assets and guarantees. During the year ended 31 December 2016, no allowance for bad and doubtful debts have been charged to profit or loss.	Our procedures in relation to the impairment of finance lease receivables included: • Understanding management's assessment of the credit risk of entering into the finance lease contracts with its customers and how the management evaluate the recoverability of finance lease receivables; • Reviewing agreements of finance lease receivables, on a sample basis, to understand relevant terms such as settlement terms and the existence of pledged assets and guarantees; • Assessing the reasonableness of the management assessment of the recoverability of finance lease receivables; and • Tracing the settlement records and subsequent settlement to bank receipts, on a sample basis.
Valuation of goodwill	
We identified the valuation of goodwill as a key audit matter due to its complexity and judgement exercised by the management. As disclosed in note 4, in determining the amount of goodwill, the Group engages an independent professional valuer to perform such valuation. The valuation is determined based on the cash flow projection for the cash-generating units (the "CGUs") discounted to their present values and it requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales and gross margin, taking into account the financial budgets approved by the directors based on the management's experience from the financial leasing business, and also management's expectations for the market development. Subsequently, at the end of each reporting period, in determining whether goodwill is impaired also requires an estimation of the recoverable amounts of the CGUs to which goodwill has been allocated. The value in use calculation also requires the key assumptions as mentioned above. During the year ended 31 December 2016, no impairment on goodwill has been recognised to profit or loss.	Our procedures in relation to the valuation of goodwill included: • Reviewing the related agreements entered between the Group and the vendor and assessing whether the related accounting treatment of the acquisition is properly accounted for by the Group; • Understanding the Group's estimation of the amounts of the CGUs, including the valuation model adopted, key assumptions used and the involvement of independent valuer appointed by the Group; • Engaging our valuation expert to evaluate the appropriateness of the valuation model adopted and discount rate used; • Evaluating the reasonableness of the budgeted sales and gross margin, and terminal growth rate by considering the approved financial budgets and the available industry and market data; and • Comparing financial budgets used in the calculation of value in use with actual results of the Group for the annual assessment of impairment as at 31 December 2016.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2016.

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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 Wan Chi Lap.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000 (Restated)
Continuing operations			
Revenue	5	221,212	–
Cost of services		(148,720)	–
Gross profit		72,492	–
Other income	7	23,833	3,726
Other gains and losses	7	(1,459)	27,570
Administrative expenses		(87,262)	(63,225)
Impairment loss on available-for-sale investment		–	(500)
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss		43,257	(8,778)
Gain on disposal of subsidiaries	35	20,547	–
Share of results of joint ventures		27,545	47,590
Other expenses		(2,109)	–
Profit before taxation from continuing operations		96,844	6,383
Income tax (expense) credit	9	(17,651)	3,568
Profit for the year from continuing operations		79,193	9,951
Discontinued operation			
Loss for the year from discontinued operation	10	(27,365)	(6,503)
Profit for the year	11	51,828	3,448
Attributable to:			
Owners of the Company		29,813	3,448
Non-controlling interests		22,015	–
		51,828	3,448
Earnings per share (HK cent)	12		
From continuing and discontinued operations			
Basic		0.25	0.03
Diluted		0.25	N/A
From continuing operations			
Basic		0.48	0.08
Diluted		0.48	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
Profit for the year	**51,828**	3,448
Other comprehensive expense		
Items that will not be reclassified to profit or loss:		
Exchange difference arising on translation to presentation currency	**(59,166)**	–
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	**–**	(49,075)
Reclassification adjustments relating to disposal of foreign operation during the year	**(818)**	–
Reclassification adjustments relating to investment revaluation reserve upon disposal of subsidiaries	**285**	–
	(533)	(49,075)
Other comprehensive expense for the year, net of income tax	**(59,699)**	(49,075)
Total comprehensive expense for the year	**(7,871)**	(45,627)
Total comprehensive expense attributable to:		
Owners of the Company	**(22,323)**	(45,627)
Non-controlling interests	**14,452**	–
	(7,871)	(45,627)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Plant and equipment	14	1,656	1,347
Investment properties	15	26,200	–
Goodwill	16	103,373	–
Interests in joint ventures	17	738,675	763,852
Available-for-sale investments	18	22,334	2,000
Finance lease receivables	19	142,523	–
Loan receivables	20	33,501	–
Restricted bank deposit	25	53,393	–
Service income receivables	22	10,782	–
Club debentures		–	350
		1,132,437	767,549
Current assets			
Inventories	21	–	8,746
Finance lease receivables	19	359,736	–
Loan receivables	20	35,584	–
Trade receivables, service income receivables, other receivables, deposits and prepayments	22	21,466	29,598
Convertible bonds designated as financial assets at fair value through profit or loss	23	–	36,450
Held for trading investments	24	112,964	44,117
Deposits placed with non-bank financial institutions	25	17,763	54,720
Restricted bank deposits	25	52,219	–
Bank balances and cash	25	81,236	394,867
		680,968	568,498
Assets classified as held for sale	10	20,470	–
		701,438	568,498
Current liabilities			
Trade payables, service cost payables, other payables and accruals	26	58,168	72,754
Deposits received from customers	19	62,221	–
Tax payable		27,747	36,982
Borrowings	27	135,346	2,293
Obligations under finance leases	28	–	302
		283,482	112,331
Liabilities associated with assets classified as held for sale	10	10,820	–
		294,302	112,331
Net current assets		407,136	456,167
Total assets less current liabilities		1,539,573	1,223,716

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	29	119,192	119,192
Reserves		1,068,010	1,088,351
Equity attributable to owners of the Company		1,187,202	1,207,543
Non-controlling interests		152,695	845
Total equity		1,339,897	1,208,388
Non-current liabilities			
Obligations under finance leases	28	–	555
Deposit received from customers	19	31,159	–
Borrowings	27	142,523	–
Service cost payables	26	8,800	–
Deferred tax liabilities	30	17,194	14,773
		199,676	15,328
		1,539,573	1,223,716

The consolidated financial statements on pages 41 to 127 were approved by the Board of Directors on 21 March 2017 and are signed on its behalf by:

WONG LIK PING
DIRECTOR

LAI KA FAI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Translation reserve	Share options reserve	Investment revaluation reserve	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note b)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	119,192	1,520,921	(45,781)	40,750	63,700	(285)	–	(445,327)	1,253,170	845	1,254,015
Profit for the year	–	–	–	–	–	–	–	3,448	3,448	–	3,448
Other comprehensive expense for the year	–	–	–	(49,075)	–	–	–	–	(49,075)	–	(49,075)
Total comprehensive income (expense) for the year	–	–	–	(49,075)	–	–	–	3,448	(45,627)	–	(45,627)
Share options lapsed	–	–	–	–	(63,700)	–	–	63,700	–	–	–
At 31 December 2015	119,192	1,520,921	(45,781)	(8,325)	–	(285)	–	(378,179)	1,207,543	845	1,208,388
Profit for the year	–	–	–	–	–	–	–	29,813	29,813	22,015	51,828
Other comprehensive expense for the year	–	–	–	(52,421)	–	285	–	–	(52,136)	(7,563)	(59,699)
Total comprehensive (expense) income for the year	–	–	–	(52,421)	–	285	–	29,813	(22,323)	14,452	(7,871)
Recognition of equity-settled share-based payments	–	–	–	–	1,982	–	–	–	1,982	–	1,982
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	138,243	138,243
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(845)	(845)
Transfer to statutory surplus reserve	–	–	–	–	–	–	4,811	(4,811)	–	–	–
At 31 December 2016	119,192	1,520,921	(45,781)	(60,746)	1,982	–	4,811	(353,177)	1,187,202	152,695	1,339,897

Notes:

(a) Special reserve represented the difference between the nominal amount of the share capital issued by PME International (BVI) Company Limited, the then holding company of the Group, and the aggregate of the nominal amount of the issued share capital and other reserves accounts of the subsidiaries which was acquired by PME International (BVI) Company Limited pursuant to the group reorganisation carried out in 1997.

(b) As stipulated by the relevant laws and regulations of the People's Republic of China ("PRC"), before distribution of the net profit each year, the subsidiaries established in the PRC shall set aside 10% of their net profit after taxation to the statutory reserve (except where the reserve has reached 50% of the subsidiaries' registered capital). The reserve fund can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	69,486	(106)
Adjustments for:		
Finance costs	26,166	94
Depreciation of plant and equipment	1,627	568
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	(43,257)	8,778
Change in on fair value of held for trading investments	5,263	(27,570)
Share of results of joint ventures	(28,516)	(48,698)
Net foreign exchange gain	–	(259)
Reversal of allowance of inventories	–	(839)
Gain on disposal of available-for-sale investments	(550)	500
Changes in fair values of investment properties	(3,250)	–
Loss on disposal of plant and equipment	8	–
Gain on disposal of subsidiaries	(20,547)	–
Equity-settled share-based payment	1,982	–
Impairment loss on assets classified as held for sale	19,150	–
Finance lease interest income	(28,733)	–
Interest income	(7,298)	(3,582)
Operating cash flows before movements in working capital	(8,469)	(71,114)
(Increase) decrease in inventories	(2,757)	871
Decrease (increase) in trade receivables, service income receivables, other receivables, deposits and prepayments	43,206	(825)
Decrease in trade payables, service cost payables, other payables and accruals	(60,924)	(18,243)
Decrease in deposits received from customers	(45,730)	–
(Increase) decrease in held for trading investments	(16,555)	136,938
Increase in finance lease receivables	(340,955)	–
Decrease (increase) in deposits placed with financial institutions	35,170	(47,669)
Cash used in operations	(397,014)	(42)
Income tax (paid) refund	(20,198)	5,946
Finance lease interest income received	28,733	–
Interest paid	(25,937)	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(414,416)	5,904

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Acquisition of investment properties		(22,950)	–
Acquisition of subsidiaries	34	(40,387)	–
Disposal of subsidiaries	35	2,122	–
Investment in available-for-sale investments		(11,569)	–
Proceeds from disposal of available-for-sale investments		2,550	–
Addition of loan receivables		(46,752)	–
Withdrawal of pledged bank deposits		55,763	–
Placement of pledged bank deposits		(15,269)	–
Purchases of plant and equipment		(155)	(32)
Advance to a joint venture		–	(75)
Dividend from a joint venture		–	104,924
Purchase of convertible bonds		–	(65,000)
Interest received		7,298	1,982
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(69,349)	41,799
FINANCING ACTIVITIES			
Proceeds from borrowings		182,868	–
Repayment of obligations under finance leases		–	(732)
Interest paid		(229)	(94)
Proceeds from other loans		–	1,846
NET CASH FROM FINANCING ACTIVITIES		182,639	1,020
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(301,126)	48,723
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		394,867	346,144
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(12,505)	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		81,236	394,867

1. GENERAL INFORMATION

China Ever Grand Financial Leasing Group Co., Ltd. (formerly known as PME Group Limited) (the "Company") is a public limited company incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of finance lease and related consulting services in the PRC, the trading of equity securities, investment in property, investment in terminal and logistics services business and investment holding. The Group was also engaged in the manufacture and trading of polishing materials and equipment which was discontinued in current year (see note 10).

In prior years, the Company's functional currency was Hong Kong dollars ("HK$"). The directors of the Company had evaluated the underlying investment activities and strategy of the Company after the acquisition of China Ever Grand Capital Group Limited ("Ever Grand Capital") and have determined that the functional currency of the Company changed from HK$ to Renminbi ("RMB"). The effects of the change of the functional currency of the Company had been accounted for prospectively during the year. The consolidated financial statements are presented in HK$ as the directors consider that it is a more appropriate presentation for a company listed on the Stock Exchange and for the convenience of the shareholders.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 20 January 2016 and approved by the Registrars of Companies in the Cayman Islands and Hong Kong, the name of the Company was changed from PME Group Limited to China Ever Grand Financial Leasing Group Co., Ltd.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (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 HKAS 16 and HKAS 41	Agriculture: Bearer plants
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

Except as described below, 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 and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 1 Disclosure initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Upon application of these amendments, the grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to financial instruments was reordered to note 36 while information in relation to segment was reordered to note 6. Other than the changes in presentation and disclosure set out above, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group 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:

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("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 fair value through other comprehensive income ("FVTOCI"). All other financial assets 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.

- 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 Financial instruments: Recognition and Measurement. 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, including those currently stated at cost less impairment, 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. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("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 anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("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. For the classification of cash flows, cash flows in relation to operating lease payments are currently presented as operating cash flows. 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.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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$7,580,000 as disclosed in note 32. 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.

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

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The Group considers that the other new and amendments to HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and 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 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

The principal accounting policies are set out below.

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;

– has exposure, or rights, to variable returns from its involvement with the investee; and

– has the ability to use its power over the investee 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, with the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in joint ventures

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 joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of 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 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 joint venture. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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 joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in 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 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns.

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.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Finance lease interest income including handling fees (if any) represents interest income from financial leasing business, is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Service fee income is recognised when the services are provided.

Rental income from property leasing is recognised on a straight-line basis over the relevant lease terms.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 entities are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any are recognised in other comprehensive income and accumulated in equity under the heading of the 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), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

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

Borrowing costs

Borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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 as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and 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 base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax 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.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of plant and equipment 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets (Continued)

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 and 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

The Group's financial assets are classified into available-for-sale financial assets, financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

3. 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 FTVPL.

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 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 excludes any dividend or interest earned on the financial assets and is included in the 'other income, gains and losses' line item.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 loan receivables, restricted bank deposits, trade receivables, service income receivables, other receivables, deposits, deposits placed with non-bank financial institutions and bank balances and cash) 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 loss on financial assets

Financial assets of the Group, other than those at FVTPL, are assessed for indicators of impairment at the end of the 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 all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

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

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivables, trade receivables and loan receivables, 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 a finance lease receivable, trade receivable or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into 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 the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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.

Financial liabilities

Financial liabilities (including trade payables, service cost payables and other payables and accruals, borrowings and deposits received from customers) are initially measured at fair values and subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when, and only when, the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees 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 options 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 options reserve will be transferred to accumulated losses.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment of finance lease receivables

For impairment of finance lease receivables, the Group considers to make allowance for impairment based on the evaluation of recoverability by management's judgement. A considerable amount of judgement is required by management in assessing the recoverability of finance lease receivables. Management has closely monitored the recoverability and ensured adequate collaterals are received from these customers. In determining the impairment for finance lease receivables, the management considers the creditworthiness, past collection history and subsequent settlement of each finance lease customer, and also relevant deposits received, pledge of leased assets and guarantees. As at 31 December 2016, the carrying amounts of finance lease receivables are approximately HK$502,259,000 (2015: nil). During the year ended 31 December 2016, no allowance for bad and doubtful debts have been charged to profit or loss. Details of finance lease receivables are disclosed in note 19.

Valuation of goodwill

During the year ended 31 December 2016, the Group acquired Ever Grand Capital and identified a goodwill in the acquisition. In determining the amount of the goodwill, the Group engaged an independent professional valuer to perform such valuation. The value in use is determined based on the cash flow projection for the cash generating units ("CGUs"), discounted to their present values and requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales and gross margin taking into account the financial budget approved by the directors based on the management's experience from the financial leasing business and also management's expectations for the market development. Where the future cash flows are less than expected, a material impairment loss may arise. At the date of completion, the directors are not aware of any impairment on the goodwill.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Valuation of goodwill (Continued)

Subsequently, at the end of each reporting period, in determining whether goodwill is impaired also requires an estimation of the recoverable amounts of the CGUs to which goodwill has been allocated. The value in use calculation also requires the key assumptions as mentioned above. During the year ended 31 December 2016, no impairment on goodwill has been recongised to profit or loss. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. As at 31 December 2016, the carrying amount of goodwill is HK$103,373,000 (2015: nil). Details of the recoverable amount calculation are disclosed in note 16.

Estimation of fair value of investment properties

Investment properties were revalued at the end of the reporting period using income approach by independent qualified professional valuer. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the valuation, the Group's management has made estimates concerning rental yield for rental income to be generated by the investment properties. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Where there are any changes in the assumptions due to the market conditions in the Hong Kong, the estimate of fair value of investment properties may be significantly affected. As at 31 December 2016, investment properties of approximately HK$26,200,000 were revalued.

5. REVENUE

Revenue represents finance lease interest income generated from financial leasing and service fee income provided to outsiders.

	2016 *HK$'000*	2015 *HK$'000*
Continuing operations		
Service fee income	192,479	–
Finance lease interest income	28,733	–
	221,212	–

6. SEGMENT INFORMATION

Information reported to the chief executive officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the nature of the operations of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating segments are as follows:

Financial leasing	– provision of finance lease consulting services and financing services in the PRC
Terminal and logistics services	– loading and discharging services, storage services, and leasing of terminal facilities and equipment through investment in a joint venture
Investment	– investments in held for trading investments, convertible bonds, available-for-sale investments, investment property and money lending business

During the year, as described in note 34, the Group acquired subsidiaries which engaged in provision of finance lease and related consulting services in the PRC (the "Financial Leasing Segment"), which has been regarded as a reportable segment of the Group since then. There was no aggregation of operating segments to derive the reportable segments of the Group.

During the year, as described in note 10, the Group has committed to dispose of its sale of polishing materials and equipment segment (the "Polishing Segment"). The Polishing Segment was classified as discontinued operation as described in note 10.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 December 2016

	Continuing operations			
	Financial leasing *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Total *HK$'000*
Revenue				
External sales	221,212	–	–	221,212
Segment profit	61,045	27,545	44,833	133,423
Other income and gains				2,617
Gain on disposal of subsidiaries				20,547
Corporate expenses				(57,634)
Other expenses				(2,109)
Profit before taxation				96,844

For the year ended 31 December 2015

	Continuing operations		
	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Total *HK$'000*
Revenue			
External sales	–	–	–
Segment profit	47,590	9,125	56,715
Other income and gains			2,101
Corporate expenses			(52,433)
Profit before taxation			6,383

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other gains and losses, gain on disposal of subsidiaries and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 31 December 2016

	Continuing operations			
	Financial leasing	Terminal and logistics services	Investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	810,314	738,719	160,308	1,709,341
Assets related to Polishing Segment				20,470
Unallocated corporate assets				104,064
Consolidated assets				1,833,875
Segment liabilities	406,749	–	31,393	438,142
Liabilities related to Polishing Segment				10,820
Unallocated corporate liabilities				45,016
Consolidated liabilities				493,978

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2015

	Continuing operations		
	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Total *HK$'000*
Segment assets	940,905	160,009	1,100,914
Assets related to Polishing Segment			51,377
Unallocated corporate assets			183,756
Consolidated assets			1,336,047
Segment liabilities	14,606	67,286	81,892
Liabilities related to Polishing Segment			13,641
Unallocated corporate liabilities			32,126
Consolidated liabilities			127,659

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable and operating segments other than certain other receivables and bank balances and cash; and

– all liabilities are allocated to reportable and operating segments other than certain other payables, tax payables and deferred tax liabilities.

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2016

	Continuing operations			
	Financial leasing *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of plant and equipment	17	–	38	55
Depreciation of plant and equipment	833	–	228	1,061
Change in fair value of held for trading investments	2,060	–	3,203	5,263
Change in fair value of investment properties	–	–	(3,250)	(3,250)
Change in fair value of convertible bonds designated as financial assets at FVTPL	–	–	(43,257)	(43,257)
Interest income from non-bank financial institutions	–	–	(8)	(8)
Interest income from convertible bonds designated as financial assets at FVTPL	–	–	(820)	(820)
Interest income from loan receivables	(3,797)	–	(747)	(4,544)
Realised gain on disposal of available-for-sale investments	–	–	(550)	(550)
Finance lease interest income	(28,733)	–	–	(28,733)
Interest expenses (included in cost of services)	25,937	–	–	25,937
Interest in joint venture	–	738,675	–	738,675
Share of results of joint venture	–	(27,545)	–	(27,545)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Income tax expense	17,184	116	351	17,651

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2015

	Continuing operations		
	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Depreciation of plant and equipment	–	480	480
Change in fair value of convertible bonds designated as financial assets at FVTPL	–	8,778	8,778
Change in fair value of held for trading investments	–	(27,570)	(27,570)
Interest income from non-bank financial institutions	–	(25)	(25)
Interest income from convertible bonds designated as financial assets at FVTPL	–	(1,600)	(1,600)
Interest in a joint venture	753,983	–	753,983
Share of results of a joint venture	(47,590)	–	(47,590)
Impairment loss on available-for-sale investments	–	500	500
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:			
Income tax credit	(3,568)	–	(3,568)

6. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the financial leasing segment of corresponding years contributing over 10% of total sales of the Group are as follows:

	Continuing operations	
	2016	2015
	HK$'000	*HK$'000*
Customer A[1]	**35,472**	N/A[2]
Customer B[1]	**32,998**	N/A[2]
Customer C[1]	**23,278**	N/A[2]

[1] The corresponding revenue is from the financial leasing segment.
[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

The Group's financial leasing and terminal and logistics services divisions are located in the PRC. Investment division is located in Hong Kong. Locations are determined according to principal place of operating the businesses. Revenue was generated in respective locations.

The following is an analysis of the carrying amount of non-current assets analysed by the geographical location and in which the assets are located:

	2016	2015
	HK$'000	*HK$'000*
PRC	**842,092**	763,852
Hong Kong	**27,812**	1,697
	869,904	765,549

Note: Non-current assets excluded finance lease receivables and other financial instruments.

7. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2016 HK$'000	2015 HK$'000 (Restated)
Other income		
Interest income from loan receivables	4,544	–
Interest income from banks and non-bank financial institutions	1,934	1,982
Interest income from convertible bonds designated as financial assets at FVTPL	820	1,600
Rental income	691	144
Government grants *(Note)*	13,080	–
Sundry income	2,764	–
	23,833	3,726

	2016 HK$'000	2015 HK$'000 (Restated)
Other gains and losses		
Change in fair value of held for trading investments	(5,263)	27,570
Net foreign exchange gains	12	–
Loss on disposal of plant and equipment	(8)	–
Realised gain on disposal of available-for-sale investments	550	–
Change in fair value of investment properties	3,250	–
	(1,459)	27,570

Note: The amount represents government subsidies from local finance bureau which are calculated by reference to the amount of tax paid and based on fulfilment of certain conditions in accordance with the rules and regulations issued by the local government.

8. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES EMOLUMENTS

Directors and chief executive emoluments

The emolument paid or payable to each of the directors and chief executives were as follows:

	For the year ended 31 December 2016					
	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *HK$'000* *(Note 6)*	Share-based payments *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors						
Mr. Wong Lik Ping	–	6,000	5,500	–	18	11,518
Mr. Lai Ka Fai	–	1,300	5,500	54	18	6,872
Mr. Tao Ke *(Note 4)*	–	1,200	100	41	18	1,359
Mr. Feng Gang *(Note 1)*	–	201	–	–	3	204
Mr. Qiao Weibing *(Note 2)*	–	1,781	100	136	15	2,032
Sub-total	–	10,482	11,200	231	72	21,985
Chief executive						
Mr. Liu Bing *(Note 3)*	–	2,050	5,500	136	17	7,703
Non-executive Directors						
Mr. Cheng Kwok Woo *(Note 7)*	–	1,113	50	–	53	1,216
Ms. Yeung Sau Han Agnes *(Note 5)*	–	260	50	–	–	310
Sub-total	–	1,373	100	–	53	1,526
Independent non-executive Directors						
Mr. Goh Choo Hwee	180	–	50	27	–	257
Mr. U Keng Tin	180	–	50	27	–	257
Mr. Ho Hin Yip	180	–	50	27	–	257
Sub-total	540	–	150	81	–	771
Total	540	13,905	16,950	448	142	31,985

8. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES EMOLUMENTS (Continued)

Directors and chief executive emoluments (Continued)

	For the year ended 31 December 2015				
	Fees	Salaries and other benefits	Discretionary Bonus	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note 6)*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Wong Lik Ping	–	6,000	10,000	18	16,018
Mr. Lai Ka Fai	–	1,300	300	18	1,618
Mr. Tao Ke *(Note 4)*	–	983	300	12	1,295
Mr. Feng Gang *(Note 1)*	–	960	300	18	1,278
Sub-total	–	9,243	10,900	66	20,209
Chief executive					
Mr. Liu Bing *(Note 3)*	–	22	350	1	373
Non-executive Director					
Mr. Cheng Kwok Woo *(Note 7)*	–	1,060	45	53	1,158
Ms. Yeung Sau Han Agnes *(Note 5)*	–	260	–	6	266
Sub-total	–	1,320	45	59	1,424
Independent non-executive Directors					
Mr. Goh Choo Hwee	180	–	50	–	230
Mr. U Keng Tin	180	–	50	–	230
Mr. Ho Hin Yip	180	–	50	–	230
Sub-total	540	–	150	–	690
Total	540	10,585	11,445	126	22,696

8. DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES EMOLUMENTS (Continued)

Directors and chief executive emoluments (Continued)

Notes:

(1) Mr. Feng Gang resigned as an executive director of the Company with effect from 17 March 2016.

(2) Mr. Qiao Weibing was appointed as an executive director of the Company with effect from 17 March 2016.

(3) Mr. Liu Bing was appointed as the chief executive officer of the Company with effect from 1 November 2015.

(4) Mr. Tao Ke was appointed as an executive director of the Company with effect from 6 March 2015.

(5) Mr. Yeung Sau Han Agnes resigned as the chief executive officer of the Group, and was re-designated from executive director to non-executive director of the Company with effect from 12 June 2015.

(6) The discretionary bonus is based on operating appraisal results and basic salary of each director with reference to the contribution to the Group for the annual operating results.

(7) During the year ended 31 December 2016, Mr. Cheng Kwok Woo's emoluments of HK$1,166,000 (2015: HK$1,113,000) were paid or payable by the disposal group.

Employee emoluments

The five highest paid employee of the Group for both years are directors and chief executive, whose emoluments are included in the above.

During the year, no emoluments were paid by the Group to any of the directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any emoluments for both years.

9. TAXATION

	2016 HK$'000	2015 HK$'000 (Restated)
Continuing operations		
Current tax:		
Hong Kong	351	–
PRC Enterprise Income Tax ("EIT")	16,172	135
Withholding tax for dividend from PRC joint ventures	–	5,506
Overprovisions of withholding tax in previous years	–	(6,124)
	16,523	(483)
Deferred tax expense (credit) for current year *(note 30)*	1,128	(3,085)
Taxation for the year	17,651	(3,568)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2015 as the Group has no assessable profits arising in Hong Kong.

EIT is calculated at 25% of the estimated assessable profits of subsidiaries operating in the PRC.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2016 HK$'000	2015 HK$'000 (Restated)
Profit before taxation from continuing operations	96,844	6,383
Tax at the domestic income tax rate *(Note)*	21,290	1,054
Tax effect of share of results of joint ventures	(4,545)	(7,852)
Tax effect of expenses not deductible for tax purpose	7,694	5,291
Tax effect of income not taxable for tax purpose	(17,222)	(4,710)
Tax effect of tax losses not recognised	8,300	6,393
Tax effect of overprovision of withholding tax in prior year	–	(6,124)
Tax effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries and joint ventures (2015: 5%)	2,134	2,380
Taxation for the year	17,651	(3,568)

Note: The domestic tax rate applicable to profits in the tax jurisdictions concerned is used.

10. DISPOSAL GROUP HELD FOR SALE

On 17 November 2016, the Group entered into a disposal agreement to dispose of the entire 100% equity interest in Teamcom Group Limited, which operated the Polishing Segment, at a consideration of HK$10,000,000 (the "Disposal"). The assets and liabilities attributable to the Polishing Segment, which are expected to be disposed within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to be lower than the net carrying amount of the relevant assets and liabilities and accordingly, impairment loss has been recognised as follows.

	HK$'000
Impairment loss on:	
Plant and equipment	932
Interest in joint venture	9,281
Club debentures	350
Inventories	8,587
	19,150

The loss for the year from the Polishing Segment is set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the Polishing Segment as a discontinued operation.

	2016 ***HK$'000***	2015 *HK$'000*
Revenue	**74,347**	82,767
Cost of sales	**(71,533)**	(78,425)
Other income, gains and losses	**931**	674
Selling and distribution expenses	**(4,740)**	(8,873)
Administrative expenses	**(7,955)**	(3,646)
Share of result of a joint venture	**971**	1,108
Finance costs	**(229)**	(94)
Impairment loss	**(19,150)**	–
Loss before tax	**(27,358)**	(6,489)
Income tax expense	**(7)**	(14)
Loss for the year	**(27,365)**	(6,503)

10. DISPOSAL GROUP HELD FOR SALE (Continued)

Loss for the year from discontinued operation include the following:

	2016 HK$'000	2015 HK$'000
Auditor's remuneration	–	240
Depreciation of plant and equipment	566	88
Costs of inventories recognised as an expense (included in cost of sales)	71,533	79,264
Reversal of allowance for inventories (included in cost of sales)	–	(839)
Minimum lease payment in respect of rental premises	970	807
Staff costs:		
Director's emoluments	1,166	1,113
Other staff costs		
– Salaries and other benefits	5,231	5,154
– Retirement benefits scheme contributions	245	245
	6,642	6,512

During the year, the Polishing Segment contributed net cash outflow of HK$2.5 million (2015: HK$8.9 million) to the Group's net operating cash flows, received HK$0.8 million (2015: HK$0.8 million) in respect of investing activities and received HK$0.6 million (2015: HK$12.0 million) in respect of financing activities.

The major classes of assets and liabilities of the Polishing Segment as at 31 December 2016, which have been presented separately in the consolidated statement of financial position, are as follows:

	HK$'000
Inventories	2,916
Trade and other receivables, deposits and prepayments	13,556
Bank balances and cash	3,998
Total assets classified as held for sale	20,470
Trade and other payables and accruals	4,265
Obligations under finance leases	1,556
Borrowings	2,780
Tax payables	1,915
Deferred tax liabilities	304
Total liabilities classified as held for sale	10,820

11. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000 (Restated)
Profit for the year from continuing operations is arrived at after charging:		
Auditor's remuneration	1,100	440
Depreciation of plant and equipment	1,061	480
Interest expenses (included in cost of services)	25,937	–
Minimum lease payment in respect of rental premises	4,462	2,150
Staff costs:		
Directors' and chief executive's emoluments	30,819	21,583
Other staff costs		
– Salaries and other benefits	23,861	9,878
– Retirement benefits scheme contributions	2,342	547
– Share-based payments	1,534	–
	58,556	32,008

12. EARNINGS PER SHARE

For continuing operations

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

	2016 HK$'000	2015 HK$'000
Earnings		
Profit for the year attributable to the owners of the Company	29,813	3,448
Add: Loss for the year from discontinued operations	27,365	6,503
Earnings for the purpose of basic and diluted earnings per share from continuing operations	57,178	9,951

	2016 '000	2015 '000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	11,919,198	11,919,198
Number of ordinary shares for the purpose of diluted earnings per share	11,919,198	N/A

The computation of diluted earnings per share for the year ended 31 December 2016 does not assume the exercise of share options granted by the Company as the exercise price of those options was higher than the average market price for shares.

No diluted earnings per share was presented for the year ended 31 December 2015 as there were no potential ordinary shares in issue during the year ended 31 December 2015.

12. EARNINGS PER SHARE (Continued)

For continuing and discontinued operations

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

	2016 HK$'000	2015 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	29,813	3,448

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

For discontinued operation

Basic and diluted loss per share for the discontinued operation is HK0.23 cent per share (2015: basic loss per share is HK0.05 cent per share), based on the loss for the year from the discontinued operation of HK$27,365,000 (2015: HK$6,503,000) and the denominators detailed above.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2016, nor was any dividend been proposed since the end of the reporting period (2015: Nil).

14. PLANT AND EQUIPMENT

	Leasehold improvements, furniture and fixtures HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2015	58	240	5,297	5,595
Additions	–	32	–	32
At 31 December 2015	58	272	5,297	5,627
Exchange differences	–	(15)	(1,299)	(1,314)
Additions	–	81	773	854
Disposals	–	–	(501)	(501)
Acquisition of subsidiaries *(note 34)*	–	198	1,961	2,159
Transfer to assets classified as held for sale *(note 10)*	–	(41)	(3,025)	(3,066)
At 31 December 2016	**58**	**495**	**3,206**	**3,759**
DEPRECIATION AND IMPAIRMENT				
At 1 January 2015	12	40	3,660	3,712
Charge for the year	25	63	480	568
At 31 December 2015	37	103	4,140	4,280
Exchange differences	–	(9)	(1,168)	(1,177)
Charge for the year	8	129	1,490	1,627
Eliminated on disposals	–	–	(493)	(493)
Transfer to assets classified as held for sale *(note 10)*	–	(9)	(2,125)	(2,134)
At 31 December 2016	**45**	**214**	**1,844**	**2,103**
CARRYING AMOUNTS				
At 31 December 2016	**13**	**281**	**1,362**	**1,656**
At 31 December 2015	21	169	1,157	1,347

14. PLANT AND EQUIPMENT (Continued)

Plant and equipment are depreciated on its cost less their residual values on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements, furniture and fixtures	3 to 5 years or over lease term, whichever is shorter
Plant, machinery and equipment	5 to 10 years
Motor vehicles	3 to 8 years

As at 31 December 2015, the carrying value of motor vehicles includes amount of approximately HK$779,000 in respect of assets held under finance lease which has been transferred to the disposal group held for sale during the year ended 31 December 2016.

15. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 31 December 2015	–
Addition *(Note)*	22,950
Change in fair value	3,250
At 31 December 2016	26,200

Note: The Group purchased investment properties through acquisition of a subsidiary, Multi Kingdom Limited. Other than the investment properties, there are no significant assets and liabilities owned by this subsidiary at the date of completion of acquisition.

All of the Group's property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2016 has been arrived at on the basis of a valuation carried out by Peak Vision Appraisals Limited, independent qualified professional valuers not connected to the Group.

The Group engages third party qualified valuers to perform the valuation. The financial controller works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The financial controller reports the findings to the board of directors of the Company every reporting end to explain the cause of fluctuations in the fair value of the assets and liabilities.

15. INVESTMENT PROPERTIES (Continued)

The fair value was determined based on the income capitalisation approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed based on estimates of future cash flows, supported by the terms of existing lease and reasonable and supportable assumptions that represent what knowledgeable willing parties would assume about rental income for future leases in the light of current conditions. The rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3	**Fair value as at 2016**
	HK$'000	*HK$'000*
Office units located in Hong Kong	26,200	26,200

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

	Valuation technique(s)	**Significant unobservable input(s)**	**Sensitivity**
Office units located in Hong Kong	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of approximately 3.75%.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average of HK$32 per square foot per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

16. GOODWILL

	HK$'000
COST	
Arising on acquisition of subsidiaries *(note 34)*	103,373

For the purposes of impairment testing, goodwill has been allocated to certain cash generating units ("CGUs"), comprising all subsidiaries in the Financial Leasing Segment. During the year ended 31 December 2016, management of the Group determines that there is no impairment of its CGUs containing goodwill.

The basis of the recoverable amount of the Financial Leasing Segment and its major underlying assumptions are summarised below:

The recoverable amount of the Financial Leasing Segment has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and pre-tax discount rate of 13.25%. The Financial Leasing Segment's cash flows beyond the 3-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the Financial Leasing Segment to exceed the aggregate recoverable amount of the Financial Leasing Segment.

17. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2016 HK$'000	2015 HK$'000
Cost of investment in joint ventures, unlisted	594,056	600,039
Share of post-acquisition profits, net of dividends received	144,619	163,813
	738,675	763,852

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Nominal value of registered capital	Form of business structure and country of registration and operation	Proportion of nominal value of registered capital held by the Group		Proportion of voting rights held by the Group		Principal activities
			2016	2015	2016	2015	
Shanghai PME-XINHUA Polishing Materials Systems ("Shanghai PME-XINHUA") *(Note a)*	RMB10,000,000	Sino-foreign joint venture company, PRC	60%	60%	60%	60%	Manufacturing and trading of polishing materials
Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan") *(Note b)*	RMB430,000,000	Sino-foreign joint venture company, PRC	50%	50%	50%	50%	Loading and discharging storage services, leasing of terminal facilities and equipment

Notes:

(a) The Group holds 60% of the registered capital of Shanghai PME-XINHUA, and controls 60% of the voting power in the general meetings. However, under a shareholders' agreement, the decisions on relevant activities of Shanghai PME-XINHUA should be unanimously approved by the Group and another venturer. Therefore, Shanghai PME-XINHUA is regarded as a joint venture of the Group. As at 31 December 2016, interest in Shanghai PME-XINHUA was reclassified to assets classified as held for sale because of the disposal of the Polishing Segment as set out in note 10.

(b) The Group indirectly owns 50% of the equity interests in Rizhao Lanshan. Rizhao Lanshan is a Sino-foreign joint venture company established in the PRC and engaged in provision of terminal and logistics services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong Province of the PRC.

17. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint venture

Summarised financial information in respect of the Group's material joint venture is set out below.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Rizhou Lanshan

	2016 HK$'000	2015 HK$'000
Current assets	228,307	229,814
Non-current assets	1,752,722	1,925,778
Current liabilities	(344,672)	(365,952)
Non-current liabilities	(238,905)	(361,572)

The above amounts of assets and liabilities including the following:

	2016 HK$'000	2015 HK$'000
Cash and cash equivalents	37,617	50,690
Current financial liabilities (excluding trade and other payables and provisions)	(288,004)	(313,750)
Non-current financial liabilities (excluding trade and other payables and provisions)	(185,372)	(308,039)

17. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint venture (Continued)

Rizhou Lanshan (Continued)

	2016 HK$'000	2015 HK$'000
Revenue	**475,333**	619,163
Profit for the year and total comprehensive income for the year	**55,091**	95,180
Dividends received from the joint venture during the year	**–**	104,924

The above profit for the year includes the following:

	2016 HK$'000	2015 HK$'000
Depreciation and amortisation	**(80,885)**	(77,972)
Interest income	**163**	344
Interest expense	**(26,611)**	(31,364)
Income tax expense	**(24,144)**	(31,477)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Rizhao Lanshan recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net assets	**1,397,452**	1,428,068
Proportion of the Group's ownership interest in Rizhao Lanshan	**50%**	50%
	698,726	714,034
Goodwill	**39,949**	39,949
Carrying amount of the Group's interest in Rizhao Lanshan	**738,675**	753,983

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Available-for-sale investments comprise:		
Unlisted equity securities	22,334	2,500
Less: impairment loss recognised in profit or loss	–	(500)
	22,334	2,000

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC (2015: established outside the PRC and Hong Kong). They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

19. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS

	2016 HK$'000	2015 HK$'000
Current finance lease receivables	359,736	–
Non-current finance lease receivables	142,523	–
	502,259	–

Leasing arrangements

Certain of the Group's storage equipment are leased out under finance leases. All leases are denominated in RMB. The average term of finance leases entered into is 4 years.

19. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS (Continued)

Amounts receivable under finance leases

	Minimum lease payments		Present value of lease payments	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not later than one year	**369,935**	–	**359,736**	–
Later than one year and not later than two years	**52,035**	–	**46,768**	–
Later than two years and not later than five years	**100,945**	–	**95,755**	–
	522,915	–	**502,259**	–
Less: unearned finance income	**(20,656)**	–	**N/A**	N/A
Present value of minimum lease payments receivable	**502,259**	–	**502,259**	–

The Group's finance lease receivables are denominated in RMB. The effective interest rates of the finance leases as at 31 December 2016 range from 4.28% to 7.05% per annum.

As at 31 December 2016, finance lease receivables amounting to HK$243,310,000 were guaranteed by related parties of customers and secured by the leased assets and customers' deposits.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that needed to be recorded as at the end of the reporting period.

As at 31 December 2016, the finance lease receivables with carrying amounts of HK$277,869,000 were pledged as security for the Group's borrowings (note 27).

Deposits of HK$93,380,000 (2015: nil) have been received by the Group to secure certain finance lease receivables and classified into current or non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements. The deposits are non-interest bearing, carried effective interest rate at 4.75% per annum. In addition, the finance lease receivables are secured over the leased assets, mainly plant and machinery leased, as at 31 December 2016. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee.

19. FINANCE LEASE RECEIVABLES/DEPOSITS RECEIVED FROM CUSTOMERS (Continued)

Amounts receivable under finance leases (Continued)

Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

As at 31 December 2016, with the consent from the relevant lessees, certain of these assets have been repledged to secure borrowings of the Group as set out in note 27.

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

Security deposits received from customers as at 31 December 2016 represent finance lease deposits received from customers which are repayable by end of the lease period of the respective finance leases.

20. LOAN RECEIVABLES

	2016 HK$'000	2015 HK$'000
Carrying amount receivable based on maturity set out in the loan agreements		
Within one year	35,584	–
More than one year but less than two years	33,501	–
	69,085	–

As at 31 December 2016, the Group's subsidiary, 北京恒嘉國際融資租賃有限公司 (Beijing Ever Grand International Finance Lease Co., Ltd., "BJ Ever Grand"), invested in loan receivables of RMB35,000,000 (equivalent to approximately HK$39,085,000) through trust products issued by financial institutions in the PRC. Such loan receivables carried fixed interest rate ranging from 7.0% to 10.0% per annum with maturities in November 2017 to January 2019.

During the year ended 31 December 2016, the Group entered in a loan agreement with an individual borrower (the "Borrower") who is an independent third party. The loan of HK$30,000,000 is unsecured, interest bearing at a fixed interest rate of 10% per annum, repayable on 3 February 2017 and guaranteed by another individual guarantor (the "Guarantor"). The Borrower and the Guarantor are the director and shareholder, respectively, of a listed company in Hong Kong. On 7 February 2017, the Group entered into a loan extension agreement with the Borrower and the Guarantor, pursuant to which half of the loan receivable is repayable on 5 July 2017 and the other half is repayable on 29 December 2017.

During the year ended 31 December 2016, the Group received interest income of HK$4,544,000 (2015: Nil) and recognised as other income.

As at 31 December 2016, no loan receivables have been past due or impaired.

21. INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	–	8,746

22. TRADE RECEIVABLES, SERVICE INCOME RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The normal credit period given on service income is 0 – 5 days. The credit period relating to service income receivables provided to customers can be longer based on a number of factors including the customer's credit profile and relationship with the customers. The normal credit period given on the sale of goods relating to the Polishing Segment is 0 – 90 days.

The following is an aged analysis of trade receivables and service income receivables, net of allowance for bad and doubtful debts, presented based on the date of recognition of revenue for service income relating to service income receivables, or based on invoice dates for the sale of goods relating to the Polishing Segment at the end of the reporting period, which approximated the revenue recognition dates:

	2016 ***HK$'000***	2015 *HK$'000*
Trade and service income receivables		
0–30 days	**–**	9,558
31–60 days	**3,853**	4,935
61–90 days	**–**	5,394
91–180 days	**2,983**	6,636
181–365 days	**7,767**	–
Over 365 days	**10,782**	–
Trade and service income receivables	**25,385**	26,523
Less: Amount not receivable within one year shown under non-current asset	**(10,782)**	–
	14,603	26,523
Other receivables, deposits and prepayments	**6,863**	3,075
	21,466	29,598

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. The Group has policy for allowance of bad and doubtful debts which is based on an evaluation of the collectability and age analysis of accounts on every individual trade debtor basis and on management's judgment including creditworthiness and the past collection history of each customer.

22. TRADE RECEIVABLES, SERVICE INCOME RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

As at 31 December 2016, the Group's trade and service income receivables are neither past due nor impaired. As at 31 December 2015, included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK$6,636,000 which were past due for which the Group had not provided for impairment loss because they were either subsequently settled or there was no historical default of payments by the respective customers. The Group did not hold any collateral over these balances. The average age of these receivables was 150 days.

Ageing of trade receivables which are past due but not impaired

	2016 ***HK$'000***	2015 *HK$'000*
Within 30 days	**–**	6,636

Movement in the allowance for bad and doubtful debts

	2016 ***HK$'000***	2015 *HK$'000*
Balance at beginning of the year	**1,133**	1,133
Written off	**(1,133)**	–
Balance at end of the year	**–**	1,133

The following is the breakdown of other receivables, deposits and prepayments:

	2016 ***HK$'000***	2015 *HK$'000*
Prepayments	**1,549**	815
Deposits	**839**	615
Other receivables	**4,475**	1,645
	6,863	3,075

Other receivables are unsecured, interest-free and will be settled within twelve months after the end of reporting period. Deposits mainly represented trade deposits paid to third parties.

23. CONVERTIBLE BONDS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Convertible bonds designated as financial assets at fair value through profit or loss	–	36,450

On 1 March 2013, the Group subscribed a convertible bond amounted to HK$32,000,000 which is newly issued by China Fortune Financial Group Limited ("China Fortune CB") and used to settle the same amount due from China Fortune Financial Group Limited ("China Fortune"). China Fortune CB is a three-year 5% coupon rate convertible bonds with a principal amount of HK$32,000,000 issued by China Fortune. The convertible bond can be converted, in an amount of not less than HK$500,000, into new ordinary shares of China Fortune at any time within a period of three years following the date of issue at a conversion price of HK$0.1 per share. On 27 June 2016, the Group entered into another subscription agreement with China Fortune to renew the China Fortune CB with another two-year 5% coupon rate convertible bonds with a principal amount of HK$32,000,000 issued by China Fortune ("New China Fortune CB"). The New China Fortune CB can be converted, in an amount of not less than HK$500,000, into new ordinary shares of China Fortune at any time within a period of two years following the date of issue at a conversion price of HK$0.104 per share. The Group shall not convert the bond if, upon such issue, the Group and the parties acting in concert with it, shall be interested in 30% or more of the then enlarged issued share capital of China Fortune at the date of the relevant conversion.

On 9 November 2016, the Group converted the New China Fortune CB into 307,692,307 shares of China Fortune, resulted in a gain on fair value change of convertible bonds of approximately HK$58,935,000 based on the market value of the shares of China Fortune converted. On the same date, from the shares of China Fortune converted, the Group transferred 153,800,000 shares, at fair value of HK$47,678,000 based on quoted market price of the shares on the date of transfer, to a creditor to settle a loan amounted to HK$32,000,000 pursuant to a deed of settlement signed between the Group and a creditor on the same date, resulting a loss on extinguishment of HK$15,678,000. The conversion, together with the settlement of the loan, resulted in a net gain on fair value change of approximately HK$43,257,000 in the consolidated statement of profit or loss.

As at 31 December 2015, fair value of the China Fortune CB had been determined in accordance with a valuation report issued by Peak Vision Appraisals Limited, an independent valuer not connected to the Group, using the Binomial Option Pricing Model. A loss on fair value change of approximately HK$8,778,000 was recognised in consolidated statement of profit or loss during the year ended 31 December 2015.

24. HELD FOR TRADING INVESTMENTS

	2016 HK$'000	2015 HK$'000
Listed equity securities:		
– in Hong Kong	102,971	44,117
– in Mainland China	9,993	–
	112,964	44,117

25. DEPOSITS PLACED WITH NON-BANK FINANCIAL INSTITUTIONS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

	2016 HK$'000	2015 HK$'000
Deposits placed with non-bank financial institutions	17,763	54,720
Restricted bank deposits		
– current portion	52,219	–
– non-current portion	53,393	–
Bank balances and cash	81,236	394,867

Deposits placed with non-bank financial institutions are for trading in securities and interest bearing at prevailing market rates ranging from 0.01% to 0.05% (2015: 0.01% to 0.05%) per annum.

Restricted bank deposits were pledged to banks to secure bank borrowings granted to the Group as set out in note 27 and interest bearing at a prevailing market rates ranging from 2.0% to 4.4% per annum.

Bank balances carry interest at prevailing market rates which range from 0.01% to 1.29% (2015: 0.01% to 1.45%) per annum.

25. DEPOSITS PLACED WITH NON-BANK FINANCIAL INSTITUTIONS, RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH
(Continued)

Included in deposits placed with non-bank financial institutions, restricted bank deposits and bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate:

	2016 HK$'000	2015 HK$'000
RMB	417	234
USD	1	113,615
Japanese Yen	–	628
Euro	–	42

26. TRADE PAYABLES, SERVICE COST PAYABLES AND OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Trade payables	–	5,254
Service cost payables	28,383	–
Accrual	26,259	14,482
VAT payables	45	–
Other payables	12,281	53,018
	66,968	72,754
Less: Amount not payable within one year shown under non-current liability	(8,800)	–
	58,168	72,754

Trade and other payables and accruals principally comprise amounts outstanding for trade purposes and ongoing costs.

Trade payables principally comprise amounts outstanding for trade purchases. The normal credit period taken for trade purchases is 0 – 90 days. The normal credit period of service cost is 0 – 5 days.

26. TRADE PAYABLES, SERVICE COST PAYABLES AND OTHER PAYABLES AND ACCRUALS (Continued)

An aged analysis of the Group's trade payables and service cost payables at the end of the reporting period presented based on the invoice dates is as follows:

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**4,365**	3,398
31–60 days	**11,597**	927
61–90 days	**–**	890
91–180 days	**2,190**	39
181–365 days	**1,431**	–
Over 365 days	**8,800**	–
	28,383	5,254

Included in trade and other payables and accruals are the following amounts denominated in currencies other than the function currency of the relevant group entity to which they relate:

	2016	2015
	HK$'000	*HK$'000*
USD	**–**	66
Japanese Yen	**–**	4,045
Euro	**–**	958
RMB	**–**	98

27. BORROWINGS

	2016 HK$'000	2015 HK$'000
Secured:		
Bank borrowings *(note i)*	68,264	–
Other borrowings *(note i)*	209,605	–
Other loans *(note ii)*	–	2,293
	277,869	2,293

The borrowings are repayable as follows:*

	2016 HK$'000	2015 HK$'000
Within one year	135,346	2,293
Within a period of more than one year but not exceeding two years	46,767	–
Within a period of more than two years but not exceeding five years	95,756	–
	277,869	2,293
Less: Amounts due within one year shown under current liabilities	(135,346)	(2,293)
Amounts shown under non-current liabilities	142,523	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

(i) The bank and other borrowings at 31 December 2016 are interest bearing at floating rates ranged from 4.28% to 5.25% per annum, secured by the machineries leased to customers under finance lease, restricted bank deposits and/or finance lease receivables of the Group, and guaranteed by a finance lease customer or shareholders of certain finance lease customers, except for an amount of approximately HK$34,559,000 which is unguaranteed.

(ii) The other loan represents a loan obtained from an insurance company, an independent third party of the Group, pursuant to the policy terms under the insurance agreement entered by the Group, which is interest bearing at a fixed rate of 7.5% per annum, secured and unguaranteed. As at 31 December 2016, the other loan has been classified as liabilities associated with assets classified as held for sale as set out in note 10.

28. OBLIGATIONS UNDER FINANCE LEASES

	2016 HK$'000	2015 HK$'000
Analysed for reporting purposes as:		
Current liabilities	–	302
Non-current liabilities	–	555
	–	857

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.65% to 2.25% per annum. As at 31 December 2016, the obligations under finance leases have been classified as liabilities associated with assets classified as held for sale.

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Obligations under finance leases payable:				
Within one year	–	330	–	302
Within a period of more than one year but not more than two years	–	252	–	235
Within a period of more than two years but not more than five years	–	333	–	320
	–	915	–	857
Less: future finance charges	–	(58)	–	–
Present value of lease obligations	–	857	–	857
Less: Amount due for settlement with 12 months (shown under current liabilities)			–	(302)
Amount due for settlement after 12 months			–	555

29. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	40,000,000	400,000
Issued and fully paid:		
At 1 January 2015, 31 December 2015 and 31 December 2016	11,919,198	119,192

30. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group and the movement thereon, during the current and prior years.

	Imputed interest on deposits received from customers HK$'000	Undistributed profits of subsidiaries and joint ventures HK$'000	Total HK$'000
At 1 January 2015	–	17,858	17,858
Credit to profit or loss	–	(3,085)	(3,085)
At 31 December 2015	–	14,773	14,773
Acquisition of subsidiaries *(note 34)*	1,615	–	1,615
Exchange differences	(18)	–	(18)
(Credit) charge to profit or loss *(note 9)*	(1,013)	2,141	1,128
Transfer to liabilities associated with assets classified as held for sale	–	(304)	(304)
At 31 December 2016	**584**	**16,610**	**17,194**

30. DEFERRED TAX (Continued)

At 31 December 2016, other than the deferred tax liabilities mentioned above, subsidiaries of the Group had unused tax losses of approximately HK$52,948,000 (2015: HK$36,513,000) available for offset against future profit. No deferred tax asset has been recognised due to the unpredictability of future profit streams of those subsidiaries. The unused tax losses may be carried forward indefinitely.

As at 31 December 2016, the Group had deductible temporary differences of approximately HK$12,360,000 (2015: HK$6,025,000). 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 differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries and joint ventures from 1 January 2008 onwards. Withholding tax has been fully provided at 5% (2015: 5%) on the distributable profits of the Group's PRC subsidiaries and joint ventures and included in deferred taxation.

31. SHARE-BASED PAYMENT TRANSACTIONS

The Company's new share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 29 July 2016 for the primary purpose of providing incentives to directors and eligible employees (the "Grantees"). Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company, to subscribe for shares in the Company.

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 145,500,000, representing 1.2% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options are divided into 3 tranches, namely Tranch 1, Tranch 2 and Tranch 3, and are exercisable, subject to the fulfilment of vesting conditions which, among others, includes the achieving of specific annual financial performance target of a subsidiary of the Company for each of the year ended 31 December 2016, 2017 and 2018 for Tranch 1, Tranch 2 and Tranch 3 respectively, that whether achieved or not would be confirmed around the time in the first quarter of the following year then vest, to the fifth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses the movements of the Company's share options granted during the year ended 31 December 2016:

Name of participant	Date of grant	Exercisable period	Exercise price	Number of share options outstanding at 1 January				Granted during the year				Number of share options outstanding at 31 December			
				Tranch 1	Tranch 2	Tranch 3	Total	Tranch 1	Tranch 2	Tranch 3	Total	Tranch 1	Tranch 2	Tranch 3	Total
Executive Directors															
Qiao Weibing	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	3,333,333	3,333,333	3,333,334	10,000,000	3,333,333	3,333,333	3,333,334	10,000,000
Lai Ka Fai	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	1,333,333	1,333,333	1,333,334	4,000,000	1,333,333	1,333,333	1,333,334	4,000,000
Tao Ke	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	1,000,000	1,000,000	1,000,000	3,000,000	1,000,000	1,000,000	1,000,000	3,000,000
Independent non-executive Directors															
Goh Choo Hwee	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	666,667	666,667	666,666	2,000,000	666,667	666,667	666,666	2,000,000
Ho Hin Yip	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	666,667	666,667	666,666	2,000,000	666,667	666,667	666,666	2,000,000
U Keng Tim	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	666,667	666,667	666,666	2,000,000	666,667	666,667	666,666	2,000,000
Chief Executive Officer															
Liu Bing	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	3,333,333	3,333,333	3,333,334	10,000,000	3,333,333	3,333,333	3,333,334	10,000,000
Employees															
Wang Liang	8.12.2016	Upon vesting of options to 28.7.2021	0.12	–	–	–	–	3,333,333	3,333,333	3,333,334	10,000,000	3,333,333	3,333,333	3,333,334	10,000,000
Other participants	8.12.2016	Upon vestingof options to 28.7.2021	0.12	–	–	–	–	34,166,667	34,166,667	34,166,666	102,500,000	34,166,667	34,166,667	34,166,666	102,500,000
				–	–	–	–	48,500,000	48,500,000	48,500,000	145,500,000	48,500,000	48,500,000	48,500,000	145,500,000
Exercisable at the end of the reporting period												–	–	–	–

During the year ended 31 December 2016, options were granted on 8 December 2016. The estimated fair values of the options granted is HK$5,270,000.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

Share price on 8 December 2016	0.10
Exercise price	0.12
Expected volatility	63.64%
Expected life	4.6 years
Risk-free rate	1.18%
Expected dividend yield	0.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$1,982,000 (2015: nil) for the year ended 31 December 2016 in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

32. OPERATING LEASE ARRANGEMENT

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments of HK$844,000 (2015: HK$143,000) within one year.

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**2,566**	1,686
In the second to fifth year inclusive	**5,014**	519
	7,580	2,205

Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

33. RETIREMENT BENEFITS SCHEMES

The operating subsidiaries in Hong Kong joined the mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions at 5% of the relevant payroll of the employees to the MPF Scheme, capped at HK$1,500 per employee per month. The obligation of the Group with respect of MPF Scheme is to make the required contribution under the MPF Scheme. The retirement benefits cost charged to the consolidated statement of profit or loss represent contributions paid and payable to the MPF Scheme by the Group.

The PRC employees of the subsidiary in the PRC are members of the pension scheme operated by the PRC local government. The subsidiary is required to contribute 20% – 22% of the relevant payroll of these employees to the pension scheme to fund the benefits. The only obligation for the Group with respect of the pension scheme is the required contributions under the pension scheme.

During the year, the Group made retirement benefits scheme contributions of approximately HK$2,729,000 (2015: HK$918,000).

34. ACQUISITION OF SUBSIDIARIES

On 21 July 2015, the Group entered into an acquisition agreement with Mr. Wong Lik Ping ("Mr. Wong"), the chairman of the Board, an executive director and a shareholder of the Company, for the acquisition of the entire share capital of Ever Grand Capital, which indirectly held 41.67% equity interest in BJ Ever Grand through its subsidiary, namely Hong Kong Ever Grand Capital Limited ("HK Ever Grand"), together with the settlement of shareholder's loan amounted to HK$89,724,000, at a consideration of RMB170,847,000 (equivalent to approximately HK$203,033,000). On the same date, HK Ever Grand entered into a capital injection agreement with the other shareholder of BJ Ever Grand, pursuant to which HK Ever Grand injected US$6,000,000 (equivalent to approximately HK$46,800,000) to the registered capital of BJ Ever Grand. After the capital injection, the Group effectively held 51.39% of BJ Ever Grand through Ever Grand Capital. The acquisition and capital injection were completed on 7 January 2016. The Group considers that the acquisition and capital injection is a good opportunity for it to diversify its business and develop new revenue streams.

	HK$'000
Consideration and capital injection	
Cash	249,833

Assets acquired and liabilities recognised at the date of completion of acquisition and capital injection:

	HK$'000
Plant and equipment	2,159
Available-for-sale investments	11,230
Finance lease receivables	477,447
Service income receivables	4,155
Loan receivables	23,298
Other receivables, deposits and prepayments	57,824
Held for trading investments	12,482
Restricted bank deposits	152,420
Bank balances and cash	209,446
Service cost payables	(8,527)
Other payables and accruals	(83,644)
Deposits received from customers	(145,122)
Bank borrowings	(408,787)
Tax payable	(18,063)
Deferred tax liabilities	(1,615)
	284,703

34. ACQUISITION OF SUBSIDIARIES (Continued)

The fair value of service income and other receivables, loan receivables and finance lease receivables at the date of the completion of acquisition and capital injection amounted to HK$562,724,000. The gross contractual amounts of those service income and other receivables, loan receivables and finance lease receivables acquired amounted to HK$562,724,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is none.

	HK$'000
Goodwill arising on acquisition:	
Consideration transferred	249,833
Plus: non-controlling interests (48.61% in BJ Ever Grand)	138,243
Less: net assets acquired	(284,703)
Goodwill arising on acquisition	103,373

The non-controlling interests (48.61%) in BJ Ever Grand recognised at the acquisition date was measured by reference to the proportionate share of net assets acquired of the non-controlling interests and amounted to HK$138,243,000.

Goodwill arose in the acquisition of Ever Grand Capital because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development mainly in finance lease consulting services and the assembled workforce of Ever Grand Capital. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Ever Grand Capital

	HK$'000
Cash consideration paid	249,833
Less: cash and cash equivalent balances acquired	(209,446)
	40,387

Included in the profit for the year is HK$45,270,000 attributable to the additional business generated by Ever Grand Capital. Revenue for the year includes HK$221,212,000 generated from Ever Grand Capital.

34. ACQUISITION OF SUBSIDIARIES (Continued)

Net cash outflow on acquisition of Ever Grand Capital (Continued)

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been approximately HK$221,212,000, and profit for the year would have been approximately HK$45,270,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

35. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2016, the Group entered in sale and purchase agreements with several independent third parties to dispose of the entire share capital of several of its subsidiaries. The aggregate considerations were HK$2,130,000 in cash. The disposals of the subsidiaries were all completed in the current year.

The aggregate net liabilities of the subsidiaries at the date of disposal were as follows:

	HK$'000
Held for trading investments	2,117
Deposits placed with non-bank financial institutions	1,787
Bank balances and cash	8
Other payables	(415)
Tax payable	(20,536)
Net liabilities disposed of	(17,039)
Gain on disposal of subsidiaries:	
Considerations received	2,130
Net liabilities disposed of	17,039
Non-controlling interests	845
Cumulative exchange gain in respect of the net liabilities of subsidiaries reclassified from equity to profit or loss	818
Cumulative investment revaluation reserve reclassified from equity to profit or loss	(285)
Gain on disposals	20,547
Net cash inflow arising on disposal:	
Cash considerations	2,130
Less: Bank balances and cash disposed of	(8)
	2,122

36. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debts, which include the bank and other borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Categories of financial instruments

	2016 *HK$'000*	2015 *HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	806,654	479,157
Available-for-sale investments	22,334	2,000
FVTPL		
– Held for trading investments	112,964	44,117
– Designated as at FVTPL	–	36,450
Financial liabilities		
Amortised cost	438,172	75,047

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held for trading investments, loan receivables, trade receivables, service income receivables, other receivables and deposits, finance lease receivables, restricted bank deposits, bank balances and cash, deposits placed with non-bank financial institutions, trade payables, service cost payables and other payables and accruals, borrowings and deposits received from customers. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Currency risk

During the year ended 31 December 2015, several subsidiaries of the Group in the Polishing Segment had foreign currency sales and purchases, which exposed the Group to foreign currency risk. During the year ended 31 December 2016, the Group has transferred the Polishing Segment to disposal group held for sale and there were no significant foreign currency denominated monetary assets and liabilities apart from those in the Polishing Segment. Therefore the directors consider that the Group was exposed to currency risk on its foreign currencies denominated monetary assets and liabilities mainly in the Polishing Segment.

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

	Assets		Liabilities	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollars ("USD")	–	113,762	–	66

As HK$ is pegged with USD no significant currency risk is expected by the management. Management monitors foreign exchange exposure and will consider hedging significant foreign currency expose should the need arise.

Interest rate risk

As at 31 December 2016, the Group's fair value interest rate risk relates primarily to its loan receivables.

As at 31 December 2016 and 2015, the Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings, finance lease receivables, all deposits and balances with non-bank financial institutions and banks.

The Group currently does not have a cash flow interest rate hedging policy. However, the management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise. A 100 basis points (2015: 100 basis points) change represents management's assessment of the reasonably possible change in interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China Rate arising from the Group's variable interest rate bank borrowings and finance lease receivables.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The management considers that the Group's exposure to future cash flow risk on all variable-rate deposits and balances with non-bank financial institutions and banks as a result of the change of market interest rate is insignificant and thus variable-rate deposits and balances with non-bank financial institutions are not included in the sensitivity analysis.

The sensitivity analysis is prepared assuming the relevant financial instruments outstanding at the end of the reporting period were outstanding for the whole year. If the interest rate of borrowings and finance lease receivables had been 100 basis points (2015: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would increase/decrease by HK$1,831,000 (2015: Nil). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings and finance lease receivables.

Other price risk

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities and convertible bonds. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments listed in The Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange and Shenzhen Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. If the prices of the respective equity instruments had been 30% (2015: 30%) higher/lower, post-tax profit for the year ended 31 December 2016 would increase/decrease by HK$28,043,000 (2015: HK$13,235,000) as a result of the changes in fair value of held for trading investments.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

The Group's credit risk is primarily attributable to trade receivables, service income receivables, other receivables, deposits, finance lease receivables, deposits placed with non-bank financial institutions, loan receivables, restricted bank deposits, and bank balances.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2016 and 2015 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 management of the Group 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 debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For finance lease receivables, the Group has closely monitored the recoverability and ensured adequate collaterals are received from these customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2016, the Group invested in certain loan receivables. Before investing in these loan receivables, the Group assesses the credit quality of the loan borrowers and defines the terms of the loans. The Group has concentration of risk on the loan receivables as the loans are made to 3 borrowers, which are private companies in the PRC and an individual in Hong Kong. During the year ended 31 December 2016, the Group received interest income of HK$4,544,000 (2015: Nil) and recognised as other income. In view of the timely interest repayment and the monitoring procedures adopted by the management, in the opinion of the directors, the credit risk in respect to the loan receivables could be monitored.

The Group's bank balances and deposits are deposited with banks and non-bank financial institutions in Hong Kong and the PRC and the Group has limited the exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

As at 31 December 2016, the Group had certain concentration of credit risk as 75% and 100% of the aggregated amount of finance lease receivables and service income receivables (2015: 30% and 51% of the total trade receivables) are due from the Group's largest and the five largest customers respectively, which are mainly state owned enterprises or sizeable private owned enterprises in the PRC (2015: mainly private companies in Hong Kong and the PRC). The management exercises due care in granting credit and checking the background of these counterparties on a regular basis and closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Directors consider that liquidity risk is limited after considering the future cash flows of the Group in the foreseeable future, including the repayment schedule of bank borrowings as discussed above and the short-term liabilities which are required to be repaid within three months from the end of the reporting period. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Weighted average effective interest rate	Within 1 year	1-2 years	3-5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016						
Trade and other payables and accruals	–	38,540	–	–	38,540	38,540
Service cost payables	–	19,583	8,800	–	28,383	28,383
Borrowings	5.10	157,626	52,035	100,945	310,606	277,869
Deposit received from customers	4.75	62,066	33,501	–	95,567	93,380
		277,815	94,336	100,945	473,096	438,172
As at 31 December 2015						
Trade and other payables and accruals	–	72,754	–	–	72,754	72,754
Obligations under finance leases	4.08	330	252	333	915	857
Other loans	7.5	2,465	–	–	2,465	2,293
		75,549	252	333	76,134	75,904

36. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

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

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

Some of the Group's financial assets 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 are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	2016 *HK$'000*	2015 *HK$'000*		
Convertible bonds designated as financial assets at FVTPL	–	36,450	Level 3	Binomial option pricing model is employed in deriving the fair value of the convertible bonds. The main inputs include term to maturity, dividend yield, risk-free rate, credit risk rate of the issuer, spot price as of the valuation date, exercise price and expected volatility of stock price.
Held for trading investments	112,964	44,117	Level 1	Quoted bid prices in active market

There were no transfers between Level 1 and 2 during both years.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

37. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2016, the Group entered into finance lease receivables transfer agreements (the "Agreements") and transferred certain finance lease receivables (the "Transferred Lease Receivables") to banks and other financial institutions for financing. Under the Agreements, the banks and other financial institutions have recourse right and the Group has the obligation to reimburse the banks and other financial institutions for loss of rental if any lessees have late and default payment. As the Group has not transferred the significant risks relating to these finance lease receivables, it continues to recognise in full carrying amount of the finance lease receivables and has recognised the cash received on the transfer as secured borrowings. The original carrying value of the finance lease receivables transferred under the Agreements that have not been settled as at 31 December 2016 amounted to HK$277,869,000 (2015: nil). Accordingly, the carrying amount of the assets that the Group continued to recognise as at 31 December 2016 amounted to HK$277,869,000 (2015: nil) and that of the associated liabilities as at 31 December 2016 amounted to HK$277,869,000 (2015: nil) and recorded as borrowings under note 27.

Transferred financial assets that are derecognised in their entirety

At 31 December 2016, the Group entered into certain other finance lease receivables transfer agreements (the "Non-recourse Agreements") and transferred certain finance lease receivables (the "Non-recourse Transferred Lease Receivables") to banks and other financial institutions for financing without recourse with an aggregate amount of HK$18,457,161,000 (2015: nil). Under the Non-recourse Agreements, the banks and other financial institutions do not have recourse right and the Group does not have the obligation to reimburse the banks and other financial institutions for loss of rental if any lessees have late and default payment. In the opinion of the directors of the Company, the Group has transferred substantially all risks and rewards relating to these Non-recourse Transferred Lease Receivables. Accordingly, it has derecognised the full carrying amounts of the Non-recourse Transferred Lease Receivables and the associated liabilities. During the year ended 31 December 2016, the Group has not recognised any loss in relation to the continuing involvement, both during the period or cumulatively.

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38. NON-CASH TRANSACTIONS

On 9 November 2016, the Group converted the New China Fortune CB into 307,692,307 shares of China Fortune. From the shares of China Fortune converted, the Group transferred 153,800,000 shares, at fair value of HK$47,678,000 based on quoted market price of the shares on the date of transfer, to a creditor to settle a loan amounted to HK$32,000,000 pursuant to a deed of settlement signed between the Group and a creditor on the same date, resulting a loss on extinguishment of HK$15,678,000. The loan was derecognised upon completion of the transfer of shares.

During the year ended 31 December 2016, repayment of borrowings of HK$296,365,000 (2015: nil) in respect of the Transferred Lease Receivables as set out in note 37 was made by relevant lessees directly to banks and other financial institutions.

39. RELATED PARTY TRANSACTIONS

Same as disclosed elsewhere in the consolidated financial statements, during the year the Group had the following transactions with related parties.

(a) **The Group had the following transactions with its joint ventures and partner of joint ventures during the year:**

	2016	2015
	HK$'000	*HK$'000*
Discontinued operation:		
Joint ventures		
Sales of polishing materials	**2,699**	2,580
Purchase of polishing materials	**140**	74
Continuing operations:		
Fellow subsidiaries of a partner of a joint venture		
Service charges paid	**112,509**	197,155
Leasing income	**99,813**	79,049

(b) The remuneration of key management personnel of the Group, represented directors and chief executive, during the year are set out in Note 8. The remuneration of directors and chief executive is determined by the remuneration committee having regard to the performance of individuals and market trend.

(c) During the year ended 31 December 2016, the Group acquired the entire share capital of Ever Grand Capital from Mr. Wong. Details of the acquisition are set out in note 34.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries of the Company at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital (note a)	Proportion of nominal value of issued share capital held by the Company 2016	2015	Principal activities
Indirectly held by the Company					
Fook Cheong Ho International Limited	Hong Kong	5% non-voting deferred shares HK$300,000 *(note b)* Ordinary shares HK$1,000,000	100%	100%	Trading of polishing materials and equipment
PME International Company Limited	Hong Kong	5% non-voting deferred shares HK$19,200,000 *(note b)* Ordinary shares HK$100,000	100%	100%	Investment holding and trading of polishing materials and equipment
Able Winner International Limited	Hong Kong	Ordinary shares HK$1	100%	100%	Investment holding
Sunbright Asia Limited#	British Virgin Islands ("BVI")	Ordinary shares US$1,000	–	100%	Investment holding
One Express Group Limited	BVI	Ordinary shares US$1,000	100%	100%	Investment holding
Betterment Enterprises Limited#	BVI	Ordinary shares US$10,000	–	99.49%	Investment holding
Upmove International Limited	Hong Kong	Ordinary share HK$1	100%	100%	Investment holding
Elegant Basic Investments Limited	BVI	Ordinary shares US$100	100%	100%	Investment
TF Advances Limited	Hong Kong	Ordinary shares HK$1	100%	100%	Treasury investment activities including money lending
Multi Kingdom Investment Limited	BVI	Ordinary shares US$100	100%	N/A	Property investment
Amaze Global Limited	BVI	Ordinary shares US$1,000	100%	100%	Office management
BJ Ever Grand^	PRC	US$36,000,000	51.39%	N/A	Provision of finance lease and related consulting services in the PRC
恒嘉(天津)融資租賃有限公司 Ever Grand (Tianjin) Finance Lease Co., Ltd. ("TJ Ever Grand")*	PRC	RMB$200,000,000	51.39%	N/A	Provision of finance lease and related consulting services in the PRC

\# Disposed during the year ended 31 December 2016
* English name for reference only
^ The subsidiary is a sino-foreign equity joint venture

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) All principal subsidiaries operate principally in Hong Kong except BJ Ever Grand and TJ Ever Grand.

(b) The 5% non-voting deferred shares are not held by the Group and practically carrying no right to dividend or to receive notice of or to attend or vote at any annual general meeting of the companies.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31 December 2016 and 2015 or at anytime during the years. As at 31 December 2015, the Group's subsidiaries did not have any material non-controlling interests.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
BJ Ever Grand	PRC	48.61%	N/A	22,015	N/A	152,695	N/A

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

BJ Ever Grand and its wholly owned subsidiary

	2016 HK$'000
Current assets	472,706
Non-current assets	263,826
Current liabilities	(239,928)
Non-current liabilities	(182,482)
Equity attributable to owners of the Company	161,427
Non-controlling interests	152,695
Revenue	221,212
Expenses	(194,799)
Profit for the period	45,270
Profit attributable to owners of the Company	23,255
Profit attributable to the non-controlling interests	22,015
Profit for the period	45,270
Other comprehensive expense attributable to owners of the Company	(8,033)
Other comprehensive expense attributable to the non-controlling interests	(7,563)
Other comprehensive expense for the period	(15,596)
Total comprehensive income attributable to owners of the Company	15,222
Total comprehensive income attributable to the non-controlling interests	14,452
Total comprehensive income for the period	29,674
Dividends paid to non-controlling interests	–
Net cash outflow from operating activities	(367,194)
Net cash outflow from investing activities	(4,953)
Net cash inflow from financing activities	182,639
Net cash outflow	(189,508)

41. EVENT AFTER THE REPORTING PERIOD

On 5 January 2017, all applicable conditions precedent of the Disposal has been satisfied and the Disposal was completed, resulted in a loss on disposal of subsidiaries of approximately HK$114,000. Upon the completion of the Disposal, the Group ceased to hold any equity interest in the subsidiaries which engaged in the Polishing Segment.

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 *HK$'000*	2015 *HK$'000*
Non-current assets		
Investment in subsidiaries	163,546	123,248
Amounts due from subsidiaries	432,686	–
	596,232	123,248
Current assets		
Other receivables, deposits and prepayments	1,817	1,091
Amounts due from subsidiaries	29,000	624,114
Bank balances and cash	2,014	578
	32,831	625,783
Current liabilities		
Amounts due to subsidiaries	76,354	277,881
Other payables and accruals	24,763	15,323
	101,117	293,204
Net current (liabilities) assets	(68,286)	332,579
Total assets less current liabilities	527,946	455,827
Capital and reserves		
Share capital	119,192	119,192
Reserves	408,754	336,635
Total equity	527,946	455,827

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2015	1,520,921	63,700	(1,225,930)	358,691
Loss and total comprehensive expense for the year	–	–	(22,056)	(22,056)
Share options lapsed	–	(63,700)	63,700	–
At 31 December 2015	1,520,921	–	(1,184,286)	336,635
Profit and total comprehensive income for the year	–	–	70,137	70,137
Recognition of equity-settled share-based payments	–	1,982	–	1,982
At 31 December 2016	**1,520,921**	**1,982**	**(1,114,149)**	**408,754**

FINANCIAL SUMMARY

For the year ended 31 December 2016

RESULTS

	Year ended 31 December				
	2012 *HK$'000* (Restated)	2013 *HK$'000* (Restated)	2014 *HK$'000* (Restated)	2015 *HK$'000* (Restated)	**2016** ***HK$'000***
Continuing operations					
Revenue	–	–	–	–	**221,212**
Profit before taxation	30,425	138,249	55,065	6,383	**96,844**
Income tax (expense) credit	(8,644)	(11,322)	(22,918)	3,568	**(17,651)**
Profit for the year from continuing operations	21,781	126,927	32,147	9,951	**79,193**
Discontinued operation					
Loss for the year from discontinued operation	(24,209)	(18,420)	(4,540)	(6,503)	**(27,365)**
(Loss)/profit for the year	(2,428)	108,507	27,607	3,448	**51,828**
(Loss)/profit for the year attributable to:					
– Owners of the Company	(2,426)	108,507	27,607	3,448	**29,813**
– Non-controlling interests	(2)	–	–	–	**22,015**
	(2,428)	108,507	27,607	3,448	**51,828**

ASSETS AND LIABILITIES

	As at 31 December				
	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	2014 *HK$'000*	**2016** ***HK$'000***
Total assets	874,544	1,368,516	1,403,565	1,336,047	**1,833,875**
Total liabilities	(227,436)	(143,424)	(149,550)	(127,659)	**(493,978)**
	647,108	1,225,092	1,254,015	1,208,388	**1,339,897**
Equity attributable to owners of the Company	646,263	1,224,247	1,253,170	1,207,543	**1,187,202**
Non-controlling interests	845	845	845	845	**152,695**
	647,108	1,225,092	1,254,015	1,208,388	**1,339,897**