CONVOY 康宏

CONVOY GLOBAL HOLDINGS LIMITED
康宏環球控股有限公司

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：1019

Innovation and Excellence 創新卓越

ANNUAL REPORT 2016 年報

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wong Lee Man *(Chairman)*
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu (resigned on 31 March 2016)
Mr. Tan Ye Kai, Byron
Mr. Ng Wing Fai
Ms. Chan Lai Yee (appointed on 15 February 2017)
Dr. Cho Kwai Chee (appointed on 9 March 2017)

NON-EXECUTIVE DIRECTOR

Mr. Wang John Hong-chiun (appointed on 5 October 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Yiu Ho, Peter
Mr. Lam Chi Keung (retired on 22 June 2016)
Mr. Chan Ngai Sang, Kenny
Mr. Pun Tit Shan (appointed on 9 May 2016)
Mr. Mak Ka Wing, Patrick (appointed on 9 March 2017)

AUDIT COMMITTEE

Mr. Ma Yiu Ho, Peter *(Chairman)*
Mr. Chan Ngai Sang, Kenny
Mr. Pun Tit Shan

REMUNERATION COMMITTEE

Mr. Chan Ngai Sang, Kenny *(Chairman)*
Mr. Wong Lee Man
Mr. Pun Tit Shan

NOMINATION COMMITTEE

Mr. Wong Lee Man *(Chairman)*
Mr. Chan Ngai Sang, Kenny
Mr. Pun Tit Shan

CORPORATE GOVERNANCE COMMITTEE

Mr. Tan Ye Kai, Byron *(Chairman)*
Ms. Fong Sut Sam
Mr. Wong Lee Man

COMPANY SECRETARY

Mr. Chow Kim Hang

AUTHORISED REPRESENTATIVES

Mr. Mak Kwong Yiu (resigned on 31 March 2016)
Mr. Tan Ye Kai, Byron (appointed on 31 March 2016)
Mr. Chow Kim Hang

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

5th, 7th, 39th, and 40th Floors, @CONVOY
169 Electric Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

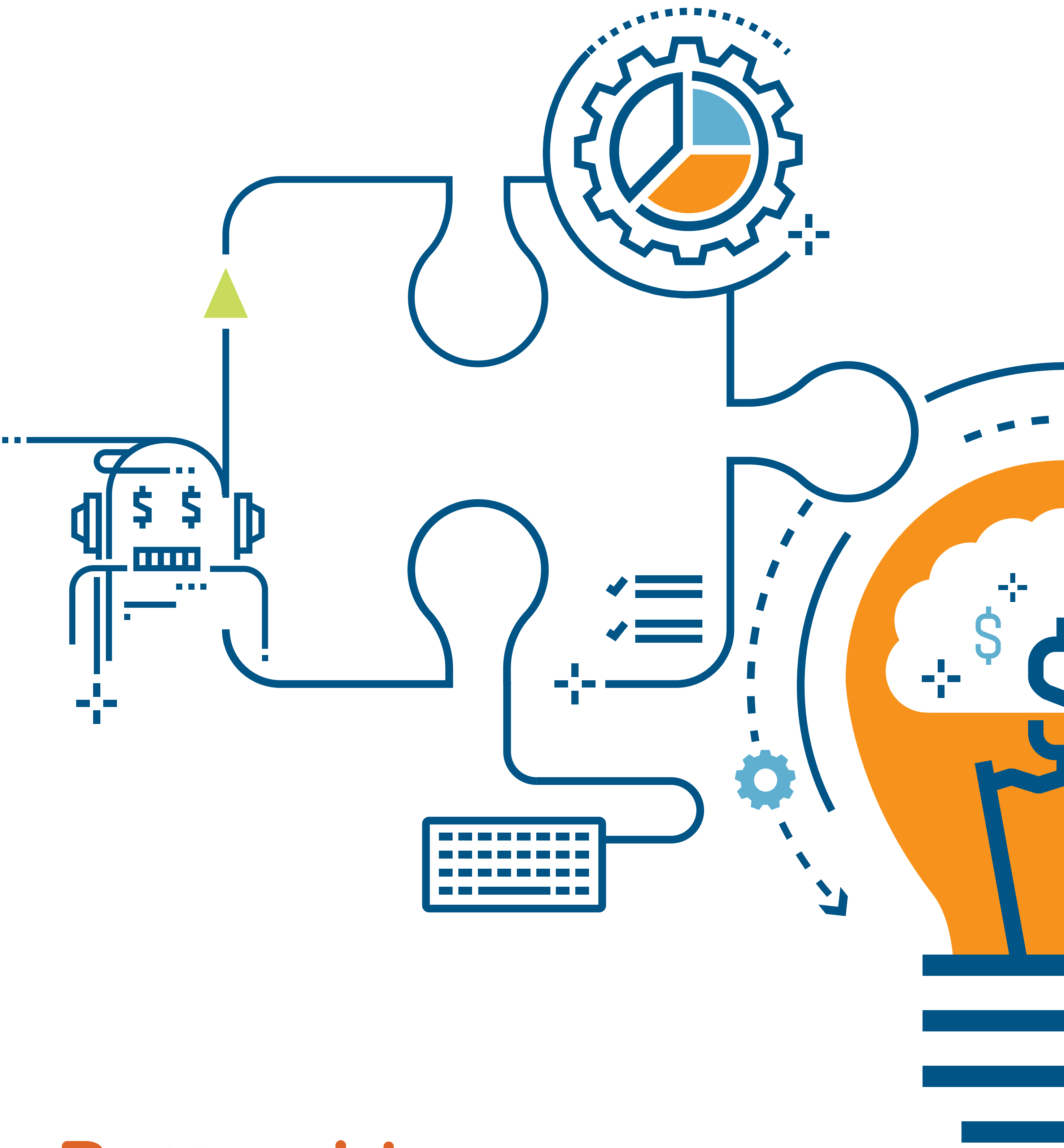
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

OUR COMPANY'S WEBSITE ADDRESS

www.convoy.com.hk

PRINCIPAL AUDITOR

Ernst & Young
Certified Public Accountants



Better Idea
Better Solution

Chairman's Statement

MESSAGE FROM CHAIRMAN

In starting a new year, the Group selects a development theme for the year. For 2017, it is "RAISE THE BAR", which means raising our standard and improving in every operating aspect. These include business revenue, professional standard, product quality and category etc. This is because we are well aware that standing still will not develop new clients but even lose existing ones, in other words, "rowing against the tide".

As an integrated financial service provider in Hong Kong, we will keep abreast of the financial technological development trend in addition to consolidating our traditional financial business, with a view to create values for shareholders whilst bringing new investment experience to our clients.

Since 2015, the Group's traditional IFA business has been affected by the change of the commission payment mode, costing and commission disclosure of ILAS products, which led to a continuous decline in revenue. Besides, the Group is committed to developing diversified business in recent two years, some new businesses are still at cultivation stage. It is expected that they will contribute to the Group's turnover in two or three years' time. Hence, the Group continued to incur losses for two consecutive years.

On behalf of the Board of the Company, I would like to present to the shareholders the audited annual results of the Group for the year ended 31 December 2016.

During 2016, the turnover of the Group was approximately HK$1,205.1 million, representing an increase of 99.3% over the corresponding period of 2015. The Group recorded a loss attributable to owners of the Company of approximately HK$95.5 million for the year. Basic loss per share attributable to owners of the Company were HK0.6 cents.

Regarding the detailed results during 2016, please refer to the relevant report issued by our management. Going forward, developing diversified financial services and building an all-rounded financial services platform are still the primary objectives of the Group. We will also review the market situation and focus on developing businesses that are popular among clients, which include asset management, MPF and various general insurance services. Along with the rapid development of information technology and increasing popularity of their applications in various fields, the Group will also actively research and develop the FinTech sector to embrace a new development in the financial service industry. At the same time, we will also continue to cultivate our excellent consultancy team, implement a comprehensive reform on the training course of our frontline consultants and optimize the long-standing remuneration system during the year, with an objective to sharpen our competitive edge of talents recruitment and further strengthen our sales channels.

BROADENING ASSET MANAGEMENT SERVICE AND PRODUCT VARIETIES

Our asset management business that incorporated into the listing company system two years ago continues to perform promisingly. Despite the volatile investment market in recent years which led to unsatisfactory performance of most of the investment funds, CAM was still able to continue making profit contributions to the Group. Nevertheless, in facing the changing investment environment, CAM also made adjustments to its business strategy. Last year, we launched the first proprietary investment fund which mainly targeted at high-end investors. With enthusiastic market response, we successfully explored another income stream for asset management - fund performance fees. Meanwhile, by targeting at professional investors customer base, we provided professional investors with high risk investment products through close cooperation with investment banks, these included corporate bonds, private equity funds and structural investment products.

This year, CAM will continue its unremitted efforts to launch ETF for clients' choice. Such type of investment products is able to offer investors a wide range of investment options covering different asset varieties, industries and regions, which help investors to diversify their risks and avoid excessive investment concentration. In view of this, we established a professional investment team for this segment last year. They are well prepared and we expect to launch it in the second half year. The management will also closely monitor the market response and hope the new products can bring new income and new clients for the Group.

IMPROVING RETIREMENT BENEFITS FOR INSURANCE PRODUCTS

For traditional insurance and MPF businesses, along with the transformation of ILAS products, some insurance saving products with stable returns have received increasing market recognition in the past two years, such as the pension and target savings insurance schemes. The reason is that people in Hong Kong turned to adopt conservative attitudes due to investment market fluctuations and that such type of scheme can provide stable retirement income for clients during specified periods, which acts like a long-service pension to make up for the insufficiency of MPF that has been in the market for a long period of time. In view of the increasingly serious aging problem in Hong Kong, retirement benefits have become an important topic. The Group firmly believes that Hong Kong people will only be more concerned over retirement benefits as time goes by. Accordingly, we will improve our services in retirement benefits and MPF products with a view to further enlarge the penetration rate in such a huge market.

PROVIDING A WIDE VARIETY OF WEALTH MANAGEMENT OPTIONS BY NEW BUSINESS PARTNERS

In order to cater for the demand of different clients through increasing product varieties, Convoy relies on the previous supports from a number of business partners to ensure product diversification and to provide a wider variety of wealth management options and investment services to our clients. Last year, the Group introduced a new partner of the insurance business - Fubon Life and at the same time launched two new savings insurance schemes to address the needs of different client groups. In future, the Group will continue to include unique insurance and financial products in the market and enlarge product options in response to the market, so as to provide all-round wealth management services to our clients and assist them in planning their financial goals at different stages of life.

GRASPING THE POTENTIAL OF THE DIGITAL WEALTH MANAGEMENT MARKET

In light of the rapid technological advancement nowadays, the FinTech concept seemed to be strange and unknown a few years ago. However, along with the popularity of smart phones, FinTech has been gradually applied in our daily life in recent years. There is no doubt that the development of FinTech in Hong Kong is lagging behind other regions, however, the management of the Group considers that the digital wealth management has enormous market potential. At the end of last year, the Group first acquired 15.7% of the equity interests of an advanced British digital wealth management company – Nutmeg, a leading online wealth management platform in the United Kingdom, at the consideration of GBP24 million. It possesses outstanding operating models and an aspiring management team, which are key factors in bringing us to our equity acquisition of this company.

Since its establishment in 2012, Nutmeg has developed rapidly and its current asset portfolio under its management is over GBP500 million with over 20,000 clients. When compared with its last capital financing in 2014, its growth is already over fourfold, while the growth in clients is also accelerating, with over 10,000 new clients just being recorded in 2016. We hope to bring the advanced digital wealth management experience to our clients in Hong Kong and Asia through such equity acquisition, and by leveraging on the automatic online platform, provide local clients with highly transparent and low fee-based wealth management services, aiming to attract the young client base during this network era.

There is a saying that FinTech will replace the manpower in financial service industry. However, our management considers that, with our over 20 years of experience in financial services and operating results achieved, and integrated with innovative technology, we will achieve remarkable achievements in the FinTech sector and tap new and broader business channels for our consultants in the long run.

Chairman's Statement

Although a number of successful enterprises have already got rid of their original business models nowadays, Convoy has never forgotten its original mission and adopted suitable measures under different conditions amid the ever-changing business environment. The Company will inevitably change during the course of development to suit to external environment or inherent conditions. Nevertheless, change is the golden law in running business. We would only have a bright future by strictly persisting on providing professional financial consultancy services for clients, upholding the innovative spirit of "being in the business where others are not doing and exploring a new approach", together with our relentless and persistent mentality and efforts.

Last but not least, on behalf of the Board, I would like to thank all of our business partners, clients, public shareholders and our consultants again for their enduring support to the Group. I strongly believe that our colleagues will react positively and demonstrate high morale and cohesiveness for the purpose of hitting a new high and adding value for our shareholders in the future.

Wong Lee Man
Chairman

Hong Kong, 29 March 2017

Service with a Personal Touch

Highlights of the Year

Corporate News

JUN 2016

Announced the findings of a survey on financial attitude of Hong Kong people, looking into their investment and saving nature, advising on new financial planning prospects.

JUN 2016

Convoy title sponsored Lowell Lo's concert and held a cocktail party on the first day of the concert. Over 100 Convoy business partners and young professionals were invited.

AUG 2016

Renamed as Convoy Global Holdings Limited for the Group's long-term business development.

CONVOY GLOBAL HOLDINGS LIMITED

Daniel Chong joined Convoy and is in charge of the main core businesses of the Group, which include financial planning, insurance, asset management, money lending and overseas property investment consultancy business, etc.

OCT 2016

Convoy and Fubon Life signed a strategic partnership agreement and jointly announced two new saving insurance plans.

NOV 2016

nutmeg

Convoy entered into the Investment Agreement with Nutmeg, the UK's leading digital wealth manager robo-advisor.

NOV 2016

Announced the survey results on MPF, making suggestions on proper attitude towards wealth management for retirement among the Hong Kong people.

Highlights of the Year

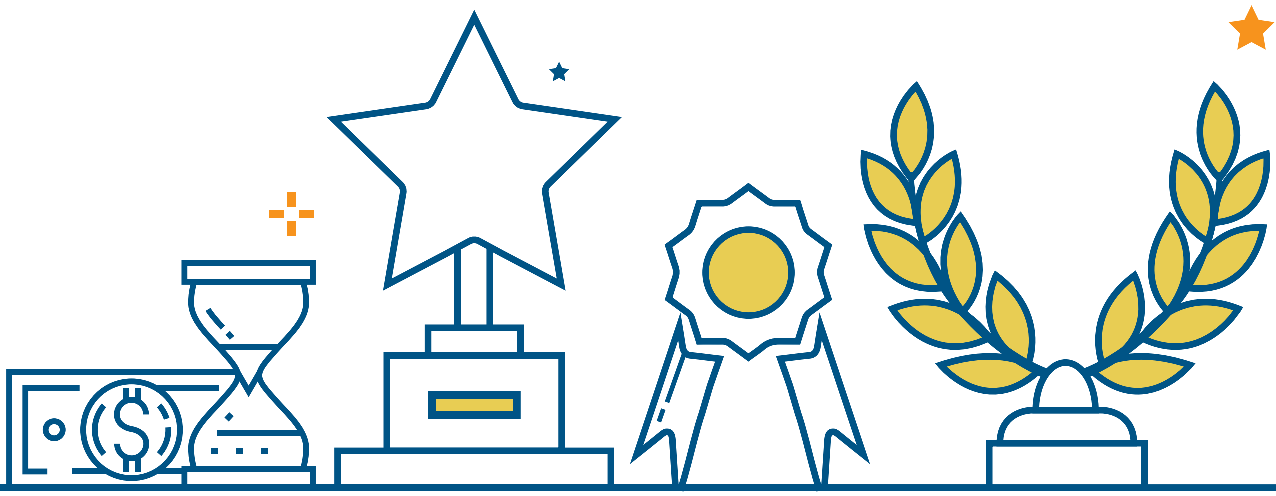
Awards

For the 10th consecutive year being awarded "Company for Financial Planning Excellence of the Year (Independent Financial Advisory Sector)" by IFPHK and SCMP, recognizing Convoy's professionalism in the industry.

10 years+ 商界展關懷 caringcompany®
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Honored the "Caring Company Logo" by Hong Kong Council of Social Service for the 14th consecutive year and the "10 Years Plus Caring Company Logo".

Highlights of the Year



Awarded the 6th "Hong Kong Corporate Citizenship Logo (Enterprise)".

Corporate Social Responsibility

Convoy Social Fund was officially founded and the Convoy Life Investment Centre was set up, partnering with the Social Ventures Hong Kong (SVhk).

CONVOY Social Fund
康宏社投慈善基金

Convoy Volunteer Team paid a visit to Yuen Kong Kindergarten, blueprint of the film "Little Big Master", and played games with their students.

Highlights of the Year

The first Financial Planning Class was held at the Convoy Life Investment Centre, teaching correct financial concepts to grassroot primary students through interactive games.

Convoy Volunteers visited the Po Leung Kuk Sheltered Workshop, playing games with the residents there.

Around 300 Convoy staff with their families visited elderly of 3 districts in Hong Kong on the same day, giving out mooncakes and gift bags to spread festive blessings.

Convoy Social Fund organised a donation on second-hand musical instruments for Principal Chan's Free Tutorial Centre, successfully collecting various musical instruments including guitar, violin and trumpet.

Highlights of the Year

3 Convoy teams joined the "Race for Water", raising funds for projects targeted on helping peasants with water scarcity issues.

Title sponsored "Convoy Totem Run" and recruited 100 Convoy Volunteers supporting runners during the race, spreading the message of social inclusion, and raising funds for Sports Legacy Scheme.

Convoy Volunteers went along the MacLehose Trail Stage 5 to pick up rubbish and ended up collecting 150lbs rubbish, advocating the idea of "trackless hiking".

Highlights of the Year

Over 100 Convoyees participated in Po Leung Kuk Charity Run 2016, raising proceeds for the youth.

Title-sponsored by Convoy, the "Eat and Run for Green" Campaign successfully raised over 70,000 vegetarian lunch boxes.

Grow with us

Management Discussion and Analysis

FINANCIAL REVIEW

GROUP PERFORMANCE

Loss before tax was approximately HK$65.0 million for the year, representing a decrease of approximately 87.0% compared with prior year of approximately HK$499.7 million.

GROUP FINANCIAL POSITION

Total consolidated assets of the Group slightly increased by approximately 5.1% from approximately HK$6,230.7 million as at 31 December 2015 to approximately HK$6,546.7 million as at 31 December 2016. Total consolidated current assets of the Group decreased by approximately 11.0% from approximately HK$4,753.1 million as at 31 December 2015 to approximately HK$4,229.8 million as at 31 December 2016.

GROUP REVENUE

Group revenue increased by approximately 99.3% from approximately HK$604.6 million in prior year to approximately HK$1,205.1 million in current year. The increase in group revenue is contributed by the increase in revenue from IFA segment, money lending segment, proprietary investment segment, asset management segment and securities dealing segment, offset by the decrease in revenue from corporate finance segment.

An analysis of the group revenue by reportable segments is as follows:

Revenue by reportable segments:	**2016** **HK$'000**	2015 HK$'000	Increase/ (decrease) HK$'000	Change %
IFA segment	**698,637**	609,213	89,424	14.7
Money lending segment	**144,040**	83,003	61,037	73.5
Proprietary investment segment	**157,473**	(212,760)	370,233	174.0
Asset management segment	**38,045**	35,948	2,097	5.8
Corporate finance segment	**39,079**	64,685	(25,606)	-39.6
Securities dealing segment	**127,871**	24,535	103,336	421.2
Total	**1,205,145**	604,624	600,521	99.3

GROUP OPERATING EXPENSES

Group operating expenses increased by approximately 15.4% from approximately HK$1,107.5 million in prior year to approximately HK$1,278.0 million in current year. The overall increase in group operating expenses was in line with the overall increase in group revenue.

An analysis of group operating expenses by reportable segments is as follows:

Operating expenses by reportable segments:	**2016 HK$'000**	2015 HK$'000	Increase/ (decrease) HK$'000	Change %
IFA segment	**915,550**	774,594	140,956	18.2
Money lending segment	**126,406**	131,257	(4,851)	-3.7
Proprietary investment segment	**58,103**	99,850	(41,747)	-41.8
Asset management segment	**32,216**	20,770	11,446	55.1
Corporate finance segment	**40,096**	59,287	(19,191)	-32.4
Securities dealing segment	**35,847**	6,948	28,899	415.9
Sub-total	**1,208,218**	1,092,706	115,512	10.6
Corporate head office	**69,765**	14,823	54,942	370.7
Total	**1,277,983**	1,107,529	170,454	15.4

GROUP SEGMENT RESULTS

Group segment loss decreased by approximately 99.4% from approximately HK$486.5 million in prior year to approximately HK$3.1 million in current year. The improvement in group segment results is contributed by the increase in profit from money lending segment, proprietary investment segment and securities dealing segment, offset by the increase in loss from IFA segment and decrease in profit from asset management segment and corporate finance segment.

An analysis of group segment results is as follows:

Segment results:	**2016 HK$'000**	2015 HK$'000	Increase/ (decrease) HK$'000	Change %
IFA segment	**(216,913)**	(165,381)	(51,532)	-31.2
Money lending segment	**17,634**	(48,254)	65,888	136.5
Proprietary investment segment	**99,370**	(311,046)	410,416	131.9
Asset management segment	**5,829**	15,178	(9,349)	-61.6
Corporate finance segment	**(1,017)**	5,398	(6,415)	-118.8
Securities dealing segment	**92,024**	17,587	74,437	423.3
Total	**(3,073)**	(486,518)	483,445	99.4
Comprise of:				
Total segment revenue	**1,205,145**	604,624	600,521	99.3
Total segment other income and gains, net	**–**	1,564	(1,564)	-100.0
Total segment operating expenses (exclude corporate head office)	**(1,208,218)**	(1,092,706)	(115,512)	-10.6
	(3,073)	(486,518)	483,445	99.4

Please refer to "SEGMENT PERFORMANCE" for further discussion regarding the results for individual segment.

SEGMENT PERFORMANCE

IFA business

Revenue from IFA business increased by approximately 14.7% from approximately HK$609.2 million in prior year to approximately HK$698.6 million in current year.

An analysis of revenue mix of IFA business is as follows:

Revenue mix analysis of IFA business:	2016 HK$'000	2015 HK$'000	Increase/ (decrease) HK$'000	Change %
Hong Kong				
Investment brokerage commission income	**260,187**	154,871	105,316	68.0
Insurance brokerage commission income	**339,188**	299,963	39,225	13.1
Pension scheme commission income	**6,970**	9,540	(2,570)	-26.9
	606,345	464,374	141,971	30.6
Mainland China				
Investment brokerage commission income	**9,196**	17,947	(8,751)	-48.8
Insurance brokerage commission income	**74,183**	80,356	(6,173)	-7.7
	83,379	98,303	(14,924)	-15.2
Macau				
Investment brokerage commission income	**8,913**	46,536	(37,623)	-80.8
Total	**698,637**	609,213	89,424	14.7

Investment brokerage commission income and insurance brokerage commission income from IFA Hong Kong operations increased by approximately 68.0% and 13.1% respectively, and investment brokerage commission income from IFA Macau operations decreased by approximately 80.8% compared with prior year. This was partially due to the major insurance providers gradually launched new ILAS products since late 2015 meeting new requirements under the Guidance Note published by the Office of the Commissioner of Insurance and ILAS clients shifted their regional investment preference from Macau back to Hong Kong. Besides, more internal sales incentive schemes were launched in Hong Kong office for consultants to increase their selling effort and the overall market shares expanded.

On the other hand, pension scheme commission income from IFA Hong Kong operations decreased by approximately 26.9% compared with prior year and the decrease was mainly attributable to the launch of ECA in late 2012 for over 3 years, the market is saturated and does not have any special products or promotion launched related to MPF in current period to attract new customers.

Total revenue from IFA Mainland China operations decreased by approximately 15.2% compared with prior year, which was mainly due to the several unfavorable factors including slower economic growth, rapid regulatory changes and continuing market reforms adversely affect the financial performance of our business in Mainland China.

Operating expenses of IFA business increased by approximately 18.2% from approximately HK$774.6 million in prior year to approximately HK$915.6 million in current year. This resulted in an increase of operating loss margin of approximately 3.9% from approximately 27.1% in prior year to approximately 31.0% in current year. The key factor contributing to the increase in operating expenses of IFA segment of approximately HK$141.0 million was the increase in commission expenses and marketing expenses of approximately HK$121.7 million and HK$31.9 million respectively, which was mainly derived from additional commission expenses for more internal sales incentive schemes launched in Hong Kong office, and the increase in marketing incentives such as recruitment bonus and launch of certain new sales and marketing campaigns in Hong Kong office for building up brand name and boost sales in current year.

MONEY LENDING BUSINESS

With the increasingly mature business model and well-established brand name and broadened client base, the money lending business made a significant and healthy growth in loan portfolio, revenue and profit for the year even under the keen market competition in Hong Kong.

Interest income from money lending business increased by approximately 73.5% from approximately HK$83.0 million in prior year to approximately HK$144.0 million in current year. Operating profit/(loss) margin improved by approximately 70.3% from loss margin of approximately 58.1% in prior year to profit margin of approximately 12.2% in current year. During the year, the Group continues to adopt stringent credit policies to mitigate the credit risk arising from the money lending business.

PROPRIETARY INVESTMENT BUSINESS

The stock market in Hong Kong and Mainland China turned volatile since June 2015. Nonetheless, by relying on our strong and experienced investment team and diversified investment strategies, the Group effectively mitigated the equity and fund price risks and generated income under such an unstable market condition.

Revenue from proprietary investment business increased by approximately 174.0% from a loss of approximately HK$212.8 million in prior year to a gain of approximately HK$157.5 million in current year, which was mainly due to the increase in fair value changes on financial investments of approximately HK$297.9 million, interest income of approximately HK$29.6 million and dividend and distribution income of approximately HK$43.0 million.

Operating expenses from proprietary investment business decreased by approximately 41.8% from approximately HK$99.9 million in prior year to approximately HK$58.1 million in current year, which was mainly due to the decrease in certain impairment losses made for financial investments in current year since the unfavourable economic environment and stock market gradually recovered in 2016. Overall segment results from proprietary investment segment improved by approximately 131.9% from loss of approximately HK$311.0 million in prior year to profit of approximately HK$99.4 million in current year, and the operating profit/(loss) margin improved by approximately 209.3% from operating loss margin of approximately 146.2% in prior year to operating profit margin of approximately 63.1% in current year.

ASSET MANAGEMENT BUSINESS

Upon the establishment of strategic investment team and the acquisition of CAM in 2014, the Group developed its asset management business and reinforced its promotion of investment portfolio management service "iCON" on its fund distribution platform. During the year, we expanded our business scale by developing and managing several new investment funds for professional investors and high net-worth individual clients.

Revenue from asset management business increased by approximately 5.8% from approximately HK$35.9 million in prior year to approximately HK$38.0 million in current year which was mainly due to a slight increase in fund management fee along with our steady growth in number of funds and assets under management. Operating profit decreased by approximately 61.6% from approximately HK$15.2 million in prior year to approximately HK$5.8 million in current year. The decrease in operating profit margin by approximately 26.9% from approximately 42.2% in prior year to approximately 15.3% in current year was mainly attributable to the increased commission expenses and staff costs for the increase in incentive payable to consultants to boost up the business and the significant expansion of our strategic investment team in late 2015. We believe that CAM will continue to create substantial value for our shareholders by means of generating stable and recurring income for our Group.

CORPORATE FINANCE BUSINESS

Following the completed acquisition of CAM and CCHK in 2014, the Group commenced its corporate finance business in late 2014 to provide various corporate finance advisory services on bond placing and underwriting, IPO sponsorship and other related services to our clients.

Revenue from corporate finance business decreased by approximately 39.6% from approximately HK$64.7 million in prior year to approximately HK$39.1 million in current year. The decrease in revenue was mainly due to the unfavourable economic market and more stringent regulatory requirements for bond placing in current period. Operating profit/(loss) margin decreased by approximately 10.9% from profit margin of approximately 8.3% in prior year to loss margin of approximately 2.6% in current year, which was mainly attributable to the increase in staff costs for the significant expansion of corporate finance team in late 2015.

SECURITIES DEALING BUSINESS

In July 2015, upon completion of acquisition of Convoy Securities Limited (currently known as CSL Securities Limited) ("CSL"), the Group further ventured into the securities dealing business to provide a variety of securities related services including securities brokerage, trading, margin financing, placing and underwriting to our clients and hence the securities dealing segment was newly opened presented since August 2015.

Since there were only several months of operations for securities dealing business in prior year, revenue from securities dealing business significantly increased by approximately 421.2% from approximately HK$24.5 million in prior year to approximately HK$127.9 million in current year, which was mainly due to the increase in interest income from margin financing of approximately HK$62.4 million, share placing commission income of approximately HK$22.5 million and securities dealing commission income of approximately HK$18.4 million. Operating profit margin slightly improved by approximately 0.3% from approximately 71.7% in prior year to approximately 72.0% in current year.

PROSPECTS

In order to pursue our vision of becoming one of the leading financial groups across Asia, we have formulated three short-term missions, (i) to establish a comprehensive financial services platform in Asia, particularly in Hong Kong and Mainland China; (ii) to materialise the synergies among different business segments and locations; and (iii) to improve the capital structure of our Group. For our first mission, we will allocate group resources to strengthen the financial services in our new business lines, including but not limited to corporate finance, investment banking, margin and initial public offering financing, securities brokerage and placing. For our second mission, more cross-selling programs would be organised among different business lines and regions, such as loans to high-net-worth individual clients, cross-border branding promotion and talent development programs. To achieve the third mission, the Company has increased its leverage during the period by issuing unlisted bonds of approximately HK$370.9 million and HK$10.0 million in 2015 and 2016 respectively to secure stable and reasonable cost funding to finance its long term capital-intensive business development, e.g. money lending, investment banking and margin and initial public offering financing. The introduction of Mr. Ming-Hsing Tsai ("Mr. Tsai") and the Tsai's family as substantial shareholders of the Group in late 2015 has further strengthened the capital foundation of our Group.

IFA BUSINESS

Hong Kong

Our various diversification strategies by way of adding business partners, strengthening consultancy force and enlarging product variety helped to drive a steady growth of the revenue from our IFA business in Hong Kong. While Mandatory Provident Fund Schemes Authority continues to promote the ECA arrangement and is studying feasibility and options for the implementation of "MPF full portability", the Group believes that the market would gradually adapt to the ECA and demand on our MPF financial planning and advisory services would increase. With the Group's persistent efforts on implementing these strategies, we have confidence to maintain our competitiveness in the IFA industry in Hong Kong.

In 2016, the Group introduced a new partner of insurance business, Fubon Life and launched two new savings insurance schemes which provide customers steady returns as well as all-rounded life protection. Going forward, the Group targets to provide a wide variety of wealth management options to our clients through increasing product varieties, enhanced support from business partners and diversification of products, all for the purpose of providing customers with comprehensive wealth management services that can help them make life and financial plans in order to achieve their financial goals in the different stages of life.

Mainland China

To seize business opportunities on the increasing demand for wealth management and financial planning services from Mainland China, the Group has devoted huge capital and resources in Mainland China business in the past few years to build up and broaden our client base. However, the recent unfavorable factors including rapid regulatory changes and continuing market reforms in the financial sector have affected our business performance in Mainland China. By adjusting our business strategies from time to time, strengthened our client base and implementing our stringent cost management policies, we would target to achieve profitability for our Mainland China operations in the long run.

Macau

Benefiting from the increasing demand for wealth management services and brand recognition in Macau, although Macau operations recorded a decrease in revenue during the year under review, going forward, we will continue to scale up our operations in Macau to support business growth and to enhance regional connectivity to tap new business opportunities.

MONEY LENDING BUSINESS

The Group will continue to promote its brand name and expand its loan portfolio to develop its all-rounded financial services platform which manages wealth and provides liquidity for customers. To effectively utilise funds from fund raising activities, we will further drive this business by achieving healthy loan growth in corporate and individual segment, while at the same time maintaining strong credit quality and credit risk management accumulate a stable income stream for the Group.

The Group further expanded its money lending business through acquisition of HKCC in January 2016, which was targeted to expand its market shares of retail mortgage lending business in Hong Kong.

PROPRIETARY INVESTMENT BUSINESS

Apart from investing in a diversified portfolio of listed and unlisted equities, we also allocate a portion of capital to fixed income products to achieve stable income and invest a suitable amount of seed capital to some private equity funds with high potential. Our strategic investment team will continue to implement strict risk control to minimise the impact of market volatility, so as to maximise the Group's return on equity.

ASSET MANAGEMENT BUSINESS

We intend to grow asset under management continuously for our asset management business to accumulate a stable income stream for the Group. Riding on the successful experience of discretionary portfolio management services provided to ILAS customers, CAM will put more effort to develop discretionary mandate through nominee platform. In addition, CAM will continue to introduce competitive fund products for exclusive sales and reinforce our promotion in portfolio management business on our fund distribution platform "iCON" and we believe these fund products would be a new driving force for the Group's income growth. On the other hand, our strategic investment team has kicked off developing several investment funds for professional investors and will continue to develop and manage investment portfolio for high net-worth clients in order to contribute steady revenue to the Group and enhance the Group's asset management scale.

In March 2016, the Group successfully acquired Zeed Asia Technology Limited ("ZAT") which was engaged in the provision of internet financial platform and solutions as part of the Group's strategy to develop the existing asset management business through the provision of internet financial platform and solutions.

CORPORATE FINANCE BUSINESS

Following the completed acquisition of CAM and CCHK in 2014, the Group expanded its financial service scope to corporate finance in late 2014 to provide bond placing and underwriting, IPO sponsorship and other corporate finance related advisory services to our clients. We believe that the corporate finance business should further strengthen our institutional client base and open up a new income stream for our Group.

SECURITIES DEALING BUSINESS

Following the completed acquisition of CSL in 2015, the Group commenced its securities dealing business since August 2015 to deliver various securities related services including securities brokerage, trading, margin financing, placing and underwriting to our clients. We believe that the securities dealing business not only could open up a new income stream for the Group, but also help to establish a comprehensive and integrated financial services platform for our customers and capture any cross-selling opportunities.

DIGITAL WEALTH MANAGEMENT SERVICES

In 2016, the Group invested approximately HK$236.1 million in Nutmeg and held approximately 15.7% stake in Nutmeg by then. Nutmeg is a company incorporated in the United Kingdom and engaged in the provision of online discretionary investment management services. As the largest IFA company in Hong Kong, we are the first IFA echoing to the government's strategic development of Fintech. With the increasing use of online platforms in the financial sector, we believe that Nutmeg, with its technology know-how in the industry, has significant market potential to become a leading online wealth management platform for the mass market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon the shareholders' fund, placing of bonds and cash generated from its business operations to finance its operations and expansion. As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$967.1 million (2015: HK$2,113.5 million), bond payables of approximately HK$616.4 million (2015: HK$607.4 million) and interest-bearing bank and other borrowings of approximately HK$59.9 million (2015: HK$13.5 million). The gross gearing ratio, calculated on the basis of the aggregate of the Group's bond payables and interest-bearing bank and other borrowings divided by equity attributable to owners of the Company was approximately 13.8% (2015: 12.5%). As at 31 December 2016, the net current assets of the Group amounted to approximately HK$3,181.3 million (2015: HK$4,092.6 million) and the current ratio (current assets/current liabilities) was approximately 4.0 (2015: 7.2).

CAPITAL STRUCTURE

As at 31 December 2016 and 2015, the authorised share capital of the Company was HK$2,000.0 million divided into 20,000,000,000 shares of HK$0.1 each, and the issued share capital of the Company was approximately HK$1,493.9 million divided into 14,938,896,000 shares of HK$0.1 each.

There was no change on the Company's overall share capital structure for the year ended 31 December 2016.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed 491 (2015: 398) supporting staff and 17 (2015: 5) salary-based trainees. The total remuneration of the employees (including the Directors' remuneration) was approximately HK$236.4 million for the year ended 31 December 2016 (2015: HK$165.7 million).

The Group offered competitive market remuneration packages for employees and granted bonuses with reference to employees' performance during the reporting periods according to the general rules of the Group's remuneration policy.

The emoluments of the Directors are in accordance with the remuneration policy of our Group that it is our Group's remuneration objective to, in consultation with the remuneration committee of our Company, remunerate Directors fairly but not excessively for their efforts, time and contributions made to the Group and the remuneration of Directors would be determined with reference to various factors such as duties and level of responsibilities of each Director, the available information in respect of companies of comparable business or scale, the performance of each Director and the Group's performance for the financial year concerned and the prevailing market conditions.

In addition, the Company's share award scheme was adopted on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. The Company also operates a share option scheme which was adopted on 23 June 2010 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share award scheme and share option scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that the adoption date.

RISK MANAGEMENT

The Group adopts very stringent risk management policies and monitoring systems to mitigate the risks associated with interest rate, credit, liquidity, foreign currency and equity, debt and investment fund price in all its major operations.

INTEREST RATE RISK

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets and liabilities. Cash at banks earns interest at floating rates based on daily bank deposit rates, and bank borrowings bear interest at floating rates based on bank loan interest rates offered by banks.

The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustments if necessary.

CREDIT RISK

The Group conducts business only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group has also adopted stringent credit policies on money lending and margin financing business. The credit policies specify the credit approval, review and monitoring processes. Credit committees were set up and authorised by the Board to have full authority to handle all credit matters.

LIQUIDITY RISK

In the management of liquidity risk, the Group monitors and maintains its level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

FOREIGN CURRENCY RISK

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group were denominated in the units' functional currency and as a result, the Group does not anticipate significant transactional currency exposure. The Group has not used any derivative to hedge its exposure to foreign currency risk.

EQUITY, DEBT AND INVESTMENT FUND PRICE RISK

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities, debt and investment funds. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 22 January 2016, the Group entered into an agreement with an Independent Third Party to acquire the entire interests in the Maxthree Limited and its wholly-owned subsidiaries (collectively, the "MAX Group") at a cash consideration of HK$24,630,000. On the same date, the Group also entered into an agreement with the MAX Group to assume the loan from a director of HK$11,790,000.

The acquisition of the MAX Group was part of the Group's strategy to expand its existing money lending business.

On 31 March 2016, the Group completed the acquisition of the entire interests in ZAT and assumed its shareholder's loan from an Independent Third Party at an aggregate consideration of HK$6,200,000.

ZAT is primarily engaged in the provision of internet financial platform and solutions. The acquisition was made as part of the Group's strategy to develop the existing assets management business through the provision of internet financial platform and solutions.

Save as the acquisition of the MAX Group and ZAT, there was no other material acquisition and disposal of subsidiaries for the year ended 31 December 2016.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2016, significant investments held by the Group are as follows:

	2016 **HK$'000**	2015 HK$'000
Held-to-maturity investments	**141,815**	259,324
Available-for-sale investments	**761,755**	367,005
Financial assets at fair value through profit or loss	**1,105,957**	644,722
Financial liabilities at fair value through profit or loss	**(35,122)**	(25,586)
Investments in associates	**582,156**	20,293
Investment in a joint venture	**5,776**	7,459
Total	**2,562,337**	1,273,217

Save as disclosed above, the Group did not hold any other significant investment as at 31 December 2016.

Information in relation to the 10 largest investments as at 31 December 2016 are set out as follows:

Stock code (where applicable)	Name of investee company/fund	Nature of investment	Number of shares/units/ amount of bonds held	Percentage of total share capital/units owned by the Group as at 31 December 2016	Investment cost *HK$'000*	Market value as at 31 December 2016 *HK$'000*	Percentage to the Group's net assets as at 31 December 2016	Realised gain on change in fair value for the year ended 31 December 2016 *HK$'000*	Unrealised gain/(loss) on change in fair value for the year ended 31 December 2016 *HK$'000*
Held-to-maturity investments									
1232	Golden Wheel Tiandi Holdings Company Limited	Investment in bonds	HK$117.00 million 10.9% Coupon Tranche-Two Bonds Due 2018	Not applicable	117,000*	113,132	2.3%	13,767	(1,748)*
Available-for-sale investments									
Not applicable	Nutmeg Saving and Investment Limited	Investment in preference shares	2,280,090	15.70%	236,148	236,148	4.8%	Not applicable	–
Not applicable	Mulberry Health Inc.	Investment in shares	2,960,879	0.76%	155,000	155,000	3.2%	Not applicable	–
2138	Union Medical Healthcare Limited	Investment in listed shares	31,625,000	3.22%	95,824	88,550	1.8%	2,372	(7,274)
Not applicable	Banyan Partners Fund I, L.P. and Banyan Partners Co-Invest 2015, L.P.	Investment in fund	Not applicable	4.85% and 4.90%	88,383	88,383	1.8%	Not applicable	–
Financial assets at fair value through profit or loss									
1140	OP Financial Investments Limited	Investment in listed shares	73,340,000	3.98%	132,012*	162,815	3.3%	1,834	45,471*
6161	Target Insurance (Holdings) Limited	Investment in listed shares	75,484,000	14.49%	230,836*	144,174	3.0%	4,152	(18,116)*
904	China Green (Holdings) Limited	Investment in convertible notes	Not applicable	Not applicable	190,000	233,060	4.8%	7,121	43,060
Investments in associates									
8215	First Credit Finance Group Limited	Investment in listed shares	1,070,400,000	29.50%	375,473	Not applicable	7.6%	Not applicable	Not applicable
Not applicable	JFA Capital	Investment in fund	24,160	60.23%	241,600*	Not applicable	3.9%	45,173	Not applicable
Total					1,862,276	1,221,262	36.5%	74,419	61,393

* *Investment cost in these investee companies represented the initial acquisition costs for the respective investee company/fund. Some of the investments in these investee companies/funds were made by the Group in prior years. For those part of investments in these investee companies/funds which were made in prior years, they were subject to fair value adjustments and unrealised gain/(loss) on change in fair value were recognised at the financial year end of the respective years. The unrealised gain/(loss) on change in fair value of these investee companies/funds for the year ended 31 December 2016 excluded those amount being recognised in prior years.*

BRIEF DESCRIPTION OF PRINCIPAL BUSINESS OR INVESTMENT SCOPE (AS THE CASE MAY BE) OF THE RESPECTIVE INVESTEE COMPANY/FUND OF THE 10 LARGEST INVESTMENTS

Name of investee company/fund	Principal business or investment scope
Golden Wheel Tiandi Holdings Company Limited	Property developer
Nutmeg Saving and Investment Limited	Provision of online discretionary investment management services and is regulated by the Financial Conduct Authority of the United Kingdom
Mulberry Health Inc.	High growth technology and date driven health insurance company
Union Medical Healthcare Limited	Provision of medical, quasi-medical and traditional beauty services and sale of skincare and beauty products in Hong Kong, Macau and the PRC
Banyan Partners Fund I, L.P. and Banyan Partners Co-Invest 2015, L.P.	Equity investment
OP Financial Investments Limited	Provision of asset management and trading in securities
Target Insurance (Holdings) Limited	Engaged in the writing of motor vehicles insurance business
China Green (Holdings) Limited	Growing, processing and sales of agricultural products, and production and sales of consumer food products
First Credit Finance Group Limited	Provision and arrangement of credit facilities in Hong Kong
JFA Capital	Healthcare management business in Hong Kong

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

As at 31 December 2016, the Group did not have any capital commitments related to acquisition of property, plant and equipment (2015: approximately HK$14.0 million) or acquisition of an investment property (2015: approximately HK$85.9 million).

As at 31 December 2016, the Group's capital commitments related to the capital investments of available-for-sale investments amounted to approximately HK$205.3 million (2015: HK$159.1 million).

Save as disclosed above, the Group had not executed any agreement in respect of material investment or capital asset and did not have any other future plans relating to material investment or capital asset as at the date of this annual report.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2016 (2015: Nil).

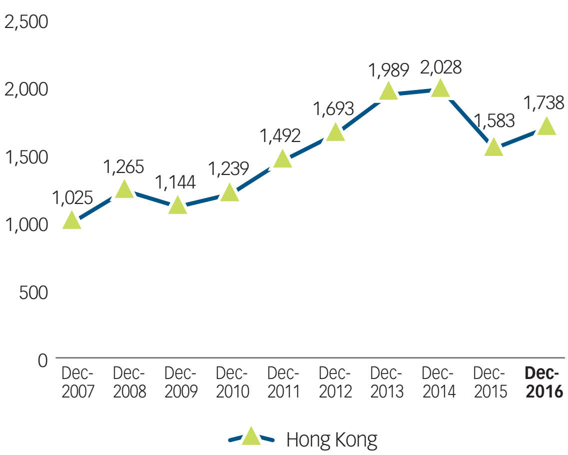
PLEDGE OF ASSETS

As at 31 December 2016, assets pledged to banks to secure banking facilities (including bank borrowings and bank overdraft) granted to the Group are as follows:

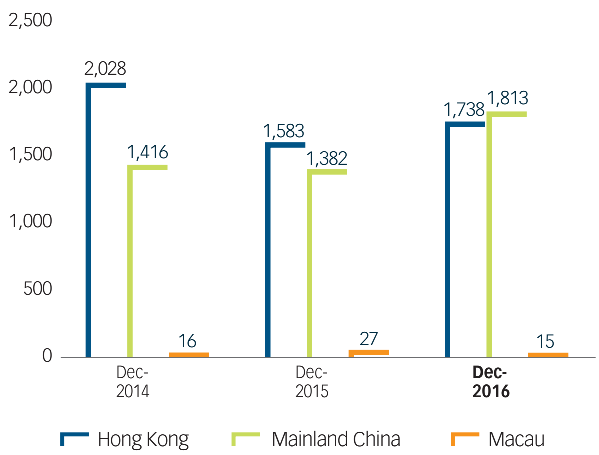
	2016 HK$'000	2015 HK$'000
Investment property	111,300	–
Building	22,155	–
Bank deposit	10,103	10,035
Total	143,558	10,035

OPERATION REVIEW

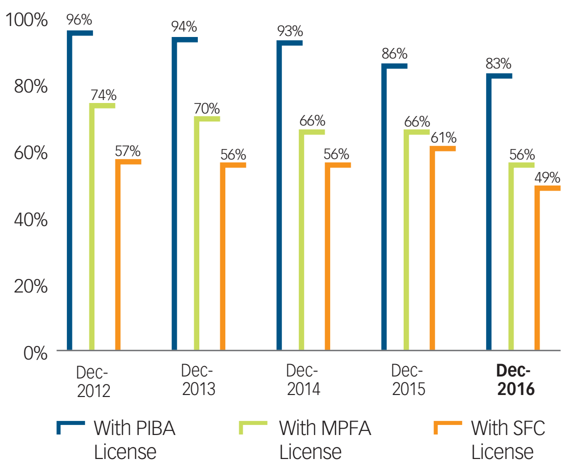
Hong Kong - No. of consultants



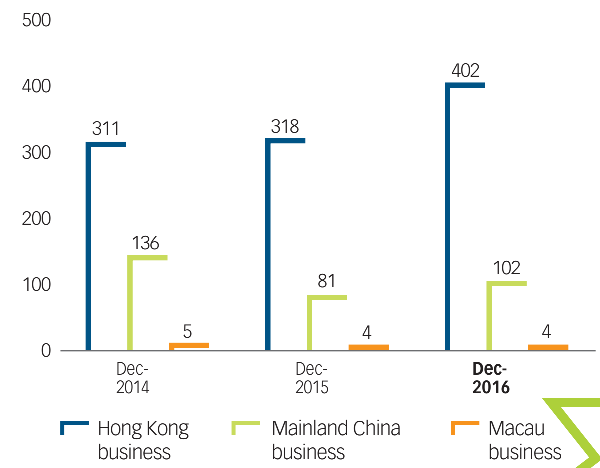
Group by locations – No. of consultants



Hong Kong – License records of consultants



Group by locations – Number of employees and salary-based trainees



Biographical Details of Directors and Senior Management

Mr. Wong Lee Man

Mr. Wong Lee Man ("Mr. Wong") aged 48, was appointed as an executive Director and Chairman of our Company on 12 March 2010. Mr. Wong is the director of 12 subsidiaries of the Company. Mr. Wong joined the Group in November 1998 and led the Group transforming into an IFA company, which is a pioneer in personal financial planning business. He served in different functions in the Group, including consultancy force, operations and regional expansions. He is now responsible for the overall management and strategic development of the Group. Over 20 years experience in financial service industry, Mr. Wong has gained all-round experience and has established a strong network through working with both international and local financial companies in Hong Kong. Moreover, he is the Founding Member and Honorary Secretary of the Independent Financial Advisors Association Limited in Hong Kong.

Ms. Fong Sut Sam

Ms. Fong Sut Sam ("Ms. Fong") aged 48, was appointed as an executive Director on 12 March 2010. Ms. Fong is the vice chairman of the Group and the director of 16 subsidiaries of the Company. Ms. Fong is responsible for the Group's brand building and cultural development, as well as corporate social responsibilities. Ms. Fong joined our Group in November 1998 and has led various functions, including the consultancy force, corporate communications, sales and marketing, training and operation. She has become the Chairlady of Convoy Social Fund when it was set up in 2016 to serve the community through supporting different charity projects. Her exceptional achievements in the financial industry and contribution to the community earned her the title of "Benchmark Most Extraordinary Women in Finance 2009" from the Benchmark magazine and "Excellence in Achievement of World Chinese Young Entrepreneurs 2014". Ms. Fong graduated from the South Bank University in London in June 1992 with a Bachelor of Science degree. In December 2002, she graduated with a Master's Degree in Business Administration from The Chinese University of Hong Kong and was placed on the Dean's List. Ms. Fong was a panel member of the Appeal Board under the Betting Duty Ordinance (Chapter 108 of the Laws of Hong Kong) from March 2010 to March 2016 and a panel member of the Appeal Boards under the Amusement Game Centres Ordinance (Chapter 435 of the Laws of Hong Kong) from May 2010 to May 2016. She has been appointed as the panel member of the Municipal Services Appeal Board under the Municipal Services Appeals Board Ordinance (Chapter 220 of the Laws of Hong Kong) by Chief Executive of the Government of the Hong Kong Special Administrative Region since 2011. She has been appointed as a lay member of Solicitors Disciplinary Tribunal Panel since 2013. She has been appointed as a member of the Appeal Panel (Housing) of Office of the Secretary for Transport and Housing Government Secretariat since 2014. Ms. Fong is the member of Marketing Management Committee of Hong Kong Management Association, Advisory board member of the Social Ventures Hong Kong (SVhk) and executive committee member of Green Monday. She has been appointed as a member of advisory board of the Master of Business Administration programmes of The Chinese University of Hong Kong since 2015. She has been appointed as an investigation committee member of the Hong Kong Institute of Certified Public Accountants since February 2017.

Mr. Tan Ye Kai, Byron

Mr. Tan Ye Kai, Byron ("Mr. Tan"), aged 48, was appointed as an executive Director on 2 April 2015. Mr. Tan is the director of 7 subsidiaries of the Company. He graduated from the Deakin University in Australia with a bachelor degree with major in Information System and Finance in 1993. He was admitted as a member of the Australian Society of Certified Practising Accountants in 1995 and was qualified as a Chartered Financial Analyst of The Institute of Chartered Financial Analysts in 1997. Since February 2015, he has been the chief executive officer of CCHK which is an indirect wholly-owned subsidiary of the Company and is licensed by the SFC of Hong Kong to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the investment banking and financial services industry and has gained all-round experience through working for both international and local financial institutions including Carr Indosuez Asia Limited, Dao Heng Securities Limited, First Shanghai Securities Limited and Kingsway Financial Services Group Limited.

Mr. Ng Wing Fai

Mr. Ng Wing Fai ("Mr. Ng"), aged 49, was appointed as an executive Director on 15 September 2015, Mr. Ng is the group president of the Company and the director of 24 subsidiaries of the Company. He holds a Master of Business Administration from Harvard University and a Bachelor of Arts Degree from Cambridge University. Mr. Ng is the Managing Partner and Founding Partner of Primus Pacific Partners, an Asian private equity fund with a focus on financial services. At Primus Pacific Partners, Mr. Ng oversees substantial investments in New China Life Insurance Co., Ltd., the fourth largest life insurance company in China, EON Bank, the seventh largest bank in Malaysia, and a number of significant assets around the world. Mr. Ng was previously the Managing Director of Fubon Financial Holding Co., Ltd. ("Fubon Financial"), the largest financial conglomerate in Taiwan and was in charge of Fubon Financial's overall strategy, capital markets, merger and acquisition activities and major change programs. During his tenure at Fubon Financial, Mr. Ng led the winning bids to acquire Taipeibank in Taiwan and International Bank of Asia in Hong Kong. Prior to his position at Fubon Financial, Mr. Ng served as a Managing Director and Head of the Asia-Pacific Financial Institutions Group at Salomon Smith Barney. Among his many transactions in the region, he represented and advised Fubon Financial in its strategic alliance with Citigroup in 2000. From 1998 to 1999, Mr. Ng led a team of bank specialists in advising the Government of Malaysia on recapitalizing and restructuring the banking industry. Previously, Mr. Ng was a Management Consultant at Booz Allen & Hamilton, specializing in financial services in the United States of America and Asia.

Ms. Chan Lai Yee

Ms. Chan Lai Yee ("Ms. Chan"), aged 44, was appointed as an executive Director on 15 February 2017. Ms. Chan is the director of 1 subsidiary of the Company. She graduated from The Hong Kong Polytechnic University with a Master Degree in Professional Accounting. She is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. She has over 20 years of experience in the field of accounting and financial management and previously worked in various listed and unlisted groups. Ms. Chan was an independent non-executive director of Hong Kong Education (Int'l) Investments Limited (Stock code: 1082) (formerly known as Modern Education Group Limited), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from March 2013 to November 2014. Ms. Chan was also a non-executive director of First Credit Finance Group Limited (Stock code: 8215) (formerly known as First Credit Holdings Limited), from January 2013 to June 2016, whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

Dr. Cho Kwai Chee

Dr. Cho Kwai Chee ("Dr. Cho"), aged 53, was appointed as an executive Director on 9 March 2017. He graduated from The University of Hong Kong and holds the qualifications of MBBS (HK), FHKCFP, FRACGP, DCH (London), DCH (RCP&SI), DCH (Glasgow) and DPD (Cardiff). He is also the member of the Standing Committee of the 13th Guangzhou Committee of the Chinese People's Political Consultative Conference, the 5th Vice Chairperson of the board of directors of the Yan Oi Tong for the year 2016-2017, the director of Po Leung Kuk board of directors (2016-2017), the founder and Chairman of the Egive For You Charity Foundation Limited, the founder and Vice Chairman of United We Stand Foundation Limited, the founder and a director of Health Check Charity Funds Limited, the Chairman of Sha Tin District Community Fund Limited, the District President of Scout Association of Hong Kong Yau Tsim District, the School Manager of IMC of Yan Oi Tong Tin Ka Ping Secondary School, a member of HKTDC Professional Services Advisory Committee and the Permanent President of Hong Kong Shatin Industries and Commerce Association Limited. Dr. Cho is currently an executive director and the executive deputy chairman of Town Health International Medical Group Limited (Stock code: 3886), whose shares are listed on the Stock Exchange.

Biographical Details of
Directors and Senior Management

Mr. Wang John Hong-chiun

Mr. Wang John Hong-chiun ("Mr. Wang"), aged 51,was appointed as a non-executive Director on 5 October 2016. He graduated from the University of California at Berkeley in 1988 with a Bachelor of Arts degree with a major in Economics. In 1996, Mr. Wang obtained his Master of Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University. He had been an executive director in the Investment Management Division of Goldman Sachs (Asia) L.L.C. in Hong Kong and was employed by such company and one of its affiliates from August 1996 to December 2010. Mr. Wang worked at Citi Private Bank of Citigroup Inc. from December 2010 to February 2012, during which he held the positions of managing director and global market manager. He had been the president of 忠興開發股份有限公司 (in English for identification purpose only, Zhongxing Kaifa Co., Ltd.) from March 2015 to May 2016. Since March 2012, Mr. Wang has been a director of W.T.T. Investment Limited. Mr. Wang is currently the president of 儒記投資股份有限公司 (in English for identification purpose only, Ru Chi Investment Corporation Limited). He is currently an independent non-executive director of Town Health International Medical Group Limited (Stock code: 3886), a company whose shares are listed on the Main Board of the Stock Exchange.

Mr. Ma Yiu Ho, Peter

Mr. Ma Yiu Ho, Peter ("Mr. Ma"), aged 52, was appointed as an independent non-executive Director on 16 March 2010. He is currently the financial controller of the Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Association of Chartered Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master Degree of Business Administration from the Hong Kong University of Science and Technology in November 1995. He is also a member of the Hong Kong Institute of Directors since December 2015. He was the financial controller and company secretary of The Hong Kong Parkview Group Limited (now named as Joy City Property Limited, stock code: 207) and the financial controller of VODone Limited (now named as V1 Group Limited, stock code: 82), shares of these two companies are listed on the Stock Exchange. He had also served as the chief financial officer of Superior Fastening Technology Limited, a Singapore listed company. He was an independent non-executive director of the China Ocean Fishing Holdings Limited (formerly known as Sky Forever Supply Chain Management Group Limited) (stock code: 8047) from July 2014 to May 2015. Mr. Ma is currently and has been an independent non-executive director and chairman of the audit committee of China Packaging Holdings Development Limited (stock code: 1439) since December 2013, Huisheng International Holdings Limited (stock code: 1340) since February 2014, TEM Holdings Limited (Stock code: 8346) since 20 April 2016 and Royal Catering Group Holdings Company Limited (Stock code: 8300) since 21 July 2016. Shares of these four companies are listed on the Stock Exchange.

Mr. Chan Ngai Sang, Kenny

Mr. Chan Ngai Sang, Kenny, aged 52, was appointed as an independent non-executive Director on 2 April 2015. He is a partner and founder of Kenny Chan & Co., a firm of Certified Public Accountants (Practising). He has over 25 years of experience in accounting, taxation, auditing and corporate finance and was involved in several merger and acquisition and initial public offering projects. He holds a Bachelor of Commerce degree in Accounting and Finance from the University of New South Wales in Australia and is a member of the Institute of Chartered Accountants of New Zealand, the Association of International Accountants, CPA Australia, the HKICPA and the Taxation Institute of Hong Kong. He served as the President of the Association of International Accountants – Hong Kong Branch from 2012 to 2015 and has been accredited as an Authorized Supervisor of the HKICPA. He also serves on several tribunals of the Government of the Hong Kong Special Administrative Region which includes the Youth Programme Coordinating Committee of the Commission on Youth, the Mandatory Provident Fund Schemes Appeal Board, the Tsuen Wan District Fight Crime Committee, the Occupational Retirement Schemes Appeal Board and is an Honorary President of the Tsuen Wan District Junior Police Call. He served as the District Governor of Lions Clubs International District 303 – Hong Kong & Macao, China in the year 2009/2010. He is currently an independent non-executive director of TSC Group Holdings Limited (stock code: 206), AMCO United Holding Limited (stock code: 630) and Minsheng Education Group Company limited (stock code: 1569). Shares of these three companies are listed on the Main Board of the Stock Exchange and an independent non-executive director of Combest Holdings Limited (stock code: 8190), WLS Holdings Limited (stock code: 8021) and Sing On Holdings Limited (stock code: 8352). Shares of these three companies are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Pun Tit Shan

Mr. Pun Tit Shan ("Mr. Pun"), aged 56, was appointed as an independent non-executive Director on 9 May 2016. He holds a master of business administration degree (with honour) from the University of Manchester. Mr. Pun is currently the chief executive officer of Asia Wealth Securities Limited. He has over 32 years of experience in the finance field, such as strategic dealing and arbitraging in the derivatives market, sales and marketing management in the primary and secondary equity market and sales and assets managing of high net-worth clients and investment advisory.

From 1984 to 1989, Mr. Pun was a chief trader and dealing room manager of legacy Po Sang Bank Ltd., Hong Kong and was a vice president and senior dealer of Credit Suisse, Hong Kong from 1989 to 1993, both focusing on foreign exchange and precious metals trading. From 1993 to 1994, he was a manager of Po Sang Financial Investment Services Co., Ltd. From 1994 to 1996, he was appointed as director of Po Sang Futures Ltd. and Chung Mao Commodities & Futures Ltd. From 1996 to 2003, he acted as vice president of Bank of China International Securities Ltd. looking after the stock options and the financial derivatives and the brokerage sales department. From 2003 to 2008, he was the responsible officer and director of Southwest Securities (HK) Brokerage Ltd. (formerly known as Tanrich Securities Co. Ltd.), Southwest Securities (HK) Asset Management Ltd. (formerly known as Tanrich Asset Management Ltd.), and Southwest Securities (HK) Futures Ltd. (formerly known as Tanrich Futures Ltd.). From 2008 to 2015, he was the responsible officer of Haitong International Securities Co. Ltd., Haitong International Futures Ltd., and in the years of 2008 to 2014, he was also the responsible officer of Haitong International Asset Management Ltd.. In January 2015 to September 2015, he was also the responsible officer of Haitong International Consultants Ltd. of which the principal activities were engaged in asset management. In October 2015 to July 2016, he was the chief investment officer of Astrum Capital Management Limited.

Currently, he is the vice-chairman of Institute of Financial Analyst and Professional Commentator; a member of Lions Club of Hong Kong Shouson Hill and the Honorary Consultant of Hong Kong Ningxia Youth Association（香港寧夏青年會）since 2015. Mr. Pun was previously a board director of Hong Kong Futures Exchange Ltd. (1995-1999); a board director of Hong Kong Stock Exchange Options Clearing House Ltd. (1997-2000); a membership committee member of Hong Kong Securities Institute (1998-2002); a panel member of Derivatives Market Consultative Panel (2000-2003); and a committee member of Hong Kong Securities Institute Professional Education Committee (2002-2004).

Mr. Pun is currently an independent non-executive director of China New Economy Fund Limited (Stock Code: 80) and CPMC Holdings Limited (Stock Code: 906). Both are listed on the Main Board of the Stock Exchange.

Mr. Mak Ka Wing, Patrick

Mr. Mak Ka Wing, Patrick ("Mr. Mak"), aged 52, was appointed as an independent non-executive Director on 9 March 2017. He is a solicitor of the High Court of Hong Kong and Managing Partner of Patrick Mak & Tse, Solicitors. He has over 20 years' legal experience in the legal field. He was awarded the Common Professional Examination Certificate in Laws by The University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by The University of Hong Kong in 1998.

Mr. Mak is currently an independent non-executive director of U-RIGHT International Holdings Limited (stock code: 627) and Fresh Express Delivery Holdings Group Co., Ltd. (formerly known as FU JI Food and Catering Services Holdings Limited) (stock code: 1175), each of the companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Mak was an independent non-executive director of Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co., Limited) (stock code: 117) from 18 September 2013 to 15 July 2015. He was an independent non-executive director of Golden Shield Holdings (Industrial) Limited (in liquidation) (stock code: 2123) since 6 November 2014. A winding up order against Golden Shield Holdings (Industrial) Limited (in liquidation) (a company incorporated in Bermuda with limited liability and being an investment holding company and its subsidiaries being principally engaged in the production and sale of cotton yarns and grey fabric and trading of raw materials for textile products) was made by the High Court of Hong Kong on 11 May 2015 and the Official Receiver was appointed as its Provisional Liquidator. The subject winding-up petition was filed by a former legal adviser of Golden Shield Holdings (Industrial) Limited (in liquidation) in respect of a claim of approximately HK$833,000.

Corporate Governance Report

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

The Board is committed to maintaining good corporate governance standard and procedures to safeguard the interests of the Company's shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in the management of the Group. During the year ended 31 December 2016, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions by the Directors adopted by the Company throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

COMPOSITION

As at 31 December 2016, the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. The list of Directors during the year is set out in the section headed "Directors' Report" of this annual report. Mr. Mak Kwong Yiu resigned as an executive Director on 31 March 2016. Mr. Pun Tit Shan was appointed as an independent non-executive Director on 9 May 2016. Mr. Lam Chi Keung retired as an independent non-executive Director upon the conclusion of the annual general meeting of the Company held on 22 June 2016. Mr. Wang John Hong-chiun was appointed as a non-executive Director on 5 October 2016.

The Board includes a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of the non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report.

Composition of the Board, including names of non-executive Director and independent non-executive Directors is disclosed in all corporate communications to shareholders.

The Company has maintained on its website and on the Stock Exchange's website an updated list of its Directors identifying their role and function and whether they are non-executive Director and independent non-executive Directors.

ROLE AND FUNCTION

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the audit committee, the remuneration committee, the nomination committee and the corporate governance committee. Further details of these committees are set out in this annual report.

BOARD MEETINGS

The Board is going to meet at least four times a year. Additional meetings would be arranged, if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's Articles of Association (the "Articles").

The company secretary of the Company (the "Company Secretary") assists the chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail regarding the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of the Board and the Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of circulation.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to the relevant requirement under the Listing Rules, the changes in Directors' information since the date of 2016 interim report of the Company are set out below:

1. Mr. Pun Tit Shan was appointed as an independent non-executive director of CPMC Holdings Limited (stock code: 906) since September 2016.

2. Mr. Chan Ngai Sang, Kenny was appointed as a member of HKSAR Occupational Retirement Schemes Appeal Board since October 2016, and as an independent non-executive director of Sing On Holdings Limited (stock code: 8352) and Minsheng Education Group Company Limited (stock code: 1569) since November 2016 and March 2017 respectively.

3. Ms. Fong Sut Sam was appointed as an investigation committee member of the Hong Kong Institute of Certified Public Accountants since February 2017.

ATTENDANCE RECORDS

During the financial year ended 31 December 2016, the Directors have made active contribution to the affairs of the Group and 5 Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the final results for the year ended 31 December 2015 and the interim results for the six months ended 30 June 2016 of the Group.

ACCESS TO INFORMATION

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

APPOINTMENTS AND RE-ELECTION OF DIRECTORS

Appointment of new Directors is a matter for consideration by the nomination committee. The nomination committee will review the profiles of the candidates and make recommendations to the Board on the appointment, renomination and retirement of Directors.

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director (including non-executive Director) is appointed for a specific term and is subject to retirement by rotation at least once every three years.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Under code provision A.6.5, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2016, all Directors, namely Mr. Wong Lee Man, Ms. Fong Sut Sam, Mr. Ng Wing Fai, Mr. Tan Ye Kai Byron, Mr. Wang Hong-chiun John, Mr. Ma Yiu Ho, Peter, Mr. Chan Ngai Sang Kenny and Mr. Pun Tit Shan have participated in continuous professional development by attending training courses organised by professional firms/ institutions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10 and 3.10A of the Listing Rules, during the year, the Company has appointed three independent non-executive Directors representing at least one-third of the Board and at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the independent non-executive Directors are independent.

Mr. Chan Ngai Sang, Kenny, an independent non-executive Director has entered into a letter of appointment with the Company for a fixed term of three years commencing from 2 April 2015. Mr. Pun Tit Shan, an independent non-executive Director has entered into a letter of appointment with the Company for a fixed term of three years commencing from 9 May 2016. Mr. Ma Yiu Ho, Peter, an independent non-executive Director has entered into a letter of appointment with the Company for a fixed term of three years commencing from 13 July 2016.

DIRECTORS' AND OFFICERS' LIABILITY

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

PERMITTED INDEMNITY PROVISION

According to the Articles of Association, it provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, changes, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the year ended 31 December 2016, Mr. Wong Lee Man was the chairman of the Company. Mr. Mak Kwong Yiu was the executive Director and the chief executive officer of the Company until his resignation with effect from 31 March 2016. Since then, the Company did not have a designated chief executive officer and the day-to-day management of the Group's business has been handled by the executive Directors collectively. The Board believes that the arrangement is adequate to ensure an effective management and control of the Group's business operations. Throughout the year ended 31 December 2016, the Board also reviewed the Group structure and assessed whether any changes needed, including the appointment of a chief executive officer.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 23 June 2010 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. The full terms of reference are available on the Company's website and the Stock Exchange's website.

As at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Ma Yiu Ho, Peter (Chairman of the Audit Committee), Mr. Chan Ngai Sang, Kenny and Mr. Pun Tit Shan.

During the year, 2 meetings of the Audit Committee were held for, amongst other things:

- Reviewing the final results of the Group for the year ended 31 December 2015 and interim results of the Group for the six months ended 30 June 2016;
- Reviewing the Group's financial information;
- Reviewing the continuing connected transactions as set forth on pages 60 to 63 of this annual report;
- Reviewing the effectiveness of the Group's internal control system; and
- Reviewing of the status of all business.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 23 June 2010 with written terms of reference in compliance with the CG Code. The primary function of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board. The full terms of reference are available on the Company's website and the Stock Exchange's website.

BOARD DIVERSITY

The Board adopted a board diversity policy on 28 August 2013 in compliance with a new code provision on board diversity in the CG Code, which came into effect on 1 September 2013. In designing the Board's composition, the diversity of members of the Board has been considered from a number of aspects, including but not limited to gender, age, educational background, professional experience and qualifications, relevant industry experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered and selected based on a range of diversity perspectives including but not limited to the said aspects.

As at the date of this annual report, the Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Wong Lee Man (Chairman of the Nomination Committee), Mr. Chan Ngai Sang, Kenny and Mr. Pun Tit Shan.

During the year, 2 meetings of the Nomination Committee were held for, amongst other things:

- Reviewing the structure, size and composition of the Board;
- Assessing the independence of the independent non-executive Directors; and
- Making recommendation to the Board on matters relating to the appointment of Directors.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 23 June 2010 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance-based remuneration; and ensure none of our Directors determine their own remuneration. The full terms of reference are available on the Company's website and the Stock Exchange's website.

As at the date of this annual report, the Remuneration Committee comprises two independent non-executive Directors and one executive Director, namely Mr. Chan Ngai Sang, Kenny (Chairman of the Remuneration Committee), Mr. Wong Lee Man and Mr. Pun Tit Shan.

During the year, 2 meetings of the Remuneration Committee were held for, amongst other things:

- Reviewing the remuneration and terms of service contracts of the executive Directors;
- Determining the bonuses of the executive Directors for the financial year of 2016; and
- Making recommendations to the Board on the directors' fee of the independent non-executive Directors for the financial year of 2016.

Details of the Company's remuneration policies are set out in the Management Discussion and Analysis on page 29 and Directors' emoluments are disclosed in note 7 to the consolidated financial statements.

CORPORATE GOVERNANCE COMMITTEE

The Company established a compliance committee (the "Compliance Committee") on 23 June 2010. The primary function of the Compliance Committee is to make recommendations to the Board regarding regulatory and compliance matters relating to our Group. With effect from 1 January 2012, the Board has established a corporate governance committee (the "Corporate Governance Committee") in place of the existing Compliance Committee.

The Corporate Governance Committee is established for the purpose of developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board; and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements. The full terms of reference are available on the Company's website and the Stock Exchange's website.

As at the date of this annual report, the Corporate Governance Committee comprises three executive Directors, namely Mr. Tan Ye Kai, Byron (Chairman of the Corporate Governance Committee), Ms. Fong Sut Sam and Mr. Wong Lee Man.

During the year, 2 meetings of the Corporate Governance Committee were held for, amongst other things:

- Discussing on and reviewing of regulatory and compliance matters relating to the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flows of the Group and in compliance with relevant law and disclosure provisions of the Listing rules. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected appropriate accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner.

The statement of the auditor of the Company, Ernst & Young, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 65 to 70 of this annual report.

AUDITORS' REMUNERATION

During the year, the remuneration paid and payable to the Company's auditor, Ernst & Young, are approximately HK$3,992,000 for audit services and HK$536,000 for non-audit services.

COMPANY SECRETARY

Mr. Chow Kim Hang ("Mr. Chow"), was appointed as the Company Secretary and the authorised representative of the Company on 16 March 2010. Mr. Chow is a Partner of Ma Tang & Co., Solicitors, a corporate and commercial law firm in Hong Kong. He is a practicing solicitor in Hong Kong and a member of The Law Society of Hong Kong. Mr. Chow's primary contact person at the Company is Ms. Chan Lai Yee, the executive Director.

During the year ended 31 December 2016, Mr. Chow has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining a sound and effective internal control and risk management systems. Such systems are in place and designed to manage risk rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss in order to safeguard the interests of the shareholders and the assets of the Group against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Group, during the year has engaged a professional firm as an independent advisor to hold an annual internal control review and risk management assessment to aid the Group in ensuring the internal control and risk management systems are functioning adequately.

PROCESS OF RISK MANAGEMENT

The risk assessment has identified key risks, primarily through conducting interviews with senior management and the executives under a business risk model, presenting threats to the Group, including strategic risks, operation risks, financial risks as well as information risks. The risk model is a framework for identifying and understanding the types of business risks. It is followed by assessing the significance and likelihood of the risks qualitatively and quantitatively and prioritizing the risks, subsequently evaluating against the control design indicator to conclude the audit requirement rating. According to the result of the risk assessment and following discussion with the Audit Committee, a prioritized group of auditable areas is available for input to the development of the Group's internal audit plan.

MAIN FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT

The Group's internal control system includes a defined management structure with straightforward and clear lines of reporting, authority limits that are designed to help management to carry out regular management functions for the purpose of achieving the Group's business strategies. The internal control and risk management functions are there in order to deal with the main features of the Group's risk management and internal control systems. The main features are namely: the maintenance of records, maintaining management integrity, the ensuring of proper segregation of duties, helping of the safeguarding Group assets. These features are in place in order to help to manage the Group's risk management and internal control issues.

REVIEW OF EFFECTIVENESS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Directors acknowledge their responsibility for reviewing the effectiveness of the Group's internal control and risk management systems and would communicate regularly with the Audit Committee and the independent advisor to review and resolve material internal control defeats. The Board has reviewed through the work of its Audit Committee and the internal control review report and the findings performed by independent advisor and was satisfied as to the effectiveness and adequacy of the Group's internal control and risk management systems for the year ended 31 December 2016.

INSIDE INFORMATION

With regard to the internal controls and procedures for the handling and dissemination of inside information, the Group is in compliance with under the Part XIVA and relevant parts of the SFO and Listing Rules. To be certain that all the staff members in the Group are aware of the inside information handling, the Group's Disclosure policy sets out guidance and procedures to ensure that the inside information of the Group is disseminated to the public completely, accurately and timely. Besides, the Board is responsible to approve the dissemination of the information. The Group also has reasonable measures regarding keeping the sensitive information confidential and ensuring the confidentiality terms are in place in the significant agreements.

COMMUNICATION WITH SHAREHOLDERS

The Company considers effective communication with shareholders is essential to enable them to have a clear assessment of the Group's performance as well as accountability of the Board. Major means of communication with shareholders of the Company include the followings:

INFORMATION DISCLOSURE ON COMPANY'S WEBSITE

The Company maintains a corporate website at www.convoy.com.hk where important information of the Group's activities and corporate matters, such as annual reports, interim reports to shareholders, announcements and corporate governance practices are available for review by shareholders.

When announcements are made through the Stock Exchange, the same information will be made available on the Company's website.

During the year, the Company has issued announcements which can be viewed on the Company's website.

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting (the "AGM") provides a useful forum for shareholders to exchange views with the Board. The Directors (including independent non-executive Directors) are available at the AGM to answer questions from shareholders about the business and performance of the Company. In addition, the Company's external auditor is also invited to attend the AGM to answer questions about the conduct of the audit, and the preparation and contents of the auditor's report. Separate resolutions are proposed at general meetings for each substantial issue. An explanation of the detailed procedures of conducting poll was provided to shareholders at the AGM, to ensure that shareholders are familiar with such procedures.

The Company's last AGM was held on Wednesday, 22 June 2016 at 39/F., @CONVOY, 169 Electric Road, Hong Kong.

All the resolutions proposed at that meeting were approved by shareholders by poll voting. The poll results were posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

The next AGM will be held on Thursday, 29 June 2017, the notice of which will be sent to shareholders at least 20 clear business days before the said meeting.

In addition to the AGM, 2 extraordinary general meetings (the "EGMs") were held by the Company on Wednesday, 22 June 2016, and Thursday, 22 December 2016 respectively during the year. All the resolutions proposed at EGMs were also approved by shareholders by poll voting. The poll results of each of these meetings were also posted on the websites of the Stock Exchange and the Company respectively.

ATTENDANCE OF DIRECTORS AT MEETINGS

The attendance of the Directors at the general meetings of the Company, meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee during the year are set out below:

		Meetings attended/Meetings eligible to attend (v)						
	Notes	AGM	EGMs	Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings	Corporate Governance Committee meetings
Executive Directors								
Mr. Wong Lee Man		0/1	1/2	5/5	–	2/2	2/2	2/2
Ms. Fong Sut Sam		1/1	2/2	4/5	–	–	–	2/2
Mr. Mak Kwong Yiu	(i)	–	–	3/3	–	–	–	–
Mr. Tan Ye Kai, Byron		1/1	1/2	5/5	–	–	–	2/2
Mr. Ng Wing Fai		1/1	1/2	2/5	–	–	–	–
Non-Executive Director								
Mr. Wang John Hong-chiun	(ii)	–	0/1	1/1	–	–	–	–
Independent Non-Executive Directors								
Mr. Ma Yiu Ho, Peter		1/1	2/2	5/5	2/2	–	–	–
Mr. Lam Chi Keung	(iii)	0/1	0/1	3/3	1/1	1/1	1/1	–
Mr. Chan Ngai Sang, Kenny		1/1	2/2	4/5	2/2	2/2	2/2	–
Mr. Pun Tit Shan	(iv)	1/1	1/2	2/2	1/1	1/1	1/1	–

Notes:

(i) Mr. Mak Kwong Yiu resigned as an executive Director and the chief executive officer of the Company on 31 March 2016.

(ii) Mr. Wang John Hong-chiun was appointed as a non-executive Director on 5 October 2016.

(iii) Mr. Lam Chi Keung retired as an independent non-executive Director upon the conclusion of the AGM held on 22 June 2016 and ceased to be the member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

(iv) Mr. Pun Tit Shan was appointed as an independent non-executive Director on 9 May 2016 and was further appointed as a member of the Audit Committee, a member of the Remuneration Committee and a member of Nomination Committee.

(v) Attendances of the Directors appointed/retired during the year were made by reference to the number of such meetings held during their respective tenures.

In respect of Code Provision E.1.2 of the CG Code, Mr. Wong Lee Man, the chairman of the Company was unable to attend the annual general meeting of the Company held on 22 June 2016 due to other business engagement. Other Board members, however, attended such annual general meeting and made themselves available to answer questions to ensure effective communication with the shareholders of the Company.

Pursuant to Code Provision A.6.7 of the CG Code, independent non-executive directors and non-executive directors, as equal board members, should attend general meeting of the Company. During the year, Mr. Lam Chi Keung was unable to attend the annual general meeting of the Company held on 22 June 2016 as he had other business engagement. Besides, Mr. Pun Tit Shan was unable to attend the extraordinary general meeting held on 22 June 2016 as he had other business engagement.

INVESTOR RELATIONS

Information of the Group is delivered to the shareholders and investors through a number of channels, which includes annual report, interim report and announcements. The latest information of the Group together with the published documents are also available on the Company's website at http://www.convoy.com.hk.

The Company recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. The Company's Chairman, Vice Chairman, Chief Executive Officer and Chief Financial Officer also made presentations and held meetings with investors and analysts to keep them abreast of the Company's development, subject to compliance with the applicable laws and regulations. In addition, questions received from the general public and individual shareholders are answered promptly.

SHAREHOLDERS' RIGHTS

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue. Besides, pursuant to the Articles, shareholder(s) holding 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 months after the deposit of such requisition. If within twenty-one 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.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: 39/F, @CONVOY, 169 Electric Road, Hong Kong
Email: IR_Info@convoy.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto.

Shareholders' information may be disclosed as required by law.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETING BY SHAREHOLDERS

Pursuant to Article 85, no person other than a retiring director shall be eligible for election to the office of Director at any general meeting unless (a) such person is recommended by the Directors for election; or (b) such person is nominated by notice in writing by a shareholder (other than the person to be proposed) entitled to attend and vote at the meeting. The notice of nomination shall be accompanied by a notice signed by that person indicating his willingness to be elected to the office of Director and shall be lodged at the head office from time to time or at the registration office within the seven day period commencing from the day after the dispatch of the notice of the meeting (or such other period, being a period of not less than seven days, commencing no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, as may be determined by the Directors from time to time.)

CONSTITUTIONAL DOCUMENTS

At the 2012 AGM, amendments to the Articles were approved by the shareholders of the Company. An updated version of the Articles is available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

The Board hereby presents this Environmental, Social and Governance ("ESG") report for the year ended 31 December 2016 to comply with the requirements set out in Appendix 27 ESG Reporting Guide of the Rules Governing the Listing of Securities on the Stock Exchange.

A. ENVIRONMENTAL ASPECTS

A1. EMISSIONS

As the Group is principally engaged in businesses including IFA business, money lending business, proprietary investment business, asset management business, corporate finance advisory business and securities dealing business, there is minimal direct impact to the environment and we do not generate hazardous waste. The biggest contributor to the Group's carbon footprint is the indirect greenhouse gas ("GHG") emission from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment.

The Group is committed to improving the energy efficiency of operations by supporting the "Indoor Temperature Energy Saving Charter" and the "No Incandescent Light Bulbs ("ILB") Energy Saving Charter". The indoor air temperature of our office is set at a comfortable range, and all incandescent light bulbs have been fully deactivated. We strive to reduce, reuse, recycle and replace throughout our business activities to minimize the disposal of waste to the landfill.

There were no non-compliance cases noted in relation to environmental laws and regulations for the year ended 31 December 2016.

A2. USE OF RESOURCES

With the aim to better manage the use of resources, regular assessments of use of resources are performed. Relevant departments collect and analyze data and summarise their respective findings on a regular basis.

The Group has adopted green office practices to reduce consumption and the impact on the environment. For instance, teleconference and internet-meeting practices are encouraged to avoid unnecessary travel and we encourage the employees to take the stairs instead of taking the elevator or escalator.

A3. ENVIRONMENT AND NATURAL RESOURCES

Although the Group's environmental impact and use of natural resources is minimal, we endeavor to improve waste management mechanisms. We encourage employees to reduce paper consumption by reuse of single-sided printed paper, to assess the necessity of printing where appropriate and to use duplex printing. The Group is committed to continue to reduce our paper consumption and reduction of waste.

B. SOCIAL

B1. EMPLOYMENT AND LABOUR PRACTICES

Employees are the key to our business success. The Group has maintained a professional team of employees working diligently to support the growth of the business.

The Group published a staff hand book that includes recruitment and promotion, working hours, rest periods and benefits.

We provide good working environment including a workplace free from discrimination and harassment; and provide equal opportunities for all the employees along with competitive remuneration.

The Group has complied with all relevant labour laws and regulations in Hong Kong.

B2. HEALTH AND SAFETY

The Group is committed to providing and maintaining a healthy, safe and hygienic workplace for all the employees.

We observe all safety regulations and become thoroughly conversant with the safety requirements in our particular environment or work site. Once any occurrence of accident at work within the Group would be promptly reported to our immediate manager.

The management will continue the effort in strengthening the Group's occupational health and safety performance to protect employees from hazards.

There were no non-compliance cases noted in relation to health and safety laws and regulations for the year ended 31 December 2016.

B3. DEVELOPMENT AND TRAINING

The Group offers training and development support to improve the employee's long-term growth, development and career advancement.

There are a series of training programs including In-house Training, External Training, Professional Membership, Professional Qualification, Project Participation, On-the-Job Coaching, Job Rotation, Short-term Job Assignment and other training programs, as set out in the "Training, License and Membership Sponsorship and Reimbursement Policy".

Moreover, we provide training sponsorship and examination time off for permanent full-time back office staffs.

Every licensed individual must fulfill at least five hours each calendar year of continuous professional training for each type of regulated activity. The Group ensures that our licensed staff fulfills this requirement and maintains attendance records of the trainings.

B4. LABOR STANDARDS

The Group tolerates neither recruitment of minors nor forced labor and has complied with the relevant laws and regulations.

Labor regulation, employment terms and staff benefits can be accessed by all employees in the Human Resources Manual located within the Group's intranet.

B5. SUPPLY CHAIN MANAGEMENT

The Group set up a strict supply chain management system to ensure high quality service to our clients by performing regular assessments on the environmental and social risks' management. Suppliers are urged to take measures to reduce their environmental and social risks.

The Group is also committed to ensure that the supply chain management is socially responsible. The Group has implemented a strict selection process on the suppliers and sub-contractors taking into considerations such elements as supplier qualification, past performance, financial strength and price.

B6. PRODUCT RESPONSIBILITY

The Group has a "Procedure Manual" relating to standard procedures of providing service and products. The Group complies with various regulations relevant to the operation of the business in areas such as health and safety, advertising, labelling and privacy matters relating to the products and services.

The products or financial services provided to clients are based on their financial background, trading experience and risk tolerant level after the "Know the Customers" procedures and assessment processes were performed. We are committed to providing clear and balance information to clients. Moreover, the Group has set standards for advertising and sale literature which requiring information contained in must be factual and prohibit the use false, misleading or inaccurate statements.

Besides, the Group has also established "Information Security Policies" and "General Compliance Manual" to provide guidance to protect the privacy of clients. We comply with the provisions of the Personal Data (Privacy) Ordinance in collecting, processing and the use of clients' personal data.

The Group has established an email address at info@convoy.com.hk to which the exhibitor clients may send feedback, including complaints or grievances.

B7. ANTI-CORRUPTION

The Group maintains a high standard of business integrity throughout the operations and tolerates no corruption or bribery in any form. A comprehensive system of internal control and stringent policies are effectively implemented for anti-corruption and anti-fraud.

All directors, management and employees of the Group are required to abide by the Group's General Compliance Manual and Code of Conduct. We encourage the reporting of suspected business irregularities and provide clear channels specifically for this purpose.

The Group is committed to adhering the highest ethical standards. During the year, the Group has not received any bribery, extortion, fraud or money-laundering case related to corruption. The Group will continue to comply with the relevant laws and regulations.

B8. COMMUNITY INVESTMENT

Since the establishment of Convoy, we have been striving to fulfil our corporate social responsibility in various charity and community activities. The Group has carefully formulated and successfully implemented various community activities spanning education, sports, charity, environmental conservation, charity and other areas.

In 2016, the Group collaborated with Green Monday in the "Eat & Run For Green" campaign, donating over 70,000 vegetarian lunch boxes at the end.

20 Convoy staffs participated in 3km and 10km races of Fearless Dragon Run, showing support to social inclusion in April 2016.

On 6 August 2016, Convoy staffs visited Tai Po to organise a fun day for hospitalized children.

On 10 September 2016, Convoy staffs organised a large scale Mid-Autumn visit, recruiting 300 volunteers to visit the elderly at Shatin, Wong Tai Sin and Sai Wan on the same day.

In recognition to our contributions to the community, we have been presented with the honor of "Caring Company Award" by The Hong Kong Council of Social Service for 15 years in a row.

We hope not only to help people in need through our social activities, but also to cultivate in our employees the spirit of care and community contribution.

Directors' Report

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the IFA business, money lending business, proprietary investment business, asset management business, corporate finance advisory business and securities dealing business. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 22 to 33 of this annual report. This discussion forms part of this directors' report.

For more details regarding the Group's performance by reference to environmental and social-related policies, as well as compliance with relevant laws and regulations that have a significant impact on the Group's business and operation can be found in the Environmental, Social and Governance Report set out on pages 49 to 51 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 71 to 166.

In order to maintain adequate cashflow of the Group to combat the challenges to be brought by the change in the regulations of ILAS market, the Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (31 December 2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders who are entitled to attend and vote at the annual general meeting to be held on Thursday, 29 June 2017 (or any adjournment thereof), the register of members of the Company will be closed from Monday, 26 June 2017 to Thursday, 29 June 2017 (both days inclusive). In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), all transfers accompanied by the relevant share certificates should be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 23 June 2017.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 49 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands, amounted to HK$3,371.3 million (2015: HK$3,465.6 million). The amount of HK$3,371.3 million (2015: HK$3,465.6 million) includes the Company's share premium account which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHANGE OF COMPANY'S NAME

Pursuant to the special resolution of the Company passed at the extraordinary general meeting held on 22 June 2016, the Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in the Cayman Islands on 22 June 2016 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 4 August 2016, the English name of the Company was changed from "Convoy Financial Holdings Limited" to "Convoy Global Holdings Limited" and the Chinese name of the Company was changed from "康宏金融控股有限公司" to "康宏環球控股有限公司" as its dual foreign name.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately HK$2,214,000 (2015: HK$2,146,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

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

MAJOR PRODUCTS ISSUERS AND SUPPLIERS

In the year under review, revenue from the Group's five largest customers accounted for 38.2% (2015: 54.7%) of the total revenue for the year and revenue from the largest product issuer included therein amounted to 13.6% (2015: 16.7%). For the purpose of identifying major customers of the Group, revenue derived from the proprietary investment segment, including fair value changes on financial investments at fair value through profit or loss, net; gains on disposals of available-for-sale investments; interest income from debt investments and dividend income from financial investments at fair value through profit or loss, are excluded from the calculation.

Commission expenses attributable to the 5 highest paid consultants of the Group accounted for less than 30% of the Group's total commission expenses for the year under review.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's entire issued share capital) had any beneficial interest in the Group's five largest product issuers.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out on page 168. This summary does not form part of the audited financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was conditionally approved by written resolutions of the sole shareholder of the Company dated 23 June 2010 and shall be valid and effective for a period of 10 years to 22 June 2020. According to the Share Option Scheme, the Board may at its absolute discretion, offer to grant option to any Employee, Business Associate and the trustee (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group (collectively, the "Participants").

For the purpose of this section, Employee means (i) any full-time employee and director (including executive Director, non-executive Director and independent non-executive Director or proposed executive Director, non-executive Director and independent non-executive Director) of any member of the Group; and (ii) any part-time employee with weekly working hours of 10 hours or above of the Group; and Business Associate means (a) any adviser, consultant or agent (in the areas of legal, technical, financial or corporate managerial) to the Group; (b) any provider of goods and/or services to the Group; or (c) any other person who, at the sole discretion of the Board, has contributed or may contribute to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group).

The purpose of the Share Option Scheme is to encourage the Participants to perform their best in achieving the goals of the Group and at the same time allow the Participants to enjoy the results of the Company attained through their efforts and contributions and to provide the Participants with incentives and help the Company in retaining its existing Employees and recruiting additional Employees.

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the options but in any case the subscription price shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of a Share. Each of the grantee is required to pay HK$1.00 as consideration for the grant of share options in accordance with the Share Option Scheme and the offer of share options must be accepted within 21 days from the date of the offer.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 1,493,889,600 Shares, which represented 10% of the total issued share capital of the Company as at the date of approval of the refreshment of Share Option Scheme.

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in 12-month period up to and including the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

An option may be exercised in accordance with the terms and conditions of the Share Option Scheme at any time during such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant of the option and the Board may provide restrictions on the exercise of an option during the period an option may be exercised. There is no requirement that an option must be held for any minimum period before it can be exercised but the Board are empowered to impose at its discretion any such minimum period at the time of grant of any option.

The share options granted as disclosed in the announcement of the Company dated 15 November 2016 entitled the relevant grantees to subscribe for an aggregate 448,164,000 new shares of HK$0.1 each in the share capital of the Company. Detail of movements of the options granted to the Directors and employees under the Share Option Scheme for the year ended 31 December 2016 are as follows:

Category and name of grantees	Outstanding at 1 January 2016	Granted during the year	Outstanding at 31 December 2016	Exercise price per share	Date of grant	Exercise period
Director Mr. Wong Lee Man	–	149,388,000	149,388,000	HK$0.2332	24 December 2016	24 June 2017 to 23 December 2019
Sub-total	–	149,388,000	149,388,000			
Employees of the Group	–	298,776,000	298,776,000	HK$0.2332	24 December 2016	24 June 2017 to 23 December 2019
Sub-total	–	298,776,000	298,776,000			
Total	–	448,164,000	448,164,000			

No option was exercised or lapsed during the year ended 31 December 2016.

SHARE AWARD SCHEME

The Company's share award scheme (the "Award Scheme"), was adopted pursuant to a resolution passed on 25 January 2011 for the primary purpose of recognising the contributions by certain selected participants and giving incentives thereto in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group.

Details of the Award Scheme are disclosed in note 36 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Wong Lee Man *(Chairman)*
Ms. Fong Sut Sam
Mr. Mak Kwong Yiu (resigned on 31 March 2016)
Mr. Tan Ye Kai, Byron
Mr. Ng Wing Fai
Ms. Chan Lai Yee (appointed on 15 February 2017)
Dr. Cho Kwai Chee (appointed on 9 March 2017)

NON-EXECUTIVE DIRECTOR

Mr. Wang John Hong-chiun (appointed on 5 October 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Yiu Ho, Peter
Mr. Lam Chi Keung (retired on 22 June 2016)
Mr. Chan Ngai Sang, Kenny
Mr. Pun Tit Shan (appointed on 5 May 2016)
Mr. Mak Ka Wing, Patrick (appointed on 9 March 2017)

Biographical details of the above Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 34 to 37 of this annual report.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

The Directors have entered into service contracts or letters of appointment with the Company for a term of three years and to continue thereafter until terminated by a three months' notice in writing served by either party on the other without payment of compensation, the details are as follows:

Name of Directors	Date of Commencement
Mr. Tan Ye Kai, Byron	2 April 2015
Mr. Chan Ngai Sang, Kenny	2 April 2015
Mr. Ng Wing Fai	15 September 2015
Mr. Pun Tit Shan	9 May 2016
Mr. Wong Lee Man	13 July 2016
Ms. Fong Sut Sum	13 July 2016
Mr. Ma Yiu Ho Peter	13 July 2016
Mr. Wang John Hong-chiun	5 October 2016
Ms. Chan Lai Yee	15 February 2017
Dr. Cho Kwai Chee	9 March 2017
Mr. Mak Ka Wing, Patrick	9 March 2017

Each of the executive Directors shall also be entitled to a bonus for each financial year of the Company which is at the discretion of the Board and determined by reference to performance of each Director concerned and the Group's performance for the financial year concerned and based on the recommendation from the remuneration committee of our Company.

Save as disclosed above, none of the Directors being 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.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors are set out in note 7 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

CONTRACT OF SIGNIFICANCE

There is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

MANAGEMENT CONTRACT

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manager or administer the whole or any substantial part of any business of the Company.

INTERESTS IN COMPETITORS

The Directors were not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, so far as the Directors are aware, the interests or short positions of the Directors or chief executives in Shares, underlying shares and debentures of the Company or any of its 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 the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, are as follows:

Name of Directors or chief executives	Note	Capacity	Long/Short position	Class of Shares	Number of Shares held	Approximate percentage of issued share capital
Wong Lee Man		Beneficial owner	Long position	Share option	149,388,000	1.00%
Cho Kwai Chee		Beneficial owner	Long position	Ordinary shares	556,470,000	3.72%
	(i)	Interests of a controlled corporation	Long position	Ordinary shares	181,524,000	1.22%

Note:

(i) Dr. Cho Kwai Chee holds 100% interest in Wonderful Bright Limited which holds 30,000,000 Shares and he also holds 50.1% interest in Broad Idea International Limited which holds 151,524,000 Shares. By virtue of the SFO, Dr. Cho Kwai Chee is deemed to be interested in these 181,524,000 Shares.

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

Save as disclosed in the section headed "INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS", as at 31 December 2016, so far as the Directors are aware, the following corporations had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholders	Notes	Capacity	Long/Short position	Number of Shares held	Approximate percentage of issued share capital
Eagle Legacy Limited		Beneficial owner	Long position	2,240,000,000	14.99%
Oceana Glory Limited		Beneficial owner	Long position	2,240,000,000	14.99%
Jun Yang Financial Holdings Limited	(i)	Interests of a controlled corporation	Long position	1,483,788,000	9.93%
Classictime Investments Limited	(i)	Beneficial owner	Long position	1,483,788,000	9.93%
Interactive Entertainment China Cultural Technology Investments Limited (formerly known as: China Mobile Games and Cultural Investment Limited)	(ii)	Interests of a controlled corporation	Long position	1,361,104,000	9.11%
Ever Robust Holdings Limited	(ii)	Beneficial owner	Long position	1,361,104,000	9.11%
GET Holdings Limited	(iii)	Interests of a controlled corporation	Long position	747,806,000	5.01%
Lucky Famous Limited	(iii)	Interests of a controlled corporation	Long position	747,806,000	5.01%
Perfect Growth Limited	(iii)	Beneficial owner	Long position	747,806,000	5.01%

Notes:

(i) The entire issued share capital of Classictime Investments Limited is directly beneficially owned by Jun Yang Financial Holdings Limited. By virtue of the SFO, Jun Yang Financial Holdings Limited is deemed to have interest in 1,483,788,000 Shares owned by Classictime Investments Limited.

(ii) The entire issued share capital of Ever Robust Holdings Limited is indirectly beneficially owned by Interactive Entertainment China Cultural Technology Investments Limited. By virtue of the SFO, Interactive Entertainment China Cultural Technology Investments Limited is deemed to have interest in 1,361,104,000 Shares owned by Ever Robust Holdings Limited.

(iii) The entire issued share capital of Perfect Growth Limited is directly beneficially owned by Lucky Famous Limited, which in turn is indirectly beneficially owned by GET Holdings Limited. By virtue of the SFO, GET Holdings Limited and Lucky Famous Limited are deemed to have interest in 747,806,000 Shares owned by Perfect Growth Limited.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Interests and/or Short Positions of the Directors and Chief Executives in the Share Capital of the Company and its Associated Corporations" above and in the "Share Option Scheme" disclosed on pages 54 to 55 of this annual report, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain agreements and arrangements with its connected persons in the ordinary and usual course of business of the Group during the reporting period. Details of these transactions are set out below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(I) SERVICE FEES PAID TO CONNECTED PERSONS

Reference is made to the announcement of the Company dated 11 March 2013, in which it was disclosed that CFS had entered into contracts for services (the "2013 Shin Family CFS Service Contracts") with three associates (as defined under the Listing Rules) of Mr. Shin Kin Man (the "Shin Family") pursuant to which CFS agreed to pay commission to the Shin Family for their acting as Consultants of CFS to provide the insurance and MPF scheme brokerage services in Hong Kong. The 2013 Shin Family CFS Service Contracts have been expired on 31 December 2015.

On 18 March 2016, CFS entered into contracts for services (the "New Shin Family CFS Service Contracts") with the Shin Family with a view to renew the terms and conditions of the 2013 Shin Family CFS Service Contracts for a term of three years commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive).

Further, CAM entered into contracts for services (the "New Shin Family CAM Service Contracts") with the Shin Family pursuant to which CAM agreed to pay commission to the Shin Family for their acting as licensed representatives of CAM to provide funds dealing and securities brokerage services in Hong Kong for a term of three years commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive).

Mr. Shin Kin Man is the executive director of CFS (an indirect wholly-owned subsidiary of the Company) and thus the New Shin Family, being the three associates (as defined under the Listing Rules) of Mr. Shin Kin Man, are connected persons of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transactions contemplated under the New Shin Family CFS Service Contracts and the New Shin Family CAM Service Contracts are constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to the New Shin Family CFS Service Contracts, in consideration for the Shin Family acting as consultants of CFS to provide the insurance and MPF scheme brokerage services in Hong Kong, CFS agreed to pay to the Shin Family commission which shall be calculated in accordance with the terms of the New Shin Family CFS Service Contracts and be payable monthly. Such commission to be paid to the Shin Family represent normal commission applicable to all other consultants of CFS, and would not include payment of any kind to which all other consultants would not be entitled.

The New Shin Family CFS Service Contracts are for a term of three years commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive), with the proposed annual caps amounts to HK$12,000,000, HK$14,000,000 and HK$16,000,000 for each of three financial years ending 31 December 2016, 2017 and 2018 respectively. Details of the transactions were disclosed in the Company's announcement dated 18 March 2016.

During the year, the commission expenses paid to the Shin Family for New Shin Family CFS Service Contracts amounted to approximately HK$9,282,000 (2015: 9,108,000).

Pursuant to the New Shin Family CAM Service Contracts, in consideration for the Shin Family acting as licensed representatives of CAM to provide funds dealing and securities brokerage services in Hong Kong, CAM agreed to pay the Shin Family commission which shall be calculated in accordance with the terms of the New Shin Family CAM Service Contracts and be payable monthly. Such commission to be paid to the Shin Family represent normal commission applicable to all other licensed representatives of CAM, and would not include payment of any kind to which all other licensed representatives of CAM would not be entitled.

The New Shin Family CAM Service Contracts are for a term of three years commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive), with the proposed annual caps amounts to HK$2,000,000, HK$3,000,000 and HK$4,000,000 for each of three financial years ending 31 December 2016, 2017 and 2018 respectively. Details of the transactions were disclosed in the Company's announcement dated 18 March 2016.

During the year, the commission expenses paid to the Shin Family for New Shin Family CAM Service Contracts amounted to approximately HK$807,000 (2015: Nil).

(II) RENTAL FEES PAID TO A CONNECTED PERSON

Reference is made to the announcement of the Company dated 3 December 2015, in which it was disclosed that CFS as tenant entered into the tenancy agreement with Great Felicity Limited ("GFL") as landlord (the "Tenancy (Office) Agreement"), in respect of the leasing of 16th, 17th, 18th and 19th Floors, Cubus, No.1 Hoi Ping Road, Causeway Bay, Hong Kong, for a term of three years commencing from 1 January 2016.

Mr. Tsai (through his controlled companies namely, Eagle Legacy Limited and Oceana Glory Limited (holding approximately 14.99% and 14.99% of the total number of issued Shares respectively)) control the exercise of the voting power of such Shares held by such controlled companies at any general meeting of the Company and is therefore the substantial shareholder of the Company. GFL (being a company principally engaged in property investment) is indirectly wholly-owned by Mr. Tsai and his immediate family members and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Tenancy (Office) Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Tenancy (Office) Agreement, CFS shall pay (i) the rent of HK$483,705.00 per month exclusive of the Government rates, service management and maintenance charges, gas, electricity and water charges and all other outgoings to be paid in advance on the first day of each month; (ii) the Government rates of HK$67,500.00 per quarter (subject to the Government's periodic review); and (iii) the Management Charges of HK$49,122.93 per month (subject to periodic review by GFL and/or its agent and/or the management body of the Property) to be paid in advance on the first day of each month. The monthly rent and the Management Charges were determined by reference to the market rates of other comparable premises in nearby location recently after arm's length negotiation between the parties to the Tenancy (Office) Agreement.

Reference is made to the announcement of the Company dated 25 July 2016, in which it was disclosed that (i) CLL as tenant entered into the tenancy agreement with GFL as landlord ("Tenancy (Shop) Agreement"), in respect of the leasing of Ground Floor Shop, Cubus, No. 1 Hoi Ping Road, Causeway Bay, Hong Kong, for a term of two years commencing from 1 August 2016; and (ii) CLL as licensee entered into the licence agreement with GFL as licensor ("Licence Agreement"), in respect of the granting of the non-exclusive right to use the advertising banner space situated at the external wall of Cubus, No. 1 Hoi Ping Road, Causeway Bay, Hong Kong, for a term of two years commencing from 1 August 2016. As GFL is a connected person of the Company under the Listing Rules, the Tenancy (Shop) Agreement and the Licence Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Tenancy (Shop) Agreement, CLL shall pay (i) the rent of HK$393,816.00 per month exclusive of the Management Charges, gas, electricity and water charges and all other outgoings to be paid in advance on the first day of each month; (ii) the Government rates of HK$74,250.00 per quarter (subject to the Government's periodic review); and (iii) the Management Charges of HK$15,107.04 per month (subject to periodic review by GFL and/or its agent and/or the management body of the Property) to be paid in advance on the first day of each month. The monthly rent and the Management Charges were determined by reference to the market rates of other comparable premises in nearby location recently after arm's length negotiation between the parties to the Tenancy (Shop) Agreement. CLL shall also be responsible for paying gas, electricity and watercharges, meter rents and all necessary deposits for such supplies and all outgoings in respect of the Property.

Pursuant to the Licence Agreement, CLL shall pay the licence fee of HK$1.00 which shall be payable on signing of the Licence Agreement. The licence fee was determined between the parties to the Licence Agreement after having considered, among others, the business needs of the Group and the use of the advertising banner space. CLL shall also be responsible for (i) paying any Government rates, (ii) the removal of the existing advertising banner, (iii) the production and installation and removal of its own advertising banner and (iv) the repair and maintenance of the advertising banner space, at its own cost.

The annual caps as calculated based on the aggregate amount of the rent, the Government rates and the Management Charges payable by the Group to GFL under the Tenancy (Office) Agreement for the three financial years ending 31 December 2016, 31 December 2017 and 31 December 2018 are HK$5,000,000, HK$7,000,000 and HK$7,000,000 respectively.

Upon the entering into of the Tenancy (Shop) Agreement and Licence Agreement, the annual caps, as calculated based on the aggregate amount of the rent, the Government rates, the Management Charges and the licence fee payable by the Group to GFL under the Tenancy (Office) Agreement, Tenancy (Shop) Agreement and the Licence Agreement for the three financial years ending 31 December 2016, 31 December 2017 and 31 December 2018 will be revised and set at HK$7.3 million, HK$12.3 million and HK$10.1 million respectively.

During the year, the rental fees paid to the GFL for the Tenancy (Office) Agreement, the Tenancy (Shop) Agreement and the Licence Agreement amounted to approximately HK$7,129,000.

Reference is made to the announcement of the Company dated 8 March 2017, (i) CLL entered into the Surrender (Shop) Agreement with GFL to terminate the Tenancy (Shop) Agreement; and (ii) CLL entered into the Surrender (Licence) Agreement with GFL to terminate the Licence Agreement. Neither party is required to pay any compensation or penalty to the other party in respect of the early termination of the Tenancy (Shop) Agreement and the Licence Agreement and the terms of the Surrender (Shop) Agreement and the Surrender (Licence) Agreement have been agreed by the parties after arm's length negotiation and are on normal commercial terms.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The auditor has reported to the Directors that (i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors; (ii) for transactions involving the provision of services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the announcements dated 3 December 2015, 18 March 2016 and 25 July 2016 made by the Company in respect of the disclosed continuing connected transactions.

AUDIT COMMITTEE

The Company established an audit committee on 23 June 2010 (the "Audit Committee") with written terms of reference in compliance with the Listing Rules. As at the date of this annual report, the Audit Committee comprised of three independent non-executive Directors, namely Mr. Ma Yiu Ho, Peter (the Chairman of the Audit Committee), Mr. Chan Ngai Sang, Kenny and Mr. Pun Tit Shan.

The Audit Committee has reviewed together with the management of the Company the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

AUDITOR

Ernst & Young retire and a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Lee Man
Chairman

Hong Kong, 29 March 2017

Independent Auditor's Report

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To the shareholders of Convoy Global Holdings Limited
(formerly known as Convoy Financial Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Convoy Global Holdings Limited (formerly known as Convoy Financial Holdings Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 166, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

Impairment of loans receivable

As at 31 December 2016, the gross carrying amount of outstanding loans receivable and impairment allowance amounted to HK$1,869,366,000 and HK$54,705,000, respectively, arising from the money lending business and margin financing business in the securities dealing segment. The net carrying amount of the outstanding loans receivable was HK$1,814,661,000, representing 37% of the Group's net assets.

The Group's methodology and assumptions used for estimating both the amount and timing of future cash flows for loans receivable normally encompass the nature and value of collateral held and anticipated receipts. The Group carried out an impairment assessment for each individually significant balance, considering the ageing of the receivable balances, debtors' creditworthiness, past repayment history and other specific circumstances and market conditions. The Group also carried out collective assessment of impairment on those loans receivable balances which are not individually significant but the debtors are with similar credit risk characteristics. The Group performed credit assessment based on debtors' financial background, historical loss experience, and general market conditions. The assessment of impairment for loans receivable involved significant management judgements and estimations used on the expected future cash flows based on the creditability of the counterparties, nature and value of collateral held and anticipated receipts.

The accounting policy, significant accounting judgements and estimates and disclosures for the recognition of impairment of loans receivable are included in notes 2.4, 2.5 and 20 to the financial statements.

How our audit addressed the key audit matter

We obtained an understanding of the Group's methodology and assumptions used for estimating the impairment allowance on loans receivable. Our procedures to assess the Group's impairment allowance included the following:

- Selected samples based on the significance of the outstanding loan amount and examined their financial performance by reviewing the credit assessment performed by the Group, including recoverable cash flows, repayment history and compared the current market value of collateral;
- Obtained direct confirmation of selected accounts; and
- Examined the ageing analysis, checked subsequent settlement and considered the credit standing and historical repayment pattern of the counterparties and loss experience for assets with similar credit risk characteristics.

We assessed the adequacy of the related disclosures in the notes to the financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments	
The Group has a portfolio of financial instruments, which consisted of available-for-sale investments and financial assets at fair value through profit or loss, which are measured at fair value. As at 31 December 2016, financial instruments amounting to HK$539,221,000 were categorised as Level 3 within the fair value hierarchy, representing 11% of the Group's net assets. For Level 3 valuation, the Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particular those that included significant unobservable inputs, involved subjective judgements and assumptions. The sensitivity of the assumptions used may have material impact on the valuation of these financial instruments. The accounting policy, significant accounting judgements and estimates and fair value measurements of financial instruments are disclosed in notes 2.4, 2.5 and 47 to the financial statements.	We obtained an understanding of the Group's valuation policy, valuation approach and selection consideration for unobservable inputs in determining the fair value of financial instruments. We focused on valuation methodologies and assumptions used for the valuation of financial instruments that were categorised as Level 3 within the fair value hierarchy. We, with the assistance of our valuation specialists, evaluated the valuation techniques, inputs and assumptions, such as market comparables, credit spread, liquidity spread, through comparison with the valuation methodologies that are commonly used in the market and checking unobservable inputs used against available market information. We assessed the adequacy of the related disclosures in the notes to the financial statements.
Impairment of available-for-sale investments	
As at 31 December 2016, the Group had available-for-sale investments of HK$761,755,000, representing approximately 16% of the Group's net assets. For available-for-sale investments measured at fair value, the Group applied significant judgement to assess whether there is objective evidence of impairment, including a significant or prolonged decline in fair value below cost. For available-for-sale investments measured at cost less impairment, the Group assessed at the end of each reporting period whether there was objective evidence that the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset fall below its carrying amount. The determination of impairment indicators is dependent on existence of objective evidence, including the investee's financial performance and business prospects, industry environment as well as general market conditions. The evaluation involved significant judgement which would have material impact on the carrying amounts of these investments. An impairment of HK$32,905,000 was recognised on available-for-sale investments for the year ended 31 December 2016. The accounting policy, significant accounting judgements and estimates and disclosures for the recognition of impairment of available-for-sale investments are included in notes 2.4, 2.5 and 19 to the financial statements.	We obtained an understanding of the Group's investment strategies for its available-for-sale investments and the background, business plan and other information about the available-for-sale investments. We reviewed the Group's available-for-sale investments portfolio to determine whether impairment indicators exist, taking into consideration of market information. In evaluating management's impairment assessment, we assessed, on a sample basis, the recoverable amount estimated by management, taking into consideration the latest financial performance, financial position and cash flows of the underlying investments and comparable industry information. In addition, we assessed the adequacy of the related disclosures in the notes to the financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Consolidation of investment funds	
The Group had ownership interest or acts as fund manager or both in certain investment funds. Management performed an individual evaluation on each of the investment funds to determine whether the Group was exposed, or had rights, to variable returns from its involvement with the funds it invested and had the ability to affect those returns through its power over them. The evaluation involved significant judgement to determine the dominant factor in controlling the investment funds, taking into consideration of the Group's power, variable returns and other rights underlying in investment memorandums and other contractual agreements in association with the investment funds. As at 31 December 2016, the Group controlled and consolidated the results of five investment funds. Related disclosures about the significant accounting judgements are included in note 2.5 to the financial statements.	We discussed with the Group's management to obtain its investment strategy and involvement in each of the investment funds. We also obtained an understanding of the Group's evaluation process in determining the dominant factor in controlling the investment funds. In evaluating management's assessment, we considered the investor's rights, including the rights to remove the fund manager or redeem holdings, as well as the rights of the fund manager, including its ability to direct the relevant activities of the funds as set forth in the investment memorandums and contractual agreements. We assessed the Group's overall variable returns of each of the investment funds. We assessed the adequacy of the related disclosures in the note to the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wu Ka Lai, Cary.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
29 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	4	**1,205,145**	604,624
Other income and gains, net	4	**7,830**	3,202
Commission and advisory expenses		**(577,541)**	(479,441)
Staff costs	6	**(236,390)**	(165,659)
Depreciation	12	**(33,658)**	(28,136)
Reversal of provision for commission clawback/ (provision for commission clawback)	33	**2,893**	(1,418)
Other expenses		**(380,379)**	(388,045)
Loss/(profit) attributable to non-controlling investors of investment funds	31	**1,596**	(1,510)
Finance costs	5	**(49,278)**	(43,077)
Share of profits/(losses) of associates		**(3,648)**	129
Share of loss of a joint venture		**(1,578)**	(372)
LOSS BEFORE TAX	6	**(65,008)**	(499,703)
Income tax credit/(expense)	9	**(39,202)**	15,563
LOSS FOR THE YEAR		**(104,210)**	(484,140)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(95,522)**	(467,258)
Non-controlling interests		**(8,688)**	(16,882)
		(104,210)	(484,140)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic (HK cents)		**(0.6)**	(11.0)
Diluted (HK cents)		**(0.6)**	(11.0)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
LOSS FOR THE YEAR	**(104,210)**	(484,140)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Fair value gains/(losses) of available-for-sale investments	**2,035**	(57,407)
Reclassification adjustment to profit or loss on impairment of available-for-sale investments	**16,018**	52,554
Exchange differences on translation of foreign operations	**(5,562)**	(1,711)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**12,491**	(6,564)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(91,719)**	(490,704)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Owners of the Company	**(83,918)**	(473,384)
Non-controlling interests	**(7,801)**	(17,320)
	(91,719)	(490,704)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**77,839**	53,010
Investment properties	13	**176,200**	63,922
Goodwill	14	**23,541**	12,820
Intangible assets	15	**–**	438
Investments in associates	16	**582,156**	20,293
Investment in a joint venture	17	**5,776**	7,459
Held-to-maturity investments	18	**126,326**	229,324
Available-for-sale investments	19	**761,755**	367,005
Loans receivable	20	**509,984**	638,287
Prepayments, deposits and other receivables	21	**23,337**	57,541
Restricted cash	22	**1,116**	331
Deferred tax assets	23	**28,927**	27,169
Total non-current assets		**2,316,957**	1,477,599
CURRENT ASSETS			
Accounts receivable	24	**93,241**	86,855
Loans receivable	20	**1,304,677**	1,550,239
Prepayments, deposits and other receivables	21	**79,475**	67,142
Held-to-maturity investments	18	**15,489**	30,000
Financial assets at fair value through profit or loss	25	**1,105,957**	644,722
Tax recoverable		**32,540**	21,200
Restricted cash	22	**1,176**	644
Cash held on behalf of clients	26	**620,036**	228,761
Pledged bank deposit	27	**10,103**	10,035
Cash and cash equivalents	27	**967,073**	2,113,521
Total current assets		**4,229,767**	4,753,119
CURRENT LIABILITIES			
Accounts payable	28	**740,042**	397,349
Other payables and accruals	29	**145,756**	143,394
Interest-bearing bank and other borrowings	30	**59,854**	13,495
Net assets attributable to redeemable participation rights	31	**5,533**	34,598
Financial liabilities at fair value through profit or loss	25	**35,122**	25,586
Bond payables	32	**–**	6,389
Tax payable		**61,075**	35,743
Commission clawback	33	**1,047**	3,940
Total current liabilities		**1,048,429**	660,494

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NET CURRENT ASSETS		**3,181,338**	4,092,625
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,498,295**	5,570,224
NON-CURRENT LIABILITIES			
Other payables and accruals	29	**9,362**	8,605
Bond payables	32	**616,449**	601,023
Deferred tax liabilities	23	**1,278**	–
Total non-current liabilities		**627,089**	609,628
Net assets		**4,871,206**	4,960,596
EQUITY			
Equity attributable to owners of the Company			
Issued capital	34	**1,493,890**	1,493,890
Reserves	35	**3,399,339**	3,481,003
		4,893,229	4,974,893
Non-controlling interests		**(22,023)**	(14,297)
Total equity		**4,871,206**	4,960,596

Wong Lee Man
Director

Fong Sut Sam
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		Attributable to owners of the Company														
	Notes	Issued capital HK$'000 (note 34)	Share premium account HK$'000 (note 34)	Capital reserve HK$'000 (note 35)	Merger reserve HK$'000 (note 35)	Warrant reserve HK$'000 (note 34)	Shares held for share award scheme HK$'000 (note 36)	Available-for-sale investment revaluation reserve HK$'000 (note 35)	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 35)	Legal reserve HK$'000 (note 35)	Other reserves HK$'000 (note 35)	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		61,472	395,616	(64,379)	(1,920)	776	(1,108)	–	(94)	660	–	43,993	408,170	843,186	(43,096)	800,090
Loss for the year		–	–	–	–	–	–	–	–	–	–	–	(467,258)	(467,258)	(16,882)	(484,140)
Other comprehensive loss for the year:																
Changes in fair value of available-for-sale investments		–	–	–	–	–	–	(57,407)	–	–	–	–	–	(57,407)	–	(57,407)
Reclassification adjustments to profit or loss on impairment of available-for-sale investments		–	–	–	–	–	–	52,554	–	–	–	–	–	52,554	–	52,554
Exchange differences related to foreign operations		–	–	–	–	–	–	–	(1,273)	–	–	–	–	(1,273)	(438)	(1,711)
Total comprehensive loss for the year		–	–	–	–	–	–	(4,853)	(1,273)	–	–	–	(467,258)	(473,384)	(17,320)	(490,704)
Issue of new shares, net of issue expenses	34	1,432,418	3,220,430	–	–	–	–	–	–	–	–	–	–	4,652,848	–	4,652,848
Shares purchased for share award scheme	36	–	–	–	–	–	(36)	–	–	–	–	–	–	(36)	–	(36)
Equity-settled share-based payment	36	–	–	–	–	–	421	–	–	–	–	–	–	421	–	421
Transfer to legal reserve	35	–	–	–	–	–	–	–	–	–	49	–	(49)	–	–	–
Deemed disposal of interest in a subsidiary	35	–	–	–	–	–	–	–	–	–	–	158	–	158	(158)	–
Acquisition of non-controlling interests	35	–	–	–	–	–	–	–	–	–	–	(48,300)	–	(48,300)	46,277	(2,023)
At 31 December 2015		1,493,890	3,616,046*	(64,379)*	(1,920)*	776*	(723)*	(4,853)*	(1,367)*	660*	49*	(4,149)*	(59,137)*	4,974,893	(14,297)	4,960,596

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Notes	Attributable to owners of the Company														Non-controlling interests HK$'000	Total equity HK$'000
		Issued capital HK$'000 (note 34)	Share premium account HK$'000 (note 34)	Capital reserve HK$'000 (note 35)	Merger reserve HK$'000 (note 35)	Warrant reserve HK$'000 (note 34)	Shares held for share award scheme HK$'000 (note 36)	Share option reserve HK$'000 (note 37)	Available-for-sale investment revaluation reserve HK$'000 (note 35)	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 35)	Legal reserve HK$'000 (note 35)	Other reserves HK$'000 (note 35)	Accumulated losses HK$'000	Total HK$'000		
At 1 January 2016		1,493,890	3,616,046	(64,379)	(1,920)	776	(723)	-	(4,853)	(1,367)	660	49	(4,149)	(59,137)	4,974,893	(14,297)	4,960,596
Loss for the year		-	-	-	-	-	-	-	-	-	-	-	-	(95,522)	(95,522)	(8,688)	(104,210)
Other comprehensive income/(loss) for the year:																	
Changes of fair value of available-for-sale investments		-	-	-	-	-	-	-	2,035	-	-	-	-	-	2,035	-	2,035
Reclassification adjustments to profit or loss on impairment of available-for-sale investments		-	-	-	-	-	-	-	16,018	-	-	-	-	-	16,018	-	16,018
Exchange differences related to foreign operations		-	-	-	-	-	-	-	-	(6,449)	-	-	-	-	(6,449)	887	(5,562)
Total comprehensive income/(loss) for the year		-	-	-	-	-	-	-	18,053	(6,449)	-	-	-	(95,522)	(83,918)	(7,801)	(91,719)
Equity-settled share option arrangement	37	-	-	-	-	-	-	2,327	-	-	-	-	-	-	2,327	-	2,327
Transfer to reserve funds	35	-	-	-	-	-	-	-	-	-	90	-	-	(90)	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(73)	-	(73)	75	2
At 31 December 2016		1,493,890	3,616,046*	(64,379)*	(1,920)*	776*	(723)*	2,327*	13,200*	(7,816)*	750*	49*	(4,222)*	(154,749)*	4,893,229	(22,023)	4,871,206

* These reserve accounts comprise the consolidated reserves of HK$3,399,339,000 (2015: HK$3,481,003,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(65,008)**	(499,703)
Adjustments for:			
Bank interest income	4	**(635)**	(262)
Dividend and distribution income	4	**–**	(5,613)
Gain on disposal of a subsidiary	4	**–**	(2)
Gain on bargain purchase of an associate	4	**–**	(1,564)
Change in fair value of investment properties	6	**8,494**	–
Loss on disposal of items of property, plant and equipment	6	**367**	133
Depreciation	12	**33,658**	28,136
Amortisation of intangible assets	15	**438**	544
Impairment of loans receivable	6	**40,736**	45,000
Impairment of other receivables	6	**3,923**	77,021
Loss on disposal of an available-for-sale investment	4	**320**	–
Impairment of available-for-sale investments	6	**32,905**	52,554
Impairment of goodwill	6	**3,853**	–
Equity-settled share-based payment	6	**2,327**	421
Provision for commission clawback/(reversal of provision for commission clawback)		**(2,893)**	1,418
Share of losses/(profits) of associates		**3,648**	(129)
Share of loss of a joint venture		**1,578**	372
Finance costs	5	**49,278**	43,077
		112,989	(258,597)
Decrease/(increase) in accounts receivable		**(6,386)**	186,316
Decrease/(increase) in loans receivable		**145,824**	(1,799,311)
(Increase)/decrease in prepayments, deposits and other receivables		**27,833**	(111,716)
Increase in financial investments at fair value through profit or loss, net		**(261,699)**	(155,359)
(Increase)/decrease in held-to-maturity investments		**117,509**	(259,324)
Increase in cash held on behalf of clients		**(391,275)**	(64,682)
Decrease/(increase) in accounts payable		**342,693**	(129,266)
Decrease in other payables and accruals		**1,811**	(35,106)
Increase/(decrease) in net assets attributable to redeemable participation rights		**(29,065)**	9,702
Decrease in commission clawback		**–**	(8,707)
Cash generated from/(used in) operations		**60,234**	(2,626,050)
Hong Kong profits tax paid		**(26,538)**	(38,193)
Mainland China taxes paid		**(456)**	(717)
Net cash flows from/(used in) in operating activities		**33,240**	(2,664,960)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**635**	262
Dividend and distribution income received		**–**	5,613
Dividend received from an associate		**45,172**	–
Dividend received from a joint venture		**30**	–
Increase in pledged bank deposits with original maturity of over three months when acquired		**(68)**	(10,035)
Purchase of available-for-sale investments		**(649,756)**	(384,276)
Redemption of an available-for-sale investment		**180**	–
Investment in an associate		**(372,473)**	(18,600)
Investment in a joint venture		**–**	(7,831)
Acquisition of subsidiaries	38	**(37,167)**	(4,865)
Acquisition of additional interests of a subsidiary		**–**	(2,023)
Proceeds from disposal of a subsidiary	39	**–**	227
Acquisition of an investment property		**(120,772)**	(63,922)
Deposits paid for purchase of an investment property		**–**	(30,643)
Deposits paid for purchases of items of property, plant and equipment		**(3,289)**	(9,269)
Purchases of items of property, plant and equipment		**(33,709)**	(23,968)
Proceeds from disposal of items of property, plant and equipment		**782**	22
Decrease/(increase) in restricted cash		**(1,317)**	1,074
Net cash flows used in investing activities		**(1,171,752)**	(548,234)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares, net of issue expenses		**–**	4,652,848
Proceeds from issue of bonds, net of issue expenses		**9,189**	336,624
Increase in an interest-bearing other borrowing		**–**	13,495
Redemption of bonds		**(6,400)**	–
New bank loans		**43,017**	–
Repayment of bank loans		**(1,664)**	–
Interest paid		**(48,392)**	(42,229)
Shares purchased for the share award scheme		**–**	(36)
Net cash flows from/(used in) financing activities		**(4,250)**	4,960,702
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,142,762)**	1,747,508
Cash and cash equivalents at beginning of year		**2,113,521**	366,803
Effect of foreign exchange rate changes, net		**(3,686)**	(790)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**967,073**	2,113,521
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**966,664**	1,913,112
Non-pledged time deposits with original maturity of less than three months when acquired		**409**	200,409
		967,073	2,113,521

Notes to the Financial Statements

31 December 2016

1 CORPORATE AND GROUP INFORMATION

Convoy Global Holdings Limited (formerly known as Convoy Financial Holdings Limited) is a limited liability company incorporated in the Cayman Islands on 12 March 2010. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Pursuant to the special resolution of the Company passed at the extraordinary general meeting held on 22 June 2016, the Certificate of Incorporation on Change of Name of the Company issued by the Registrar of Companies in the Cayman Islands on 22 June 2016 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 4 August 2016, the English name of the Company was changed from "Convoy Financial Holdings Limited" to "Convoy Global Holdings Limited" and the Chinese name of the Company was changed from "康宏金融控股有限公司" to "康宏環球控股有限公司" as its dual foreign name.

During the year, the Group was principally engaged in the IFA business, money lending business, proprietary investment business, asset management business, corporate finance business and securities dealing business.

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company		Principal activities
				2016	2015	
Directly owned						
Convoy (BVI) Limited		British Virgin Islands ("BVI")/Hong Kong	HK$10,000	**100%**	100%	Investment holding
Convoy Beijing Holdings Limited		Hong Kong	HK$1	**100%**	100%	Investment holding
Convoy Capital Holdings Limited		BVI/Hong Kong	US$1	**100%**	100%	Investment holding
Convoy China Limited		BVI/Hong Kong	US$1	**100%**	100%	Investment holding
Convoy Financial Holdings Limited (formerly known as Convoy Global Holdings Limited)		Hong Kong	HK$1	**100%**	100%	Management of business development
CFSH (Macau) Limited		Hong Kong	HK$100	**100%**	100%	Investment holding
Prosper Ocean Investments Limited		BVI/Hong Kong	US$1	**100%**	100%	Investment holding
Indirectly owned						
Convoy China Group Limited		BVI/Hong Kong	US$100	**100%**	100%	Investment holding
CCIA Holdings Limited		BVI/Hong Kong	US$13,647	**91.4%**	91.4%	Investment holding
Convoy China Financial Services Holdings Limited		Hong Kong	HK$10	**91.4%**	91.4%	Investment holding
Convoy China Insurance Agency Co., Limited		Hong Kong	HK$2	**91.4%**	91.4%	Investment holding and management of business development
Convoy Financial Services Limited ("CFS")		Hong Kong	HK$1,000,000	**100%**	100%	Provision of insurance and MPF scheme brokerage services

Notes to the
Financial Statements
31 December 2016

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company 2016	2015	Principal activities
Indirectly owned (continued)						
Convoy Financial Solutions Limited ("Convoy Solutions")		Hong Kong	HK$500,000	**100%**	100%	Provision of insurance brokerage services
Convoy Insurance Brokers (Macau) Limited ("CIBM")	(a)	Macau	MOP100,000	**100%**	100%	Provision of insurance brokerage services
Convoy Wealth Management Limited ("CWM")		Hong Kong	HK$500,000	**100%**	100%	Provision of insurance brokerage services
CIB Holdings Limited ("CIB Holdings")		Hong Kong	HK$1	**100%**	100%	Provision of referral services
康宏財富投資管理（北京）有限公司	(b)/(g)	People's Republic of China ("PRC")/Mainland China	RMB10,000,000	**91.4%**	91.4%	Provision of investment advisory and corporate marketing services
深圳康宏信息諮詢有限公司（"康宏信息"）	(b)/(g)	PRC/ Mainland China	RMB500,000	**100%**	100%	Provision of administrative services
康宏保險經紀有限公司 (formerly known as 深圳康宏保險經紀有限公司)	(c)/(g)	PRC/ Mainland China	RMB50,000,000	**91.4%**	91.4%	Provision of insurance brokerage services
江西康宏泛誠保險代理有限公司 ("康宏泛誠")	(c)/(g)	PRC/ Mainland China	RMB20,000,000	**69.5%**	69.5%	Provision of insurance brokerage services
康宏碧升保險代理有限公司（"康宏碧升"）	(d)/(e)/(g)	PRC/ Mainland China	RMB50,000,000	**69.5%**	69.5%	Provision of insurance brokerage services
Convoy Fund Management Limited (formerly known as DRL Capital Investment Management Limited) ("CFM")		Cayman Islands/ Hong Kong	US$1	**100%**	100%	Provision of capital investment and advisory services
Convoy Asset Management Limited ("CAM")	(j)	Hong Kong	HK$264,160,000	**100%**	100%	Provision of investment advisory, funds dealing, bond placing, introducing broker and asset management services
Kerberos (Nominee) Limited ("Kerberos")		Hong Kong	HK$1	**100%**	100%	Provision of nominee services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company 2016	2015	Principal activities
Indirectly owned (continued)						
Convoy Capital Hong Kong Limited ("CCHK")		Hong Kong	HK$20,000,000	**100%**	100%	Provision of corporate finance advisory services
CSL Securities Limited (formerly known as Convoy Securities Limited)	(g)	Hong Kong	HK$763,000,000	**100%**	100%	Provision of securities dealing services
Convoy International Property Consulting Company Limited ("CIP")	(i)	Hong Kong	HK$1,200	**76.5%**	75%	Provision of overseas real estate brokerage services
Convoy Collateral Limited ("CCL")		Hong Kong	HK$100,000	**100%**	100%	Provision of money lending services and proprietary investment
Convoy Technologies Limited		BVI/Hong Kong	US$1	**100%**	100%	Proprietary investment
Rich Victory (Hong Kong) Limited		Hong Kong	HK$1	**100%**	100%	Property holding
Forthwise International Limited		BVI/Hong Kong	US$1	**100%**	100%	Proprietary investment
Investor Choice Holdings Limited		BVI/Hong Kong	US$1	**100%**	100%	Proprietary investment
Convoy Capital Limited		Hong Kong	HK$5,000,000	**100%**	100%	Proprietary investment
Hong Kong Credit Corporation Limited ("HKCC")		Hong Kong	HK$2	**100%**	–	Provision of money lending services
Zeed Asia Technology Limited ("ZAT")		Hong Kong	HK$100	**100%**	–	Provision of internet financial platform and solutions
Convoy Payments Limited ("Convoy Payments")		Hong Kong	HK$10,000	**80%**	–	Provision of services of set up and maintenance of online payment platform and solutions
True Surplus International Investment Limited		BVI/Hong Kong	US$100	**100%**	–	Holding of an investment fund
康宏保險銷售服務(深圳)有限公司	(b)/(g)	PRC/ Mainland China	RMB10,000,000	**91.4%**	91.4%	Provision of insurance brokerage services
深圳前海康宏匯資產管理有限公司 ("康宏前海")	(c)/(f)/(g)	PRC/ Mainland China	RMB20,000,000	**100%**	100%	Provision of asset management services
Convoy Opportunities Fund	(h)	Cayman Islands	US$3,369,869	**N/A**	N/A	Investment fund
DRL Capital	(h)	Cayman Islands	US$6,015,002	**N/A**	N/A	Investment fund
ESI Property Fund	(h)	Cayman Islands	HK$63,130,000	**N/A**	N/A	Investment fund

Notes to the
Financial Statements
31 December 2016

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company 2016	2015	Principal activities
Indirectly owned (continued)						
ESDI Capital	(h)	Cayman Islands	HK$3,500,000	**N/A**	N/A	Investment fund
NSD Capital	(h)	Cayman Islands	HK$15,300,000	**N/A**	N/A	Investment fund
康宏匯（深圳）股權投資基金管理有限公司	(b)/(g)	PRC/ Mainland China	US$2,000,000	**100%**	100%	Provision of equity investment management services
深圳市康宏匯健股權投資企業（有限合夥）	(b)/(g)	PRC/ Mainland China	RMB15,500,000	**100%**	100%	Equity investment

Notes:

(a) Share capital of MOP10,000 is held in trust by two directors of CIBM.

(b) Registered as wholly-foreign-owned enterprises under PRC law.

(c) Registered as domestic enterprises under PRC law.

(d) Registered as a non-wholly-foreign-owned enterprise under PRC law.

(e) Share capital of RMB38,000,000 (2015: RMB38,000,000), representing 76% of the equity interest of 康宏碧升, is held in trust by a member of senior management of the subsidiary.

(f) Share capital of RMB20,000,000 (2015: RMB20,000,000), representing the entire equity interest of 康宏前海, is held in trust by a business partner of the Company.

(g) The statutory financial statements of these entities are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(h) The Group considers that it has ability to control through its representatives on the board of these investment funds and acting as a fund manager. The "paid-up issued capital" disclosed above represents the net asset value of each of the respective investment funds at the end of the reporting period.

(i) On 11 August 2016, the Group acquired 18 shares of CIP from a non-controlling shareholder. Upon completion of this acquisition, the percentage of equity interest of CIP attributable to the Company changed from 75% to 76.5%.

(j) On 30 June 2016, an aggregate of 250,000,000 new shares of HK$1.00 each in the capital of CAM was allotted and issued. Upon completion of this allotment, the issued share capital of CAM increased from HK$14,160,000 to HK$264,160,000.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial investments at fair value through profit or loss and certain available-for-sale investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*

Other than amendments to HKAS 1 and amendments to HKAS 16 and 38, the other new and revised HKFRSs are not relevant to the preparation of the Group's financial statements. The nature and the impact of the amendments to HKAS 1 and amendments to HKAS 16 and HKAS 38 are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in HKAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements to HKFRS Standards 2014-2016 Cycle	*Amendments to a number of HKFRSs*[5]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

Equity investments held as available-for-sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and fair value changes will be presented in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that accounts estimated based on the present value of all cash shortfalls over the remaining life of all of its loans receivables, accounts and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for accounts estimation of expected credit losses on its held-to-maturity investments, loans receivable and accounts and other receivables upon the adoption of HKFRS 9.

(c) Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(d) HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

(e) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects that certain portion of the operating lease commitments will be required to be recognised as right-to-use assets and lease liabilities upon adoption of HKFRS 16. The Group will perform a more detailed analysis upon the adoption of HKFRS 16.

(f) Amendments to HKAS 7 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. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(g) Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of the associates and joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's investments in the associates and joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or a joint venture is included as part of the Group's investments in associates or joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstance is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT

The Group measures its investment properties, financial investments at fair value through profit or loss and certain available-for-sales investments at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Building	2%
Furniture, fixtures and equipment	20%
Computer equipment	30%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

INVESTMENT PROPERTIES

Investment properties are interests in leasehold land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquire separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held-to-maturity investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets in fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value recognised in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Subsequent measurement (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. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment is recognised in the statement of profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the statement of profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

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

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OFFSETTING OF FINANCIAL INSTRUMENTS

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

SHARES HELD UNDER THE SHARE AWARD SCHEME

Where shares of the Company are purchased from the market for a restricted share award scheme, the consideration paid, including any directly attributable incremental costs, is presented as "Shares held under the share award scheme" and deducted from equity.

CASH AND CASH EQUIVALENTS

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

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

DEFERRED REVENUE

Deferred revenue represents service fees received in advance from the rendering of the corresponding services. Revenue is recognised and deferred revenue is released to the statement of profit or loss when the corresponding services have been rendered.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX (CONTINUED)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

a) net gains/losses on financial assets at fair value through profit or loss and those held for trading, include realised gains/losses which are recognised on the transaction dates when the relevant contract notes are exchanged; and unrealised fair value gains/losses which are recognised in the period in which they arise;

b) commission income from securities brokerage on the transaction dates when the relevant contract notes are exchanged;

c) dividend and distribution income, when the shareholders' right to receive payment has been established;

d) referral and commission income from the provision of relevant services, on an accrual basis in accordance with the terms of the underlying agreements;

e) IFA commission income, on an accrual basis when the relevant services are rendered and in accordance with the terms of the underlying agreements or based on the commissioning of the respective insurance policies and pension schemes;

f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

g) corporate finance commission and service income from placing and underwriting of securities and bonds, on execution of each significant act based on the terms and conditions of the relevant agreements or deal mandates;

h) performance fees, on the day of the investment funds and managed accounts when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts;

i) advisory income, when services have been rendered; and

j) rental income, on a time proportion basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SHARE-BASED PAYMENTS

The Company operates a restricted share award scheme and a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on the quoted market price of the equity instruments at the date at which they are granted or by an external valuer using a binomial model, further details of which are given in notes 36 and 37 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER EMPLOYEE BENEFITS

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

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

Social security scheme

The employees of the Group's subsidiary which operates in Macau are required to participate in a central social security scheme operated by the Government of Macau Special Administrative Region of PRC ("Macau"). The Group is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central social security scheme.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of each reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

The functional currencies of certain overseas subsidiaries, an associate and a joint venture are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Income tax provisions

Determining income tax provisions involves judgements on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislations and practices.

Assessment of fund investments as structured entities

Management has assessed whether the funds in which it invests should be classified as structured entities. Management has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. Judgement is made on an individual investment in each fund where the Group has ownership interest or acts as fund manager or both. Management has evaluated whether these rights of investors are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. As at 31 December 2016, having considered the fact patterns surrounding each of investment funds in which the Group has interest or acts as a fund manager, the Group considers that it controls five investment funds. Further details of which are set out in note 1 to the financial statements.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of loans and receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a loan and receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

For individual impairment allowances, the Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors' creditworthiness, past repayment history, historical write-off experience and value of collaterals held.

For collective impairment allowances, the Group makes estimates based on historical loss experience on a collective basis for debtors with similar credit risk characteristics to assess the impairment loss.

If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance. Further details are given in note 20 to the financial statements.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Impairment of available-for-sale financial assets

The determination of whether available-for-sale financial assets are impaired requires significant judgement. For available-for-sale investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the investment has been below its original cost. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the investment on initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economies or the law, as well as industry and sector performance and the financial information regarding the investee that provide evidence that the cost of the equity securities may not be recoverable. For available-for-sale investments measured at cost less impairment, the Group makes the judgement as to whether there is objective evidence of impairment exists based on the investee's financial performance and business prospects, industry environment as well as general market conditions. The evaluation involves significant judgement which would affect the amount of these investments.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the use of comparable recent arm's length transactions, discounted cash flow model and other valuation techniques commonly used by other market participants. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Estimation of fair value of investment properties

Investment properties are stated at their fair values. The fair value at the end of each reporting period was based on a valuation on these properties estimated by the Directors or conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the consolidated statement of profit or loss.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation of commission clawback

The Group reviews the carrying amount of commission clawback at the end of the reporting period and estimates the expected cash outflows related to commission clawback. The estimation requires the Group to make estimates of the expected future occurrence of commission clawback by the product issuers and the expenditure required to settle the obligations. Details of the commission clawback are set out in note 33 to the financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has the following reportable operating segments:

(a) the IFA segment engages in insurance brokerage business and the provision of IFA services;

(b) the money lending segment engages in the provision of loan financing in Hong Kong;

(c) the proprietary investment segment engages in investing listed and unlisted investments;

(d) the asset management segment engages in the provision of asset management services;

(e) the corporate finance segment engages in the provision of corporate finance and related advisory services; and

(f) the securities dealing segment engages in the provision of securities brokerage, share placing and margin financing services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that unallocated other income and gains, net, as well as head office and corporate expenses are excluded from such measurement.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties.

3. SEGMENT INFORMATION (CONTINUED)

REVENUE AND RESULTS

Year ended 31 December 2016

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Elimination HK$'000	Total HK$'000
Revenue								
External	698,637	144,040	157,473	38,045	39,079	127,871	–	1,205,145
Inter-segment	–	1,439	137	2,376	380	3,129	(7,461)	–
Segment revenue	698,637	145,479	157,610	40,421	39,459	131,000	(7,461)	1,205,145
Results								
Segment results	(216,913)	17,634	99,370	5,829	(1,017)	92,024	–	(3,073)
Unallocated income								7,830
Unallocated corporate expenses								(69,765)
Loss before tax								(65,008)

Year ended 31 December 2015

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Elimination HK$'000	Total HK$'000
Revenue								
External	609,213	83,003	(212,760)	35,948	64,685	24,535	–	604,624
Inter-segment	–	85	–	8,563	4,350	–	(12,998)	–
Segment revenue	609,213	83,088	(212,760)	44,511	69,035	24,535	(12,998)	604,624
Results								
Segment results	(165,381)	(48,254)	(311,046)	15,178	5,398	17,587	–	(486,518)
Unallocated income								1,638
Unallocated corporate expenses								(14,823)
Loss before tax								(499,703)

3. SEGMENT INFORMATION (CONTINUED)

SEGMENT ASSETS AND LIABILITIES

As at 31 December

	2016 HK$'000	2015 HK$'000
Segment assets		
IFA segment	190,287	196,435
Money lending segment	914,526	1,833,964
Proprietary investment segment	2,599,488	1,312,513
Asset management segment	375,552	192,958
Corporate finance segment	11,959	7,063
Securities dealing segment	1,218,583	418,568
Total segment assets	5,310,395	3,961,501
Unallocated assets	1,236,329	2,269,217
Total assets	6,546,724	6,230,718
Segment liabilities		
IFA segment	227,846	255,402
Money lending segment	624,806	607,547
Proprietary investment segment	64,386	88,458
Asset management segment	359,651	176,796
Corporate finance segment	2,921	2,677
Securities dealing segment	289,276	97,752
Total segment liabilities	1,568,886	1,228,632
Unallocated liabilities	106,632	41,490
Total liabilities	1,675,518	1,270,122

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

(a) all assets are allocated to operating segments other than unallocated assets, investment properties, cash and cash equivalents, tax recoverable and deferred tax assets; and

(b) all liabilities are allocated to operating segments other than unallocated liabilities, tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

3. SEGMENT INFORMATION (CONTINUED)

OTHER SEGMENT INFORMATION

Year ended 31 December 2016

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Total HK$'000
Capital expenditure (other than goodwill)*							
– Operating segment	29,494	24,072	–	2,234	–	239	56,039
– Unallocated							97,370
							153,409
Depreciation of property, plant and equipment							
– Operating segment	30,943	1,174	–	152	841	110	33,220
– Unallocated							438
							33,658
Amortisation of intangible assets	438	–	–	–	–	–	438
Impairment loss recognised in profit or loss	3,923	40,736	32,905	3,853	–	–	81,417
Share of losses of associates	–	–	3,648	–	–	–	3,648
Share of loss of a joint venture	–	–	1,578	–	–	–	1,578
Investments in associates	–	–	582,156	–	–	–	582,156
Investment in a joint venture	–	–	5,776	–	–	–	5,776

3. SEGMENT INFORMATION (CONTINUED)

OTHER SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2015

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Total HK$'000
Capital expenditure (other than goodwill)*							
– Operating segment	19,646	119	–	33	3,982	550	24,330
– Unallocated							103,854
							128,184
Depreciation of property, plant and equipment							
– Operating segment	26,792	695	–	18	580	48	28,133
– Unallocated							3
							28,136
Amortisation of intangible assets	544	–	–	–	–	–	544
Impairment loss recognised in profit or loss	10,550	48,894	115,131	–	–	–	174,575
Share of profit of an associate	–	–	129	–	–	–	129
Share of loss of a joint venture	–	–	372	–	–	–	372
Investment in an associate	–	–	20,293	–	–	–	20,293
Investment in a joint venture	–	–	7,459	–	–	–	7,459

* Capital expenditure represents additions to property, plant and equipment, including assets acquired through acquisitions of subsidiaries during the year, investment properties and deposits paid for purchase of items of property, plant and equipment and an investment property.

3. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2016 HK$'000	2015 HK$'000
Hong Kong	**955,380**	672,545
Mainland China	**83,379**	98,303
Macau	**8,913**	46,536
	1,047,672	817,384

The revenue information above is based on the location of the operations. For the purpose of identifying major external customers, revenue derived from the proprietary investment segment is excluded.

(b) Non-current assets

	2016 HK$'000	2015 HK$'000
Hong Kong	**294,388**	177,530
Mainland China	**6,278**	9,299
Macau	**251**	902
	300,917	187,731

The non-current asset information above is based on the locations of the assets and excludes investments in associates, an investment in a joint venture, loans receivable, financial instruments, restricted cash and deferred tax assets.

INFORMATION ABOUT PRODUCT ISSUERS/FUND HOUSES/CUSTOMERS

Revenue from major product issuers/fund houses/customers, whose contributes 10% or more of the Group's revenue derived from the IFA segment, money lending segment, asset management segment, corporate finance segment and securities dealing segment, is set out below:

	2016 HK$'000	2015 HK$'000
Product issuer A	**N/A***	136,238
Product issuer B	**N/A***	124,772
Product issuer C	**142,975**	N/A**

* Revenue from each of product issuers A and B for the year ended 31 December 2016 was less than 10% of the Group's revenue.

** Revenue from product issuer C for the year ended 31 December 2015 was less than 10% of the Group's revenue.

For the purpose of identifying major external customers, revenue derived from the proprietary investment segment is excluded.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the aggregate of (i) commission income from IFA, securities dealing and corporate finance services; (ii) interest income from loan financing and margin financing; (iii) net fair value changes on financial investments at fair value through profit or loss, interest income, dividend and distribution income from the proprietary investment business; and (iv) the value of services rendered from asset management and corporate finance businesses, earned during the year.

An analysis of the Group's revenue, other income and gains, net is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
IFA		
IFA commission income	**698,637**	609,213
Money lending		
Interest income from loan financing	**144,040**	83,003
Proprietary investment		
Fair value changes on financial investments at fair value through profit or loss, net	**30,763**	(225,585)
Fair value changes on financial investments designated at fair value through profit or loss, net	**41,518**	–
Loss on disposal of an available-for-sale investment	**(320)**	–
Interest income from debt investments	**29,731**	7,212
Interest income from financial investments designated at fair value through profit or loss, net	**7,121**	–
Dividend and distribution income	**48,660**	5,613
	157,473	(212,760)
Asset management		
Asset management service income	**38,045**	35,948
Corporate finance		
Bond placing commission income	**28,547**	58,344
Corporate finance service income	**10,532**	6,341
	39,079	64,685
Securities dealing		
Interest income from margin financing	**66,338**	3,927
Share placing commission income	**40,922**	18,384
Securities dealing commission income	**20,611**	2,224
	127,871	24,535
	1,205,145	604,624
Other income and gains, net		
Bank interest income	**635**	262
Service fee income	**3,748**	325
Gross rental income	**1,746**	56
Gain on bargain purchase	**–**	1,564
Gain on disposal of a subsidiary	**–**	2
Others	**1,701**	993
	7,830	3,202

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK$'000	2015 HK$'000
Interest on:		
Bond payables	**46,316**	38,466
Bank borrowings	**829**	–
Other borrowing	**2,133**	4,611
	49,278	43,077

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2016 HK$'000	2015 HK$'000
Employee benefit expenses			
(including Directors' remuneration) (note 7)			
Salaries, allowances, bonuses and benefits in kind		**219,906**	154,134
Equity-settled share option expense		**2,327**	–
Pension scheme contributions		**14,157**	11,525
		236,390	165,659
Minimum lease payments under operating leases^		**81,391**	66,647
Auditors' remuneration^		**3,839**	3,161
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties^		**278**	–
Fair value loss of investment properties, net^	13	**8,494**	–
Equity-settled share-based payment*	36,37	**2,327**	421
Impairment of goodwill^	14	**3,853**	–
Amortisation of intangible assets^	15	**438**	544
Impairment of available-for-sale investments^	19	**32,905**	52,554
Impairment of loans receivable^	20	**40,736**	45,000
Impairment of other receivables^	21	**3,923**	77,021
Loss on disposal of items of property, plant and equipment^		**367**	133
Foreign exchange differences, net^		**483**	1,244

* Equity-settled share option expense of HK$2,327,000 (2015: Nil) is included in employee benefit expenses.

^ These items are included in "Other expenses" in the consolidated statement of profit or loss for the years ended 31 December 2016 and 2015.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 HK$'000	2015 HK$'000
Fees	**895**	859
Other emoluments:		
Salaries, allowances and benefits in kind	**19,848**	12,532
Discretionary bonuses	**1,613**	5,048
Equity-settled share option expense	**776**	–
Pension scheme contributions	**1,362**	895
	23,599	18,475
	24,494	19,334

Included in the Directors' remuneration for the year ended 31 December 2015 were rental benefits of HK$147,000 for accommodation provided to Directors.

Details of the remuneration paid and payable to the Directors of the Company are as follows:

	Notes	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
31 December 2016							
Executive Directors							
Mr. Wong Lee Man		124	2,202	285	776	165	3,552
Ms. Fong Sut Sum		73	2,145	277	–	160	2,655
Mr. Mak Kwong Yiu	(i)	18	2,363	51	–	52	2,484
Mr. Tan Ye Kai, Byron		99	3,138	1,000	–	235	4,472
Mr. Ng Wing Fai		73	10,000	–	–	750	10,823
		387	19,848	1,613	776	1,362	23,986
Non-executive Director							
Mr. Wang John Hong-chiun	(ii)	18	–	–	–	–	18
Independent non-executive Directors							
Mr. Ma Yiu Ho, Peter		166	–	–	–	–	166
Mr. Pun Tit Shan	(iii)	91	–	–	–	–	91
Mr. Lam Chi Keung	(iv)	67	–	–	–	–	67
Mr. Chan Ngai Sang, Kenny		166	–	–	–	–	166
		490	–	–	–	–	490
		895	19,848	1,613	776	1,362	24,494

7. DIRECTORS' REMUNERATION (CONTINUED)

During the year, a director was granted share options in respect of his service to the Group under the share option scheme of the Company, further details of which are set out in note 37 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

	Notes	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
31 December 2015						
Executive Directors						
Mr. Wong Lee Man		119	2,479	1,099	158	3,855
Ms. Fong Sut Sum		70	2,143	1,083	153	3,449
Mr. Mak Kwong Yiu		70	2,718	1,440	202	4,430
Dr. Hui Ka Wah, Ronnie, *JP*	(v)	16	103	–	1	120
Mr. Tan Ye Kai, Byron	(vi)	71	2,145	686	160	3,062
Mr. Ng Wing Fai	(vii)	21	2,944	740	221	3,926
		367	12,532	5,048	895	18,842
Independent non-executive Directors						
Dr. Wu Ka Chee, Davy	(viii)	80	–	–	–	80
Mr. Ma Yiu Ho, Peter		159	–	–	–	159
Mr. Lam Chi Keung		134	–	–	–	134
Mr. Chan Ngai Sang, Kenny	(ix)	119	–	–	–	119
		492	–	–	–	492
		859	12,532	5,048	895	19,334

Notes:

(i) Resigned as an executive Director of the Company with effect from 31 March 2016.

(ii) Appointed as a non-executive Director of the Company with effect from 5 October 2016.

(iii) Appointed as an independent non-executive Director of the Company with effect from 9 May 2016.

(iv) Retired as an independent non-executive Director of the Company on 22 June 2016.

(v) Resigned as an executive Director of the Company with effect from 26 March 2015.

(vi) Appointed as an executive Director of the Company with effect from 2 April 2015.

(vii) Appointed as an executive Director of the Company with effect from 15 September 2015.

(viii) Retired as an independent non-executive Director of the Company on 9 June 2015.

(ix) Appointed as an independent non-executive Director of the Company with effect from 2 April 2015.

7. DIRECTORS' REMUNERATION (CONTINUED)

The above Directors' remuneration only included remuneration during the tenure of each director as executive Director, non-executive Director or independent non-executive Director of the Company.

There were no other emoluments payable to the independent non-executive Directors of the Company during the year (2015: Nil).

There was no arrangement under which a Director of the Company waived or agreed to waive any remuneration during the year (2015: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2015: three) Directors, details of whose remuneration are disclosed in note 7 above.

Details of the remuneration for the year of the remaining three (2015: two) highest paid employees who are not a director are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and benefits in kind	**10,911**	5,111
Discretionary bonuses	**1,515**	3,416
Equity-settled share option expense	**1,551**	–
Pension scheme contributions	**819**	293
	14,796	8,820

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

	Number of employees	
	2016	2015
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	–
	3	2

During the year, share options were granted to two non-Director highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 37 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-Director highest paid employees' remuneration disclosures.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2016 HK$'000	2015 HK$'000
Current – Hong Kong		
Charge for the year	**40,470**	30,219
Underprovision/(overprovision) in prior years	**(269)**	160
Current – Elsewhere		
Charge for the year	**825**	1,746
Overprovision in prior years	**(40)**	(22)
Deferred (note 23)	**(1,784)**	(47,666)
Total tax charge/(credit) for the year	**39,202**	(15,563)

A reconciliation of the tax credit applicable to loss before tax at the Hong Kong statutory tax rate in which the Group's major operating subsidiaries are domiciled to the tax charge/(credit) at the Group's effective tax rate is as follows:

	2016		2015	
	HK$'000	**%**	HK$'000	%
Loss before tax	**(65,008)**	**–**	(499,703)	–
Tax at the Hong Kong statutory tax rate	**(10,726)**	**16.5**	(82,451)	16.5
Higher tax rate enacted in Mainland China	**(4,087)**		(9,590)	
Lower tax rate enacted in Macau	**(19)**		(482)	
Adjustments in respect of current tax of previous periods	**(309)**		138	
Profit and loss attributable to associates and a joint venture	**862**		40	
Income not subject to tax	**(16,858)**		(7,263)	
Expenses not deductible for tax	**37,192**		29,048	
Tax losses not recognised	**32,057**		40,620	
Tax losses utilised from previous periods	**–**		(2,122)	
Reversal of temporary differences	**5,688**		13,456	
Others	**(4,598)**		3,043	
	39,202	**(60.3)**	(15,563)	3.1

The share of tax attributable to associates and a joint venture amounting to HK$188,000 (2015: HK$31,000) is included in "Share of profits and losses of associates and a joint venture" in the consolidated statement of profit or loss.

10. DIVIDEND

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

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 14,938,896,000 (2015: 4,263,296,559) in issue during the year.

No adjustment had been made to the basic loss per share amount presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of the warrants and share options (2015: warrants) of the Company outstanding had an anti-dilutive effect on the basic loss per share amount presented.

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

	2016 **HK$'000**	2015 HK$'000
Loss		
Loss for the year attributable to owners of the Company, used in the basic and diluted loss per share calculations	**(95,522)**	(467,258)

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**14,938,896,000**	4,263,296,559

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Building HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	74,368	–	25,604	90,400	6,363	196,735
Accumulated depreciation	(51,261)	–	(20,563)	(65,538)	(6,363)	(143,725)
Net carrying amount	23,107	–	5,041	24,862	–	53,010
At 1 January 2016, net of accumulated depreciation	23,107	–	5,041	24,862	–	53,010
Additions	11,053	–	1,461	23,667	851	37,032
Disposals	(1,056)	–	(89)	(4)	–	(1,149)
Acquisition of subsidiaries (note 38)	78	22,600	110	171	–	22,959
Depreciation provided during the year	(15,237)	(445)	(1,872)	(16,040)	(64)	(33,658)
Exchange realignment	(218)	–	(62)	(75)	–	(355)
At 31 December 2016, net of accumulated depreciation	17,727	22,155	4,589	32,581	787	77,839
At 31 December 2016:						
Cost	82,173	22,600	26,745	113,607	7,166	252,291
Accumulated depreciation	(64,446)	(445)	(22,156)	(81,026)	(6,379)	(174,452)
Net carrying amount	17,727	22,155	4,589	32,581	787	77,839

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2015					
At 1 January 2015:					
Cost	70,128	24,199	75,818	6,363	176,508
Accumulated depreciation	(38,696)	(18,887)	(55,533)	(6,363)	(119,479)
Net carrying amount	31,432	5,312	20,285	–	57,029
At 1 January 2015, net of accumulated depreciation	31,432	5,312	20,285	–	57,029
Additions	7,907	1,552	14,849	–	24,308
Disposals	(53)	(37)	(65)	–	(155)
Acquisition of a subsidiary (note 38)	21	5	16	–	42
Depreciation provided during the year	(16,166)	(1,780)	(10,190)	–	(28,136)
Exchange realignment	(34)	(11)	(33)	–	(78)
At 31 December 2015, net of accumulated depreciation	23,107	5,041	24,862	–	53,010
At 31 December 2015:					
Cost	74,368	25,604	90,400	6,363	196,735
Accumulated depreciation	(51,261)	(20,563)	(65,538)	(6,363)	(143,725)
Net carrying amount	23,107	5,041	24,862	–	53,010

As at 31 December 2016, a building with the carrying amount of approximately HK$22,155,000 (2015: Nil) situated in Hong Kong was pledged to secure the banking facilities granted to the Group (note 30).

13. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**63,922**	–
Additions	**120,772**	63,922
Net loss from a fair value adjustment (note 6)	**(8,494)**	–
Carrying amount at 31 December	**176,200**	63,922

The Group's investment properties consist of two commercial properties and two car parking spaces (2015: one commercial property) in Hong Kong. The Directors have determined that the investment properties consist of two classes (2015: one class) of asset, i.e. commercial properties and car parking spaces (2015: commercial property), based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2016 based on valuations performed by Ascent Partners Valuation Service Limited, an independent professionally qualified valuer, at HK$176,200,000. Each year, the Group appoints an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

13. INVESTMENT PROPERTIES (CONTINUED)

The Group completed the acquisition of the commercial property from an independent third party on 16 December 2015. In the opinion of the Directors, since the completion date of the acquisition was only 2 weeks from the end of the reporting period and there were no significant unfavourable development on the commercial property market in Hong Kong during these interval period, the cost directly attributable to the acquisition of the commercial property amounting to HK$63,922,000 was fairly reflected the fair value of the commercial property as at 31 December 2015.

One of the investment properties is leased to a third party under an operating lease, further summary details of which are included in note 43 to the financial statements.

Further particulars of the Group's investment properties are included on page 167 of this annual report.

At 31 December 2016, the Group's investment properties with a carrying value of HK$111,300,000 (2015: Nil) were pledged to secure the banking facilities granted to the Group (note 30).

FAIR VALUE HIERARCHY

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2016				
Commercial properties	**–**	**–**	**172,400**	**172,400**
Car parking spaces	**–**	**–**	**3,800**	**3,800**
	–	**–**	**176,200**	**176,200**
As at 31 December 2015				
Commercial properties	–	63,922	–	63,922

During the year, there were no transfers of fair value measurements between Level 1 and Level 2. A transfer of fair value measurements of HK$63,922,000 from Level 2 to Level 3 and a reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy is as follows:

	Commercial properties	**Car parking spaces**	**Total**
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
Transfer from Level 2	63,922	–	63,922
Additions (from acquisition)	117,941	2,831	120,772
Net gain/(loss) from a fair value adjustment recognised in other expenses in profit or loss	(9,463)	969	(8,494)
Carrying amount at 31 December 2016	172,400	3,800	176,200

13. INVESTMENT PROPERTIES (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties as at 31 December 2016:

	Valuation techniques	**Significant unobservable inputs**	**Range**
Commercial properties	Market comparison method	Price per square foot	HK$10,294 to HK$18,691
Car parking spaces	Market comparison method	Price per unit	HK$1,900,000 to HK$2,000,000

A significant increase/(decrease) in price per square foot and price per unit in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. The investment properties are valued by the market comparison method having regard to comparable sales transactions as available in the relevant market. The valuations take into account the characteristics of the properties which included the location, size, floor/level, year of completion and other factors collectively.

14. GOODWILL

	2016 HK$'000	2015 HK$'000
Cost		
At 1 January	**52,660**	49,762
Acquisition of subsidiaries (note 38)	**14,574**	2,898
At 31 December	**67,234**	52,660
Accumulated impairment		
At 1 January	**39,840**	39,840
Impairment during the year (note 6)	**3,853**	–
At 31 December	**43,693**	39,840
Net carrying amount		
At 31 December	**23,541**	12,820

14. GOODWILL (CONTINUED)

IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGUs") for impairment testing:

(i) Provision of asset management services;
(ii) Provision of corporate finance and advisory services;
(iii) Provision of securities dealing services; and
(iv) Provision of money lending services.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	2016 HK$'000	2015 HK$'000
Provision of asset management services	**8,530**	8,530
Provision of corporate finance and advisory services	**1,392**	1,392
Provision of securities dealing services	**2,898**	2,898
Provision of money lending services	**10,721**	–
Total net carrying amount of goodwill	**23,541**	12,820

Asset management, corporate finance and advisory, securities dealing CGUs

The recoverable amounts of the asset management, corporate finance and advisory and securities dealing CGUs have been determined based on value in use calculation using cash flow projections based on financial budgets covering a five-year period (2015: a five-year period) approved by senior management. The discount rate applied to the cash flows projections is 15.72% (2015: 17.9%) and the growth rate used to extrapolate the cash flows of the CGUs beyond the five-year period is 4% (2015: 4%).

Assumptions were used in the value in use calculation of the asset management, corporate finance and advisory and securities dealing CGUs for 31 December 2016 and 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

GROWTH RATE

The growth rate used is with reference to the long term average growth rates for the relevant markets and expected market development.

DISCOUNT RATE

The discount rate used is before tax and reflect specific risks relating to the relevant units.

PRICE INFLATION

The basis used to determine the value assigned to operating expenses price inflation is the price index in the period immediately before the budget year for Hong Kong where the operating expenses are incurred.

14. GOODWILL (CONTINUED)

IMPAIRMENT TESTING OF GOODWILL (CONTINUED)

Money lending CGU

The recoverable amount of the money lending CGU has been determined based on value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 12.87% and the growth rate used to extrapolate the cash flows of the money lending CGU beyond the five-year period is 4%.

Assumptions were used in the value in use calculation of the money lending CGU for the year ended 31 December 2016. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

GROWTH RATE

The growth rate used is with reference to the long term average growth rates and expected market development.

BUDGETED INTEREST INCOME

The basis used to determine the value assigned to the budgeted interest income is the average interest rate charged on loan portfolio in the period immediately before the budget year.

DISCOUNT RATE

The discount rate used is before tax and reflects specific risks relating to the unit.

PRICE INFLATION

The basis used to determine the value assigned to operating expenses price inflation is the price index in the period immediately before the budget year for Hong Kong where the operating expenses are incurred.

As a result of this impairment testing, management has recognised impairment loss against goodwill of HK$3,853,000 (2015: Nil) for a CGU within the asset management services. As at 31 December 2016, the recoverable amount, in which impairment of goodwill was recognised, amounted to approximately HK$2,100,000. The impairment loss was recorded within "Other expenses" in the consolidated statement of profit or loss for the year.

15. INTANGIBLE ASSETS

	2016 HK$'000	2015 HK$'000
Cost		
At 1 January and 31 December	**2,173**	2,173
Accumulated amortisation		
At 1 January	**1,735**	1,191
Amortisation during the year (note 6)	**438**	544
At 31 December	**2,173**	1,735
Net carrying amount		
At 31 December	**–**	438

The intangible assets represent customers' contracts with definite useful lives and are amortised on straight-line basis over 4 years.

16. INVESTMENTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	**482,674**	20,293
Goodwill on acquisition	**99,482**	–
	582,156	20,293

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group 2016	2015	Principal activities
First Credit Finance Group Limited ("First Credit")*[(i)]	Ordinary shares	Cayman Islands/Hong Kong	**29.5%**	–	Provision and arrangement of credit facilities in Hong Kong
JFA Capital[(ii)]	Participating shares	Cayman Islands	**60.2%**	(ii)	Investment fund
貴州產業投資基金管理有限公司 ("貴州產投")*[(iii)]	Ordinary shares	PRC/Mainland China	**31%**	31%	Provision of asset management services

(i) During the year ended 31 December 2016, the Group acquired a 29.5% interest in First Credit from open market at an aggregate consideration of approximately HK$372,473,000. In the opinion of the Directors, the Group is in a position to exercise significant influence over First Credit and its investment in First Credit is then accounted for as an associate of the Group. The shares of First Credit are listed on the Stock Exchange. As at 31 December 2016, the fair value of the Group's investment in First Credit was approximately HK$497,736,000.

(ii) In the prior year, the Group held a 49.5% participation shares of JFA Capital and classified its investment in JFA Capital as an available-for-sale investment. On 22 February 2016, the Group appointed a representative, out of 3 directors, to the board of directors of JFA Capital. Pursuant to the memorandum of association of JFA Capital, the participating shares have no voting rights but entitled the holder to dividends declared and residual interests of the investment fund upon winding up. In the opinion of the Directors, the Group does not obtain control but has significant influence over JFA Capital. Accordingly, the Group reclassified its investment in JFA Capital from an available-for-sale investment to an associate of the Group since the Group is in a position to exercise significant influence. Moreover, on 4 July 2016, the Group further increased its interest in JFA Capital from 49.5% to 60.2% as a result of redemption of participating shares by an investee of JFA Capital.

(iii) On 3 March 2015, the Group through its wholly-owned subsidiary invested RMB15,500,000 in the 31% equity interest in 貴州產投. The transaction resulted in a gain on bargain purchase of HK$1,564,000.

* The statutory financial statements are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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16. INVESTMENTS IN ASSOCIATES (CONTINUED)

SUMMARISED FINANCIAL INFORMATION OF MATERIAL ASSOCIATES

First Credit and JFA Capital are considered material associates of the Group and are accounted for using the equity method. The following table illustrate the summarised financial information in respect of First Credit and JFA Capital adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016	
	First Credit HK$'000	JFA Capital HK$'000
Current assets	579,625	319,579
Non-current assets	443,902	–
Current liabilities	(98,115)	(3,700)
Non-current liabilities	(1)	–
Net assets	925,411	315,879
Reconciliation to the Group's interests in associates:		
Proportion of the Group's ownership	29.5%	60.23%
Group's share of net assets of associates, excluding goodwill	272,972	190,268
Goodwill on acquisition	99,482	–
Carrying amounts of the investments	372,454	190,268
Post-acquisition results:		
Revenue	8,107	–
Income tax credit	25	–
Loss and total comprehensive loss	(65)	(7,658)
Dividend and distribution income received from associates	–	45,172

The following table illustrates the financial information of the Group's associate that is not individually material:

	2016 HK$'000	2015 HK$'000
Share of the associate's profit and total comprehensive income for the year	585	129
Carrying amount of the Group's investment in the associate	19,434	20,293

17. INVESTMENT IN A JOINT VENTURE

	2016 HK$'000	2015 HK$'000
Share of net assets	**5,614**	7,297
Goodwill on acquisition	**162**	162
	5,776	7,459

Particulars of the Group's joint venture are as follows:

Name	**Place of incorporation and business**	**Percentage of ownership interest and profit sharing**	**Principal activities**
BLVD Cayman Limited ("BLVD")	Cayman Islands/ Singapore	**26%**	Provision of food and catering business

Notes:

(i) The statutory financial statements is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(ii) The Group, through its wholly-owned subsidiary, held 26% equity interest in BLVD. Moreover, the Group also held 14.96% (2015: 20%) equity interest through a consolidated investment entity. The Group elected to account for its 14.96% (2015: 20%) equity investment through a consolidated investment entity at fair value through profit or loss in accordance with HKFRS 9 *Financial Instruments*. The Group accounted for remaining 26% using the equity method of accounting in accordance with HKAS 28 (2011) *Investment in Associates and Joint Ventures*. Pursuant to the shareholders' agreement of BLVD, each Shareholder, as long as not hold less than 25%, shall have the right to nominate and remove one director. All decision making shall be by a simple majority vote of the directors. The number of directors shall not be more than 3. As at the end of the reporting periods, the board comprised 2 directors. In the opinion of the Directors, the Group, together with the Other Shareholder, has joint control over BLVD.

The following table illustrates the financial information of the Group's joint venture:

	2016 HK$'000	2015 HK$'000
Share of the joint venture loss and total comprehensive loss for the year	**(1,578)**	(372)
Carrying amount of the Group's interest in a joint venture	**5,776**	7,459

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18. HELD-TO-MATURITY INVESTMENTS

	2016 HK$'000	2015 HK$'000
Unlisted debt investments	**141,815**	259,324
Analysed into:		
Non-current assets	**126,326**	229,324
Current assets	**15,489**	30,000
	141,815	259,324

Held-to-maturity investments represented the Group's unlisted debt investments with fixed interest rates ranging from 6.3% to 10.9% (2015: 8.0% to 10.9%) measured at amortised cost.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Available-for-sale investments, at cost		
– unlisted equity investments	**404,452**	28,180
– unlisted fund investments	**88,383**	–
– unlisted debt investments	**–**	120
	492,835	28,300
Available-for-sale investments, at fair value		
– listed equity investments	**88,550**	–
– unlisted equity investments	**7,900**	–
– unlisted fund investments	**160,350**	338,705
– club debentures	**12,120**	–
	268,920	338,705
	761,755	367,005

19. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

As at 31 December 2016, unlisted equity, fund and debt investments with an aggregate carrying amount of HK$492,835,000 (2015: HK$28,300,000) were stated as cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of these investments in the near future. During the year, an impairment loss of HK$16,887,000 (2015: Nil) was recognised to write down the carrying amounts of unlisted equity investments stated at cost to the recoverable amount.

In addition, there was a significant and prolonged decline in the fair value of certain unlisted fund investments during the year. The Directors consider that such decline indicates that these unlisted fund investments have been impaired and an impairment loss of HK$16,018,000 (2015: HK$52,554,000) was reclassified from other comprehensive income to the statement of profit or loss for the year.

20. LOANS RECEIVABLE

	2016 HK$'000	2015 HK$'000
Loans receivable from:		
Money lending business	**937,878**	1,878,505
Securities dealing business – margin financing	**931,488**	356,090
	1,869,366	2,234,595
Less: Impairment allowance		
– individually assesssed	**(51,069)**	(46,069)
– collectively assessed	**(3,636)**	–
	(54,705)	(46,069)
	1,814,661	2,188,526
Analysed into:		
Non-current assets	**509,984**	638,287
Current assets	**1,304,677**	1,550,239
	1,814,661	2,188,526

Loans receivable arising from the money lending business of the Group bear interest at rates ranging from 1% to 22% per annum (2015: 1% to 20% per annum). The grants of these loans were approved and monitored by the Group's management. As at 31 December 2016, certain loans receivable with aggregate carrying amounts of HK$302,591,000 (2015: HK$397,527,000) and HK$74,625,000 (2015: HK$635,161,000) were secured by the pledge of collateral and with personal guarantees provided by certain independent third parties, respectively.

Loans receivable arising from the margin financing business in the securities dealing segment are secured by the pledge of customers' securities as collateral. As at 31 December 2016, the total value of securities pledged as collateral in respect of the margin receivables was approximately HK$3,811,015,000 (2015: HK$1,709,403,000) based on the market value of the securities at the end of the reporting period.

20. LOANS RECEIVABLE (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**1,750,555**	2,053,395
1 to 3 months past due	**21,826**	16,824
Over 3 months past due	**4,871**	12,937
	1,777,252	2,083,156

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

	2016 HK$'000	2015 HK$'000
At beginning of the reporting period	**46,069**	1,069
Impairment losses recognised (note 6)	**40,736**	45,000
Provision written off as uncollectible	**(32,100)**	–
At end of the reporting period	**54,705**	46,069

Included in the above provision for impairment of loans receivable was a provision for individually impaired loans receivable of HK$54,705,000 (2015: HK$46,069,000) with an aggregate carrying amount of HK$92,114,000 (2015: HK$151,439,000). The individually impaired loans receivable relate to borrowers that were in default and were not expected to be fully recoverable.

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

Loans receivable that were past due but not impaired relate to a number of independent borrowers that have a good track record and/or sufficient collateral maintained with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's loans receivable is an amount due from the Group's joint venture of HK$4,602,000 (2015: Nil), which is repayable on terms similar to those offered to other borrowers of the Group.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2016 HK$'000**	2015 HK$'000
Deposits paid for purchase of items of property, plant and equipment		**3,311**	9,269
Deposit paid for purchase of an investment property		**–**	30,643
Deposit paid for a fund investment		**19,619**	19,619
Rental and other deposits		**36,591**	24,782
Other receivables from fund investments		**–**	67,050
Other receivables		**49,730**	52,273
Prepaid expenses		**50,009**	36,149
		159,260	239,785
Impairment of other receivables	(i)	**(36,829)**	(95,483)
Impairment of a deposit paid for a fund investment	(ii)	**(19,619)**	(19,619)
		102,812	124,683
Analysed into:			
Non-current assets		**23,337**	57,541
Current assets		**79,475**	67,142
		102,812	124,683

Included in other receivables are deposits and contribution funds of HK$1,692,000 (2015: HK$1,715,000) for the securities dealing business of the Group. They are intended to be held on a long-term basis and all stated at cost less impairment losses.

Notes:

(i) The movements in the provision for impairment of other receivables are as follows:

	2016 HK$'000	2015 HK$'000
At beginning of the reporting period	**95,483**	18,462
Impairment losses recognised (note 6)	**3,923**	77,021
Provision written off as uncollectible	**(62,577)**	–
At end of the reporting period	**36,829**	95,483

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of HK$36,829,000 (2015: HK$95,483,000) with an aggregate carrying amount before provision of HK$36,829,000 (2015: HK$95,483,000). This provision was determined after taking into account the age of the respective receivable balances, the creditworthiness of the debtors, their repayment history and historical write-off experience. The Group does not hold any collateral or other credit enhancements over these balances.

(ii) In the prior years, a deposit of HK$19,619,000 was paid to a financial intermediary in the PRC for subscription of a Renminbi-denominated investment fund product, which was to be classified as "Available-for-sale investment" upon completion of necessary statutory registration with the relevant authority in the PRC. In the opinion of the Directors, the deposit was not expected to be recoverable and a full impairment of HK$19,619,000 was made in the prior years.

22. RESTRICTED CASH

At the end of the reporting period, the Group had bank balances of approximately HK$2,292,000 (2015: HK$975,000) in relation to the insurance brokerage business which were restricted as to use, among which the restricted cash of HK$1,116,000 (2015: HK$331,000) was placed in a bank in the PRC to comply with the requirements of the PRC authority for insurance brokerage operation in Mainland China. This restricted cash placed in the PRC bank is not expected to be released within the next 12 months from the end of the reporting period and accordingly, the entire restricted cash was classified under non-current assets.

23. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

DEFERRED TAX ASSETS

	Depreciation in excess of related depreciation allowance/ (depreciation allowance in excess of related depreciation) HK$'000	Commission clawback HK$'000	Provision for other receivables HK$'000	Losses available for offsetting against future taxable profits HK$'000	Unrealised fair value changes on financial investments at fair value through profit or loss HK$'000	Total HK$'000
As at 1 January 2015	(252)	1,840	2,511	13,925	–	18,024
Deferred tax credited/(charged) to profit or loss during the year (note 9)	1,058	(1,267)	2,744	(13,579)	20,189	9,145
As at 31 December 2015 and 1 January 2016	806	573	5,255	346	20,189	27,169
Deferred tax credited/(charged) to profit or loss during the year (note 9)	(633)	(573)	(4,612)	23	7,553	1,758
As at 31 December 2016	173	–	643	369	27,742	28,927

23. DEFERRED TAX (CONTINUED)

DEFERRED TAX LIABILITY

	Depreciation allowance in excess of related depreciation HK$'000	Unrealised fair value changes on financial investments at fair value through profit or loss HK$'000	Total HK$'000
As at 1 January 2015	–	38,521	38,521
Deferred tax credited to profit or loss during the year (note 9)	–	(38,521)	(38,521)
As at 31 December 2015 and 1 January 2016	–	–	–
Acquisition of a subsidiary (note 38)	1,304	–	1,304
Deferred tax credited to profit or loss during the year (note 9)	(26)	–	(26)
	1,278	–	1,278

The Group has tax losses arising in Hong Kong of HK$317,793,000 (2015: HK$149,561,000), subject to agreement by relevant tax authority, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in Mainland China of HK$237,729,000 (2015: HK$220,536,000), subject to agreement by relevant tax authority, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

24. ACCOUNTS RECEIVABLE

	2016 HK$'000	2015 HK$'000
Accounts receivable from:		
Product issuers	**69,754**	58,937
Customers	**14,990**	10,421
Cash clients from securities dealing business	**1,589**	4,802
Brokers, dealers and clearing houses	**6,908**	12,695
	93,241	86,855

The normal settlement terms of accounts receivable from product issuers arising from provision of brokerage services are within 45 days upon the execution of the insurance policies, investment product subscription agreements and/or receipt of statements from product issuers.

Credit terms with customers of investment advisory, fund dealing, asset management and corporate finance services are mainly 30 to 60 days or a credit period mutually agreed between the contracting parties.

24. ACCOUNTS RECEIVABLE (CONTINUED)

Accounts receivable from cash clients arising from securities dealing business and brokers, dealers and clearing houses arising from proprietary investments and securities dealing businesses are repayable on demand subsequent to the settlement date. The normal settlement terms of the said accounts receivable are, in general, within 2 days after trade date.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the date of recognition of revenue, is as follows:

	2016 **HK$'000**	2015 HK$'000
Within 1 month	**84,578**	78,980
1 to 2 months	**724**	6,141
2 to 3 months	**716**	329
Over 3 months	**7,223**	1,405
	93,241	86,855

The ageing analysis of accounts receivable as at the end of reporting period that are not individually nor collectively considered to be impaired is as follows:

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**86,018**	85,450
Over 3 months past due	**7,223**	1,405
	93,241	86,855

Accounts receivable that were neither past due nor impaired relate to a number of reputable product issuers, brokers and customers for whom there was no recent history of default.

Accounts receivable that were past due but not impaired relate to product issuers and customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss:

	2016 HK$'000	2015 HK$'000
Long position		
Financial assets at fair value through profit or loss – held for trading		
Listed equity investments	**624,854**	493,947
Listed debt investments	**58,960**	–
Unlisted debt investments	**7,080**	46,972
Unlisted fund investments	**53,319**	53,128
	744,213	594,047
Financial assets designated as at fair value through profit of loss		
Private equity investments	**5,114**	50,675
Convertible note receivables (note i)	**339,518**	–
Derivative instruments (note ii)	**17,112**	–
	361,744	50,675
	1,105,957	644,722

Financial liabilities at fair value through profit or loss:

	2016 HK$'000	2015 HK$'000
Short position		
Listed equity investments	**35,122**	25,586

(i) Included in the balance is a convertible note issued by China Green (Holdings) Limited ("China Green"), a company's shares listed on the Stock Exchange, of HK$233.1 million. On 18 November 2015, the Group advanced a loan of HK$190 million to China Green with original maturity on 18 May 2016, bearing interest of 13.9% ("China Green Loan") and was classified as loans receivable as at 31 December 2015. During the year, China Green issued a convertible loan note of HK$190 million with coupon rate of 12% per annum and matured on 22 August 2017 ("China Green Convertible Note") to the Group. Upon maturity, the Group may subscribe a maximum of 1,418,666,666 shares at HK$0.15 per share, representing 16.97% of enlarged capital of China Green based on the existing capital structure as at 31 December 2016. Accordingly, the Group derecognised the China Green Loan with a carrying value of HK$190 million from loans receivable and recognised the China Green Convertible Note with a fair value of HK$305.3 million as financial assets designated as at fair value through profit and loss on the issue date of the China Green Convertible Note on 22 August 2016, resulting a gain of HK$115.3 million.

On 15 December 2016, the Group entered into a modification deed with China Green to extend the China Green Convertible Note to 22 August 2019 with zero coupon and the conversion price is changed from HK$0.15 per share to HK$0.10 per share. The effective date of the modified terms is 17 February 2017.

(ii) The Group, through its investment entity, invested in 18.27% equity shares of a company (the "Investee"), which provide information technology and smartphone application development services and digital marketing services, with an option to purchase up to 10% issued shares of the Investee. Upon exercise of the option, the Group will own 28.11% of the enlarged capital of the Investee based on its share structure as at 31 December 2016. The equity investment, together with option, is measured at fair value.

26. CASH HELD ON BEHALF OF CLIENTS/ACCOUNT PAYABLES TO CLIENTS

The Group maintains segregated trust accounts with licensed banks or authorised institutions to hold clients' monies arising from its normal course of asset management and securities dealing businesses. The Group has classified the clients' monies as cash held on behalf of clients under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

27. PLEDGED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

	2016 **HK$'000**	2015 HK$'000
Cash and bank balances	**966,664**	1,913,112
Time deposits	**10,512**	210,444
	977,176	2,123,556
Less: Pledged deposit for bank overdraft facilities	**(10,103)**	(10,035)
Cash and cash equivalents	**967,073**	21,113,521

At the end of the reporting period, the balance of pledged bank deposit represented deposit that has been pledged to secure overdraft facility granted to a subsidiary of the Company (note 42).

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$13,163,000 (2015: HK$12,607,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

28. ACCOUNTS PAYABLE

	2016 HK$'000	2015 HK$'000
Accounts payable to:		
Consultants	**106,466**	112,367
Clearing house	**–**	49,434
Brokers	**1,954**	11,659
Cash held on behalf of clients from securities dealing business	**286,363**	47,353
Cash held on behalf of clients from asset management business	**345,259**	176,536
	740,042	397,349

Accounts payable to consultants arising from provision of IFA services and asset management services are generally settled within 30 days to 120 days upon receipt of payments from product issuers/fund houses by the Group.

Accounts payable to clearing house, brokers and clients arising from securities dealing business, which are repayable either on demand or subsequent to the settlement date. The normal settlement terms of the said accounts payable are, in general, within 2 days after the trade date.

No ageing analysis is disclosed for cash held on behalf of clients from asset management business as in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of this business.

An ageing analysis of accounts payable at the end of reporting period is as follows:

	2016 HK$'000	2015 HK$'000
Accounts payable (other than cash held on behalf of clients from asset management)		
Within 1 month/repayable on demand	**369,256**	194,302
1 to 2 months	**20,547**	15,987
2 to 3 months	**3,372**	4,445
Over 3 months	**1,608**	6,079
	394,783	220,813
Accounts payable arising from cash held on behalf of clients from asset management	**345,259**	176,536
	740,042	397,349

Accounts payable are non-interest-bearing.

Included in the accounts payable were commission payables of totalling HK$732,000 (2015: HK$1,062,000) to the spouse, a brother and a cousin of a director of the Group's major operating subsidiaries who are consultants of the Group, which are payable on similar terms to other consultants of the Group.

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29. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables	**65,564**	68,527
Accruals	**78,784**	73,356
Deferred revenue	**844**	1,281
Provision for reinstatement costs	**9,926**	8,835
	155,118	151,999
Analysed into:		
Non-current liabilities	**9,362**	8,605
Current liabilities	**145,756**	143,394
	155,118	151,999

Other payables are unsecured, non-interest-bearing and have an average term of three months.

During the year, the net additions in provision for reinstatement costs amounted to HK$1,091,000 (2015: HK$340,000).

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**2.05 – 2.25**	**2017 – 2036**	**45,295**	–	–	–
Other borrowing – unsecured	**8**	**On demand**	**14,559**	8	On demand	13,495
			59,854			13,495

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**45,295**	–
Other borrowing repayable:		
On demand	**14,559**	13,495
	59,854	13,495

All borrowings are in denominated in Hong Kong dollars.

At the end of the reporting period, the Group's bank loans were secured by:

(a) mortgage over certain of the Group's investment properties situated in Hong Kong, which had a carrying value at the end of the reporting period of HK$111,300,000 (2015: Nil);

(b) mortgage over the Group's building, which had a carrying value at the end of the reporting period of HK$22,155,000 (2015: Nil);

(c) unlimited personal guaranteed given by a director of certain subsidiaries and the spouse of that director; and

(d) a corporate guarantee given by a subsidiary of the Company for an amount up to HK$43,000,000.

31. NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATION RIGHTS

	2016 HK$'000	2015 HK$'000
At beginning of the reporting period	**34,598**	24,896
Fund investments during the year	**–**	8,192
Profit/(loss) attributable to non-controlling investors of investment funds	**(1,596)**	1,510
Acquisition of additional interests in investment funds	**(12,054)**	–
Redemption by non-controlling investors of investment funds	**(15,415)**	–
At end of the reporting period	**5,533**	34,598

Net assets attributable to redeemable participation rights represents the non-controlling interest of investment funds which are consolidated by the Group as subsidiaries. The non-controlling investors in the investment funds have the rights to put the participation rights back at any time and therefore the economic substance of the non-controlling interest is that of a liability. The non-controlling investment is classified as a current liability in the Group's consolidated statement of financial position.

32. BOND PAYABLES

	2016 HK$'000	2015 HK$'000
Unsecured unlisted bonds, at nominal value		
Repayable within one year	**–**	6,400
Repayable after five years	**656,500**	646,500
	656,500	652,900
Discount and issue costs	**(40,051)**	(45,488)
	616,449	607,412
Bond payables analysed into:		
Non-current liabilities	**616,449**	601,023
Current liabilities	**–**	6,389
	616,449	607,412

32. BOND PAYABLES (CONTINUED)

At the end of the reporting period, the particulars of bonds issued by the Company are as follows:

Straight bond	Placing period	Maturity from issue date	Coupon rate	Effective interest rate	Principal outstanding 2016 HK$'000	2015 HK$'000
A	8 July 2014 – 7 July 2015	7th anniversary	6%	7.53%	**50,000**	50,000
B	16 September 2014 – 15 September 2015	7th anniversary	6%	7.53%	**300,000**	300,000
C	14 November 2014 – 2 July 2015	7th anniversary	9%	9.02%	**16,000**	16,000
D	14 January 2015 – 13 January 2016	7th anniversary	9%	9.02%	**5,000**	5,000
E	21 January 2015 – 20 January 2016	7th anniversary	6%	7.53%	**285,500**	275,500
F	21 January 2015 – 20 January 2016	1st anniversary	3.5%	4.02%	**–**	6,400
					656,500	652,900

All bonds are unsecured and contain no conversion feature.

33. COMMISSION CLAWBACK

The Group is entitled to receive investment brokerage commission income from various product issuers for business referral and introduction. The commission is calculated based on pre-determined percentages of the regular contributions by the Group's customers to these product issuers. Pursuant to the terms of the agreements entered into between the Group and these product issuers, the commission paid by the product issuers to the Group is subject to a commission clawback by the product issuers on a pro-rata basis over an indemnified period. The indemnified period is generally from 6 months to 24 months. In the event that a customer terminates the regular contribution within the indemnified period, the product issuers will clawback the relevant commission. The amount of the commission clawback represents expected cash outflows which are estimated with reference to the sales volume, past experience of the levels of clawback, and the Directors' best estimates of the expenditure required to settle the obligations. The estimation basis is reviewed on an ongoing basis and revised by the Directors where appropriate.

During the year, the Group's estimated commission clawback credited to the statement of profit or loss amounted to HK$2,893,000 (2015: debit of HK$1,418,000).

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34. SHARE CAPITAL

SHARES

	2016 **HK$'000**	2015 HK$'000
Authorised:		
20,000,000,000 (2015: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
14,938,896,000 (2015: 14,938,896,000) ordinary shares of HK$0.10 each	**1,493,890**	1,493,890

A summary of the movements in the Company's issued share capital and share premium account is as follows:

	Notes	**Number of shares in issue**	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2015		614,724,000	61,472	395,616	457,088
Issue of new shares in May 2015	(i)	1,844,172,000	184,418	276,625	461,043
Issue of new shares in September 2015	(ii)	491,700,000	49,170	122,925	172,095
Issue of new shares in October 2015	(iii)	11,988,300,000	1,198,830	2,997,075	4,195,905
		14,324,172,000	1,432,418	3,396,625	4,829,043
Share issue expenses		–	–	(176,195)	(176,195)
At 31 December 2015, 1 January 2016 and 31 December 2016		14,938,896,000	1,493,890	3,616,046	5,109,936

Notes:

(i) On 11 May 2015, the Company completed the allotment and issuance of 1,844,172,000 ordinary shares of HK$0.1 each to the shareholders of the Company by way of an open offer on the basis of three offer shares for every one existing share held on 15 April 2015 at a subscription price of HK$0.25 each, giving rise to an increase in share premium of approximately HK$276,625,000.

(ii) On 10 September 2015, the Company completed the allotment and issuance of 491,700,000 ordinary shares of HK$0.1 each to the shareholders of the Company by way of general mandate placing at HK$0.35 each, giving rise to an increase in share premium of approximately HK$122,925,000.

(iii) On 29 October 2015, the Company completed the allotment and issuance of 11,988,300,000 ordinary shares of HK$0.1 each to the shareholders of the Company by way of specific mandate placing at HK$0.35 each, giving rise to an increase in share premium of approximately HK$2,997,075,000.

34. SHARE CAPITAL (CONTINUED)

WARRANTS

During the year ended 31 December 2013, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agents conditionally agreed to place, on a best effort basis, up to 80,000,000 warrants conferring rights to subscribe for 80,000,000 warrant shares at the exercise price of HK$1.41 per warrant to not less than six warrant placees who, and their respective ultimate beneficial owners are independent third parties. The warrants were to be placed at a warrant placing price of HK$0.01 each. The proceeds from warrant placing of HK$776,000, net of warrant placing expenses of HK$24,000, were recorded as a component of shareholders' equity in warrant reserve.

On 11 May 2015, the Company completed the allotment and issuance of 1,844,172,000 ordinary shares by way of an open offer and the exercise price of 80,000,000 warrant shares was adjusted to HK$0.632 per warrant.

Further on 29 October 2015, the Company completed the allotment and issuance of 11,988,300,000 ordinary shares to the shareholders of the Company by way of specific mandate placing at HK$0.35 each and the exercise price of 80,000,000 warrant shares was adjusted to HK$0.479 per warrant accordingly.

During the years ended 31 December 2016 and 2015, no warrants were exercised.

At the end of the reporting period, the Company had 80,000,000 warrants outstanding. The exercise in full of such warrant would, under the present capital structure of the Company, result in the issue of 80,000,000 additional shares.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

CAPITAL RESERVE

The Group's capital reserve represents (i) the issued paid-up capital of a subsidiary of the Company; and (ii) the excess of the nominal value of the shares of a subsidiary acquired pursuant to the reorganisation in the prior year, over the investment cost of the Company's shares issued in exchange therefor.

MERGER RESERVE

Merger reserve relates to business combination under common control and represents the difference in the fair value of the consideration paid and the share capital of subsidiaries acquired during the year ended 31 December 2011 and 2013.

AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE

Available-for-sale investment revaluation reserve represents unrealised fair value changes, net of any impairment, of the Group's available-for-sale financial investments.

35. RESERVES (CONTINUED)

RESERVE FUNDS

Pursuant to the relevant laws and regulations in Mainland China, the Group's subsidiaries established in Mainland China are required to transfer part of their net profit after tax to the reserve funds, which are non-distributable and restricted as to use.

LEGAL RESERVE

Pursuant to the provisions of the Macao Commercial Code, the Group's subsidiaries established in Macau are required to transfer a minimum of 25% of the annual profit after tax to a legal reserve until the reserve equals half of the share capital. Such a transfer has to be approved by the shareholders of those subsidiaries. This reserve is not distributable to shareholders of those subsidiaries.

OTHER RESERVES

Other reserves represents (i) the net gain on deemed disposal of interests in subsidiaries; (ii) the net loss on acquisition of additional interests in subsidiaries; and (iii) the waiver of amounts due to CFG in prior years.

36. SHARE AWARD SCHEME

On 25 January 2011, the Company adopted a share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected participants, including employees, consultants and business associates of the Group (the "Selected Participants") in accordance with the provisions of the Award Scheme and an irrevocable trust (the "Trust") was also established by the Company for the purpose of the Award Scheme. The Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date. Further details of the Award Scheme are also set out in an announcement of the Company dated 25 January 2011.

The aggregate number of Awarded Shares currently permitted to be awarded under the Award Scheme throughout the duration of the Award Scheme is limited to 10% of the issued share capital of the Company as at 25 January 2011, i.e., 40,000,000 shares.

Pursuant to the rules governing the operation of the Award Scheme (the "Scheme Rules"), the board of Directors of the Company (the "Board") shall select the Selected Participants and determine the number of Awarded Shares to be awarded. The Board shall cause to pay the trustee of the Trust (the "Trustee") the purchase price and the related expenses from the Company's resources for the shares of the Company to be purchased by the Trustee. The Trustee is an Independent Third Party appointed by the Board for the administration of the Award Scheme. The Trustee shall purchase from the market such number of shares of the Company awarded as specified by the Board and shall hold such shares until they are vested in accordance with the Scheme Rules.

36. SHARE AWARD SCHEME (CONTINUED)

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded Shares to that employee at no cost.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

During the year ended 31 December 2016, no Awarded Shares were awarded to any consultants and employees of the Group and the Trustee did not acquire any ordinary shares of the Company under the Award Scheme.

During the year ended 31 December 2015, an aggregate number of 584,815 Awarded Shares were awarded, fully vested at the grant dates, to certain consultants and employees of the Group, which were transferred to the consultants and employees at nil consideration. The fair value of the Awarded Shares awarded was based on the market value of the Company's shares at the grant date and the Group recognised an equity-settled share based payment expense of HK$421,000 for that year with a corresponding credit to the shares held for share award scheme account of the Company. The fair value of the Awarded Shares awarded was based on the market value of the Shares on the grant date.

During the year ended 31 December 2015, the Trustee acquired under the Award Scheme 60,000 ordinary shares of the Company through purchases on the open market at a total cost (including related transaction costs) of HK$36,000 which was debited to the shares held for share award scheme account of the Company as an equity component of the Company.

37. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include Employee, Business Associate and the trustee. For the purpose of this section, Employee means (i) any full-time employee and director (including executive director, non-executive Director and independent non-executive Director or proposed executive Director, non-executive Director and independent non-executive Director) of any member of the Group; and (ii) any part-time employee with weekly working hours of 10 hours or above of the Group; and Business Associate means (a) any adviser, consultant or agent (in the areas of legal, technical, financial or corporate managerial) to the Group; (b) any provider of goods and/or services to the Group; or (c) any other person who, at the sole discretion of the Board, has contributed or may contribute to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group).

The Scheme became effective on 23 June 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

37. SHARE OPTION SCHEME (CONTINUED)

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

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period and the vesting period of the share options granted are the Board's absolute discretion and determinable by the Directors, save that such period shall not be more than 10 years from the date of grant of the share options.

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

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price per share HK$	**Number of options '000**
At 1 January 2015, 31 December 2015 and at 1 January 2016	**–**	–
Granted during the year	**0.2332**	448,164
At 31 December 2016	**0.2332**	448,164

37. SHARE OPTION SCHEME (CONTINUED)

The exercise price and exercise period of the share options outstanding as at 31 December 2016 are HK$0.2332 and from 24 June 2017 to 23 December 2019, respectively. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted was approximately HK$47,057,000 (HK$0.105 each), of which the Group recognised a share option expense of approximately HK$2,327,000 during the year ended 31 December 2016.

The fair value of equity-settled share options granted on 24 December 2016 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016
Dividend yield	0%
Expected volatility	75.59%
Risk-free interest rate	1.512%
Expected life of options	3 years
Weighted average share price per share	HK$0.2332

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 448,164,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 448,164,000 additional ordinary shares of the Company and additional share capital of HK$44,816,000 and share premium of approximately HK$59,695,000 (before issue expenses and share option reserve).

At the date of approval of these financial statements, the Company had 448,164,000 share options outstanding under the Scheme, which represented approximately 3.0% of the Company's shares in issue as at that date.

38. BUSINESS COMBINATIONS

(A) ACQUISITION OF MAX Group

On 22 January 2016, the Group entered into an agreement with an Independent Third Party to acquire the entire interests in the MAX Group at a cash consideration of HK$24,630,000. On the same date, the Group also entered into an agreement with the MAX Group to assume the loan from a director of the MAX Group of HK$11,790,000.

The principal activity of the MAX Group is the provision of consultancy services. The acquisition of the MAX Group was part of the Group's strategy to expand its existing money lending business.

The fair values of the identifiable assets and liabilities of the MAX Group as at date of acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	12	22,600
Loans receivable		2,695
Deposits and other receivables		332
Cash and bank balances		5,448
Other payables and accruals		(130)
Interest-bearing bank borrowing		(3,942)
Deferred tax liabilities		(1,304)
Total identifiable net assets at fair value		25,699
Goodwill on acquisition	14	10,721
		36,420
Satisfied by:		
Cash		24,630
Assumption of the loan from a director of the MAX Group		11,790
		36,420

The fair values of the loans receivable and other receivables as at the date of acquisition amounted to HK$2,695,000 and HK$273,000, respectively. The gross contractual amounts of loans receivable and other receivables were HK$2,695,000 and HK$273,000, respectively, which are expected to be collectible.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of cash flows in respect of the acquisition of the MAX Group is as follows:

	HK$'000
Cash consideration	(36,420)
Cash and bank balances acquired	5,448
Net outflow of cash and cash equivalents included in cash flows from in investing activities	(30,972)

Since the acquisition, the MAX Group contributed HK$1,408,000 to the Group's revenue and loss of HK$11,753,000 to the consolidated loss for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year ended 31 December 2016 would have been HK$1,205,145,000 and HK$104,319,000.

38. BUSINESS COMBINATIONS (CONTINUED)

(B) ACQUISITION OF ZEED ASIA TECHNOLOGY LIMITED

On 31 March 2016, the Group completed the acquisition of the entire interest in ZAT and assumed its shareholder's loan from an Independent Third Party at an aggregate consideration of HK$6,200,000.

ZAT is primarily engaged in the provision of internet financial platform and solutions. The acquisition was made as part of the Group's strategy to develop the existing asset management business through the provision of internet financial platform and solutions.

The fair values of the identifiable assets and liabilities of ZAT as at the date of acquisition were as follows:

	Notes	**HK$'000**
Property, plant and equipment	12	359
Prepayments, deposits and other receivables		2,070
Cash and bank balances		5
Other payables and accruals		(87)
Total identifiable net assets at fair value		2,347
Goodwill on acquisition	14	3,853
Satisfied by cash consideration		6,200

The fair value of other receivable as at the date of acquisition amounted to HK$16,000. The gross contractual amount of other receivables was HK$16,000, which was expected to be collectible.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of cash flows in respect of the acquisition of ZAT is as follows:

	HK$'000
Cash consideration	(6,200)
Cash and bank balances acquired	5
Net outflow of cash and cash equivalents included in cash flows from investing activities	(6,195)

ZAT did not generate any revenue since the acquisition and for the year ended 31 December 2016.

Since the acquisition, ZAT contributed loss of HK$6,485,000 to the consolidated loss for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the loss of the Group for the year ended 31 December 2016 would have been HK$105,625,000.

38. BUSINESS COMBINATIONS (CONTINUED)

(C) ACQUISITION OF CSL SECURITIES LIMITED

On 31 July 2015, the Group completed the acquisition of the entire interest in Cheer Pearl Investment Limited (currently known as CSL Securities Limited ("CSL") with effect from 4 May 2016), a company incorporated in Hong Kong with limited liability on 15 September 1992 and licensed by the SFC to carry on Type 1 (dealing in securities) regulated activities under the SFO, from an Independent Third Party at a cash consideration of HK$16,000,000.

The acquisition was made as part of the Group's strategy to expand into and develop its securities dealing business which is crucial for building an all-rounded financial services platform.

The fair values of the identifiable assets and liabilities of CSL as at date of acquisition were as follows:

	Notes	**HK$'000**
Property, plant and equipment	12	42
Accounts receivable		12,921
Prepayment, deposit and other receivables		1,224
Cash held on behalf of clients		4,893
Cash and bank balances		11,135
Accounts payable		(11,370)
Other payables and accruals		(5,743)
Total identifiable net assets at fair value		13,102
Goodwill on acquisition	14	2,898
Satisfied by cash consideration		16,000

An analysis of the cash flows in respect of the acquisition of CSL is as follows:

	HK$'000
Cash consideration	(16,000)
Cash and bank balances acquired	11,135
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(4,865)

In the opinion of the Directors, the goodwill recognised represented the expected synergy from combining operations of the Group and the CSL.

Since the acquisition, CSL contributed HK$24,535,000 to the Group's revenue and profit of HK$15,541,000 to the consolidated loss for the year ended 31 December 2015.

Had the acquisition taken place at the beginning of the year ended 31 December 2015, the revenue of the Group and consolidated loss of the Group for the year ended 31 December 2015 would have been HK$609,850,000 and HK$485,100,000, respectively.

39. DISPOSAL OF A SUBSIDIARY

On 8 July 2015, the Group disposed of its entire equity interest in Aviate Beijing Corporate Services Limited ("ABCS") to an Independent Third Party for a cash consideration of HK$300,000, resulting in a gain on disposal of HK$2,000 for the year.

The net assets of ABCS at the date of disposal were as follows:

	Note	HK$'000
Prepayments, deposits and other receivables		225
Cash and bank balances		73
Net assets disposed of		298
Gain on disposal	4	2
Satisfied by cash consideration		300

An analysis of the net cash flows in respect of the disposal of ABCS is as follows:

	HK$'000
Cash consideration received	300
Cash and bank balances disposed of	(73)
Net cash inflow arising on disposal	227

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

MAJOR NON-CASH TRANSACTION

The Group entered into rental agreements in respect of its office premises located in Hong Kong and PRC under operating leases. Pursuant to the terms and conditions of the rental agreements, the Group is required to restore the office premises to the conditions as stipulated in the rental agreements. During the year, the Group has accrued and capitalised the estimated restoration cost of HK$1,091,000 (2015: HK$340,000) for this obligation.

41. CONTINGENT LIABILITIES

At the end of each reporting period, the Group had no significant contingent liabilities.

42. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by assets of the Group, are included in note 30 to the financial statements.

At the end of the reporting period, the pledged bank deposit represented deposit that has been pledged to secure overdraft facility granted to a subsidiary of the Company.

43. OPERATING LEASE ARRANGEMENTS

(A) AS LESSOR

The Group leases certain of its investment properties (note 13) to an Independent Third Party under operating lease arrangements, with leases negotiated for terms ranging from two to three years. The terms of leases also require the tenant to pay security deposit and provide for periodic adjustments according to the prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**1,639**	985
In the second to fifth years, inclusive	**1,161**	–
	2,800	985

(B) AS LESSEE

The Group leases its office properties, warehouse, staff quarters and certain equipment under operating lease arrangements, with leases negotiated for terms ranging from six months to five years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**57,694**	61,295
In the second to fifth years, inclusive	**40,193**	87,848
	97,887	149,143

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43(B) above, the Group had the following capital commitments at the end of the reporting period:

	2016 **HK$'000**	2015 HK$'000
Contracted, but not provided for:		
Capital investments in available-for-sale investments	**205,298**	159,053
Acquisition of property, plant and equipment	**–**	14,000
Acquisition of an investment property	**–**	85,931
	205,298	258,984

45. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(A) TRANSACTIONS WITH RELATED PARTIES IN THE ORDINARY COURSE OF BUSINESS:

	Notes	2016 HK$'000	2015 HK$'000
Commission expenses paid by CFS to:			
Spouse of Mr. Shin Kin Man ("Mr. Shin")	(i)	**1,742**	1,067
Brother of Mr. Shin	(i)	**1,579**	1,670
Cousin of Mr. Shin	(i)	**5,961**	6,371
Commission expenses paid by CAM to:			
Spouse of Mr. Shin	(ii)	**281**	419
Brother of Mr. Shin	(ii)	**110**	114
Cousin of Mr. Shin	(ii)	**416**	489
Rental and related expenses (government rates and management charges) paid to GFL	(iii)	**7,129**	–

Notes:

(i) The commission expenses were paid to three close family members of Mr. Shin, who are related parties of the Company and also the consultants of CFS, an operating subsidiary of the Group. The commission expenses were determined based on the volume of insurance and Mandatory Provident Fund brokerage transactions executed by them for the account of CFS. The commissions offered are charged pursuant to the terms in the agreements signed between the Group and the three close family members of Mr. Shin.

(ii) The commission expenses were paid to three close family members of Mr. Shin Kin Man, who are related parties of the Company and also licensed representatives of CAM, an operating subsidiary of the Group. The commission expenses were determined based on the volume of fund dealing and securities brokerage transactions executed by them for the account of CAM. The commission offered are charged pursuant to the terms in the agreements signed between the Group and the three close family members of Mr. Shin Kin Man.

(iii) Rental and related expenses (government rates and management charges) were paid to GFL, a related company indirectly wholly owned by a shareholder of the Company. The terms and conditions associated with the rental and related services were made according to the terms and conditions in the agreements signed between the Group and GFL.

The related party transactions in respect of items (i), (ii) and (iii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and the Group confirms that it has complied with the relevant requirements under Chapter 14A of the Listing Rules.

(B) OTHER TRANSACTIONS WITH RELATED PARTIES:

(i) On 25 February 2015, an aggregate of 300 new shares of CIP were allotted and issued to four individuals, being the key management personnel of CIP.

(ii) On 31 August 2015, the Group acquired a 30% equity interest in DRL Capital Investment Management Limited (currently known as CFM) at a cash consideration of HK$2,023,000, resulting in a debit of HK$1,118,000 to other reserve and decrease in non-controlling interest of HK$3,141,000 from the non-controlling shareholder, being a director of CFM. Upon completion of this acquisition, CFM and its wholly-owned subsidiary became indirectly wholly-owned subsidiaries of the Company.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:

	2016 HK$'000	2015 HK$'000
Fees, salaries, allowances, bonuses and benefits in kind	22,356	18,439
Equity-settled share option expense	776	–
Pension scheme contributions	1,362	895
Total compensation paid to key management personnel	24,494	19,334

Further details of Directors' remuneration are included in note 7 to the financial statements.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the Group's financial instruments by each category as at the end of the reporting period are as follows:

FINANCIAL ASSETS

At 31 December 2016

	Financial assets at fair value through profit or loss					
	Designated as such upon recognition HK$'000	Held-for-trading HK$'000	Held-to-maturity investments HK$'000	Available-for-sale investments HK$'000	Loans and receivables HK$'000	Total HK$'000
Held-to-maturity investments	–	–	141,815	–	–	141,815
Available-for-sale investments	–	–	–	761,755	–	761,755
Accounts receivable	–	–	–	–	93,241	93,241
Loans receivable	–	–	–	–	1,814,661	1,814,661
Deposits and other receivables	–	–	–	–	49,492	49,492
Financial assets at fair value through profit or loss	361,744	744,213	–	–	–	1,105,957
Restricted cash	–	–	–	–	2,292	2,292
Cash held on behalf of clients	–	–	–	–	620,036	620,036
Pledged bank deposits	–	–	–	–	10,103	10,103
Cash and cash equivalents	–	–	–	–	967,073	967,073
	361,744	744,213	141,815	761,755	3,556,898	5,566,425

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

At 31 December 2015

	Financial assets at fair value through profit or loss					
	Designated as such upon recognition HK$'000	Held-for-trading HK$'000	Held-to-maturity investments HK$'000	Available-for-sale investments HK$'000	Loans and receivables HK$'000	Total HK$'000
Held-to-maturity investments	–	–	259,324	–	–	259,324
Available-for-sale investments	–	–	–	367,005	–	367,005
Accounts receivable	–	–	–	–	86,855	86,855
Loans receivable	–	–	–	–	2,188,526	2,188,526
Deposits and other receivables	–	–	–	–	48,622	48,622
Financial assets at fair value through profit or loss	50,675	594,047	–	–	–	644,722
Restricted cash	–	–	–	–	975	975
Cash held on behalf of clients	–	–	–	–	228,761	228,761
Pledged bank deposits	–	–	–	–	10,035	10,035
Cash and cash equivalents	–	–	–	–	2,113,521	2,113,521
	50,675	594,047	259,324	367,005	4,677,295	5,948,346

FINANCIAL LIABILITIES

At 31 December 2016

	Financial liabilities at fair value HK$'000	**Financial liabilities at amortised cost HK$'000**	**Total HK$'000**
Accounts payable	**–**	**740,042**	**740,042**
Financial liabilities included in other payables and accruals	**–**	**120,220**	**120,220**
Interest-bearing bank and other borrowings	**–**	**59,854**	**59,854**
Financial liabilities at fair value through profit or loss	**35,122**	**–**	**35,122**
Bond payables	**–**	**616,449**	**616,449**
	35,122	**1,536,565**	**1,571,687**

At 31 December 2015

	Financial liabilities at fair value HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Accounts payable	–	397,349	397,349
Financial liabilities included in other payables and accruals	–	120,972	120,972
Interest-bearing bank and other borrowings	–	13,495	13,495
Financial liabilities at fair value through profit or loss	25,586	–	25,586
Bond payables	–	607,412	607,412
	25,586	1,139,228	1,164,814

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

Liquid and fixed rate financial instruments include cash and cash equivalents, pledged bank deposit, restricted cash, loans receivable, accounts receivable, accounts payable, interest-bearing bank and other borrowings, held-to-maturity investments, deposits, other receivables and financial liabilities included in other payables and accruals are carried at amortised cost based on prevailing market interest rates or current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

Certain available-for-sale investments are measured at cost because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that the fair value cannot be measured reliably.

The fair values of the bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the bonds is assessed to be insignificant. The carrying amounts are not significantly different from their respective fair values.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Level 1 and Level 2 fair values of financial assets are measured by reference to quoted market prices and brokers' quotes, respectively. Level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, valuation may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The Group has engaged independent professionally qualified valuers to perform the valuation of certain financial instruments in Level 3 for financial reporting purposes or by reference to recent transaction price of certain investments.

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

ASSETS MEASURED AT FAIR VALUE

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2)** HK$'000	**Significant unobservable inputs (Level 3)** HK$'000	**Total** HK$'000
At 31 December 2016				
Available-for-sale investments	**100,670**	**4,375**	**163,875**	**268,920**
Financial investments at fair value through profit or loss	**683,814**	**46,797**	**375,346**	**1,105,957**
	784,484	**51,172**	**539,221**	**1,374,877**
At 31 December 2015				
Available-for-sale investments	–	9,153	329,552	338,705
Financial investments at fair value through profit or loss	532,136	48,775	63,811	644,722
	532,136	57,928	393,363	983,427

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

ASSETS MEASURED AT FAIR VALUE (CONTINUED)

During the year, there were no transfer of the Group's fair value measurement between Level 1 and Level 2 for the Group's financial assets (2015: Nil). Movement in fair value measurements within Level 3 during the year are as follows.

	2016 HK$'000	2015 HK$'000
At 1 January	**393,363**	–
Transfer to investment in an associate during the year	**(239,654)**	–
Investments made during the year	**393,606**	393,363
Redemption during the year	**(500)**	–
Fair value changes recognised through other comprehensive income	**12,771**	–
Fair value changes recognised in profit or loss	**25,850**	–
Transfer to Level 1 during the year	**(46,215)**	–
At 31 December	**539,221**	393,363

LIABILITIES MEASURED AT FAIR VALUE

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2)** HK$'000	**Significant unobservable inputs (Level 3)** HK$'000	**Total** HK$'000
At 31 December 2016				
Financial liabilities at fair value through profit or loss	**35,122**	**–**	**–**	**35,122**
At 31 December 2015				
Financial liabilities at fair value through profit or loss	25,586	–	–	25,586

During the year, there were no transfers of the Group's fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the Group's financial liabilities (2015: Nil).

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2016 and 2015:

	Valuation technique	Significant unobservable input	Percentage or ratio range	Sensitivity of fair value to the input
Unlisted equity investments	Recent transaction price	N/A	N/A	N/A
	Market comparable companies	EBITDA multiple	4.6x to 10.6x	5% increase in EBITDA multiple would result in increase in fair value by HK$226,000
		Discount for lack of marketability	20% to 40%	5% increase in the discount rate for lack of marketability would result in decrease in fair value by HK$409,000
		Control premium	20%	5% increase in rate of control premium would result in increase in fair value by HK$48,000
Derivative financial instruments	Binominal pricing model	Volatility of comparable companies	42.73%	5% increase in volatility rate would result in decrease in fair value by HK$34,000
Unlisted investments in funds	Net asset value	N/A	N/A	N/A
Unlisted convertible notes	Binomial pricing model	Volatility	48.41% to 84.57%	5% increase in volatility rate would result in increase in fair value by HK$345,000

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and bond payables. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as held-to-maturity investments, available-for-sale investments, accounts receivable, loans receivable, deposits and other receivables, financial investments at fair value through profit or loss, restricted cash, cash held on behalf of clients, pledged bank deposits, accounts payable, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings, which arise directly from its operations.

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

INTEREST RATE RISK

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's loans receivable and an interest-bearing bank borrowing at floating rates. The Group mitigates its interest rate risk by monitoring market interest rate movements and revising the interest rates offered to its customers on an ongoing basis in order to limit potential adverse effects of interest rate movements on net interest income.

For loans receivable, assuming that the amount of receivables outstanding at the end of the reporting period was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 December 2016 would have decreased/increased the Group's loss before tax by HK$523,000 (2015: Nil).

For floating rate borrowings, assuming that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 December 2016 would have increased/decreased the Group's loss before tax by HK$226,000 (2015: Nil).

FOREIGN CURRENCY RISK

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the commission revenue and expenditure incurred by the operating units of the Group was denominated in the units' functional currencies and as a result, the Group does not anticipate significant transactional currency exposures. The Group has not used any derivative to hedge its exposure to foreign currency risk.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK

The Group conducts business with and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise loans receivable, accounts receivable, deposits and other receivables, held-to-maturity investments, cash held on behalf of clients, restricted cash, pledged bank deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk of accounts receivable as 15% (2015: 16%) and 43% (2015: 60%) of the Group's accounts receivable were due from the Group's largest product issuer and the five largest product issuers, respectively. In addition, 14% (2015: 17%) and 38% (2015: 55%) of the Group's revenue from IFA business were derived from the Group's largest product issuer and the five largest product issuers, respectively.

At the end of the reporting period, the Group had certain concentrations of credit risk of loans receivable as 9% (2015: 9%) and 27% (2015: 39%) of the Group's loans receivable were due from the Group's largest loan borrower and the five largest loan borrowers, respectively. The Group minimises risk exposure by performing credit analysis and overseeing and monitoring of the performance regularly.

All cash held on behalf of clients are located in Hong Kong and deposited with a financial institution. Since the corporate finance team regularly reviews the cash position and the financial institution is financially solid, in the opinion of the Directors, the concentration risk of cash held on behalf of clients is manageable.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable, deposits and other receivables and accounts receivable are disclosed in notes 20, 21 and 24 to the financial statements, respectively.

LIQUIDITY RISK

In order to manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

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

As at 31 December 2016

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Accounts payable	**345,259**	**393,175**	**1,608**	**–**	**–**	**740,042**
Financial liabilities included in other payables and accruals	**–**	**120,220**	**–**	**–**	**–**	**120,220**
Interest-bearing bank and other borrowings	**56,087**	**3,773**	**–**	**–**	**–**	**59,860**
Financial liabilities at fair value through profit and loss	**35,122**	**–**	**–**	**–**	**–**	**35,122**
Bond payables	**–**	**10,005**	**30,015**	**439,529**	**381,115**	**860,664**
	436,468	**527,173**	**31,623**	**439,529**	**381,115**	**1,815,908**

As at 31 December 2015

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Accounts payable	176,536	214,734	6,079	–	–	397,349
Financial liabilities included in other payables and accruals	–	120,972	–	–	–	120,972
Interest-bearing bank and other borrowings	13,495	–	–	–	–	13,495
Financial liabilities at fair value through profit and loss	25,586	–	–	–	–	25,586
Bond payables	–	12,960	33,084	157,680	670,410	874,134
	215,617	348,666	39,163	157,680	670,410	1,431,536

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

EQUITY, DEBT AND INVESTMENT FUND PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of underlying individual securities. The Company is exposed to equity price risk arising from individual equity classified as trading investments (note 25) as at the end of the reporting period. About 51% (2015: 71%) and 57% (2015: 52%) of financial assets and financial liabilities, respectively, are listed investments on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period. The Hang Seng Index of the Hong Kong Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2016	**High/low 2016**	31 December 2015	High/low 2015
Hong Kong-Hang Seng Index	**22,000**	**24,099/18,319**	21,914	28,442/20,556

Debt and investment fund risk is the risk that the fair value or future cash flows of debt and investment funds will fluctuate due to changes in the interest rates or prices of underlying securities. The maximum risk resulting from debt and investment funds equals their fair values. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group has a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

EQUITY, DEBT AND INVESTMENT FUND PRICE RISK (CONTINUED)

The following table demonstrates the sensitivity to every 30% (2015: 30%) change in the fair values of the equity investments, debt investments and investment funds to which the Group has significant exposure at the end of the reporting period, with all other variables held constant and before any impact on tax. For the purpose of this analysis, in regards of the available-for-sale investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the profit or loss.

As at 31 December 2016

	Carrying amount of investments HK$'000	Change in loss before tax HK$'000	Change in equity* HK$'000
Financial assets, at fair value			
Equity investments listed in:			
Hong Kong – held-for-trading	568,980	170,694	–
Hong Kong – available-for-sale	88,550	–	26,565
Overseas – held-for-trading	55,874	16,762	–
Unlisted equity investments	7,900	–	2,370
Listed debt investments	58,960	17,688	–
Unlisted debt investments	7,080	2,124	–
Overseas fund investments:			
Held-for-trading	53,319	15,996	–
Available-for-sale	160,350	–	48,105
Private equity investments	5,114	1,534	–
Club debentures	12,120	–	3,636
Convertible note receivables	339,518	101,855	–
Derivative instrument	17,112	5,134	
Financial liabilities, at fair value			
Equity investments listed in:			
Hong Kong – held-for-trading	19,967	5,990	–
Overseas – held-for-trading	15,155	4,547	–

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

EQUITY, DEBT AND INVESTMENT FUND PRICE RISK (CONTINUED)

As at 31 December 2015

	Carrying amount of investments HK$'000	Change in loss before tax HK$'000	Change in equity* HK$'000
Financial assets, at fair value			
Equity investments listed in:			
Hong Kong – held-for-trading	456,066	136,820	–
Overseas – held-for-trading	37,881	11,364	–
Unlisted debt investments	46,972	14,092	–
Overseas fund investments:			
Held-for-trading	53,128	15,938	–
Available-for-sale	338,705	–	101,612
Private equity investments	50,675	15,203	–
Financial liabilities, at fair value			
Equity investments listed in:			
Hong Kong – held-for-trading	13,319	3,996	–
Overseas – held-for-trading	12,267	3,680	–

* Excluding accumulated loss

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed capital requirements except for (i) a subsidiary registered under the Insurance Companies Ordinance of Hong Kong which is subject to the relevant minimum capital requirement; and (ii) three subsidiaries, namely CAM, CCHK and CSL, which are regulated entities under the SFO of Hong Kong and subject to the relevant minimum capital and minimum liquid capital requirements. Liquid capital requirement is defined as the amounts by which liquid assets exceed ranking liabilities as stated in the Hong Kong Securities and Futures (Financial Resources) Rules.

During the year, all subsidiaries at all times complied with the externally imposed capital requirement, including (i) maintaining both minimum paid-up share capital and minimum net assets of HK$100,000 by CFS, Convoy Solutions and CWM; and (ii) maintaining minimum paid-up share capital amounts of CAM, CCHK and CSL of HK$5,000,000, HK$10,000,000 and HK$10,000,000 respectively and reviewing the excess of liquid assets over ranking liabilities against its required liquid capital on a daily basis.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CAPITAL MANAGEMENT (CONTINUED)

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

Capital of the Group comprises all components of shareholders' equity.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**66,435**	66,435
Available-for-sale investments	**12,120**	–
Total non-current assets	**78,555**	66,435
CURRENT ASSETS		
Due from subsidiaries	**5,500,579**	4,364,712
Prepayments	**19,482**	6,837
Cash and cash equivalents	**180,796**	1,139,540
Total current assets	**5,700,857**	5,511,089
CURRENT LIABILITIES		
Due to subsidiaries	**292,574**	5,638
Other payables and accruals	**2,861**	4,911
Bond payables	**–**	6,389
Total current liabilities	**295,435**	16,938
NET CURRENT ASSETS	**5,405,422**	5,494,151
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,483,977**	5,560,586
NON-CURRENT LIABILITIES		
Bond payables	**616,449**	601,023
Net assets	**4,867,528**	4,959,563
EQUITY		
Issued capital	**1,493,890**	1,493,890
Reserves (note)	**3,373,638**	3,465,673
Total equity	**4,867,528**	4,959,563

Notes to the
Financial Statements
31 December 2016

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company' reserves is as follows:

	Share premium account HK$'000	Warrant reserve HK$'000	Shares held for share award scheme HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2015	395,616	776	(1,108)	–	(693)	394,591
Loss for the year and total comprehensive loss for the year	–	–	–	–	(149,733)	(149,733)
Shares purchased for the share award scheme	–	–	(36)	–	–	(36)
Equity-settled share-based payment	–	–	421	–	–	421
Issue of new shares, net of issue expenses	3,220,430	–	–	–	–	3,220,430
At 31 December 2015 and 1 January 2016	3,616,046	776	(723)	–	(150,426)	3,465,673
Loss for the year and total comprehensive loss for the year	–	–	–	–	(94,362)	(94,362)
Equity-settled share option arrangements	–	–	–	2,327	–	2,327
At 31 December 2016	3,616,046	776	(723)	2,327	(244,788)	3,373,638

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 29 March 2017.

Particulars of Investment Properties

Location	Existing use	Tenure	Attributable interest of the Group
15th Floor, Kasiseng Commercial Centre, 4-6 Hankow Road, Tsim Sha Tsui, Kowloon	Commercial	Medium-term lease	100%
Offices A, B, C, D, E, F, G, H, J, K, L, M, N & P on 20th Floor of Kings Wing Plaza 1, No. 3 On Kwan Street, Sha Tin, New Territories	Commercial	Medium-term lease	100%
Car Parking Space Nos. P50 and P51 on Basement Floor of Kings Wing Plaza 1, No. 3 On Kwan Street, Sha Tin, New Territories	Car Park	Medium-term lease	100%

Five Year
Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the respective published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**1,205,145**	604,624	1,590,601	1,018,983	703,812
Other income and gains, net	**7,830**	3,202	1,340	6,924	2,100
Commission and advisory expenses	**(577,541)**	(479,441)	(838,206)	(622,691)	(423,333)
Staff costs	**(236,390)**	(165,659)	(165,218)	(104,185)	(79,204)
Depreciation	**(33,658)**	(28,136)	(20,924)	(18,737)	(14,728)
Commission clawback	**2,893**	(1,418)	(11,601)	(8,412)	(6,694)
Other expenses	**(380,379)**	(388,045)	(244,002)	(160,479)	(174,659)
Loss/(profit) attributable to non-controlling investors of investment funds	**1,596**	(1,510)	(461)	–	–
Finance costs	**(49,278)**	(43,077)	(3,086)	–	–
Share of profits/(losses) of associates	**(3,648)**	129	–	–	–
Share of loss of a joint venture	**(1,578)**	(372)	–	–	–
PROFIT/(LOSS) BEFORE TAX	**(65,008)**	(499,703)	308,443	111,403	7,294
Income tax credit/(expense)	**(39,202)**	15,563	(66,965)	(19,825)	(14,387)
PROFIT/(LOSS) FOR THE YEAR	**(104,210)**	(484,140)	241,478	91,578	(7,093)
Attributable to:					
Owners of the Company	**(95,522)**	(467,258)	246,173	97,704	1,372
Non-controlling interests	**(8,688)**	(16,882)	(4,695)	(6,126)	(8,465)
	(104,210)	(484,140)	241,478	91,578	(7,093)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**6,546,724**	6,230,718	1,877,281	716,024	402,268
TOTAL LIABILITIES	**(1,675,518)**	(1,270,122)	(1,077,191)	(310,411)	(218,265)
NON-CONTROLLING INTERESTS	**(22,023)**	(14,297)	(43,096)	(1,572)	7,957

Definitions

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

"Board" or "Board of Directors"	means the board of Directors as at the date of this annual report
"CAM"	means Convoy Asset Management Limited, a company incorporated in Hong Kong with limited liability on 24 November 1999 and is licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
"CCL"	means Convoy Collateral Limited, a company incorporated in Hong Kong with limited liability on 2 June 2003 and is a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong)
"CCHK"	means Convoy Capital Hong Kong Limited, a company incorporated in Hong Kong with limited liability on 11 October 2011 and is licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"CFG"	means Convoy Financial Group Limited, a company incorporated in the British Virgin Islands with limited liability
"CFS"	means Convoy Financial Services Limited, a company incorporated in Hong Kong with limited liability on 12 March 1992
"CIP"	means Convoy International Property Consulting Company Limited, a company incorporated in Hong Kong with limited liability on 21 May 2014
"CLL"	means Convoy Lifestyle Limited, a company incorporated in Hong Kong with limited liability on 31 May 2016
"Company" or "our Company"	means Convoy Global Holdings Limited, a company incorporated in the Cayman Islands on 12 March 2010 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1019)
"Convoy Social Fund"	means Convoy Social Fund Limited, a company incorporated in Hong Kong with limited liability on 15 June 2016
"Director(s)"	means the director(s) of our Company
"EBITDA"	means earnings or loss before interest, tax, depreciation and amortisation
"ECA"	means the Employee Choice Arrangement of MPF
"Fubon Life"	means Fubon Life Insurance (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability on 17 July 2015
"Group", "we", "us" or "Convoy"	means the Company and its subsidiaries
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong
"HK cents"	means Hong Kong cents, the lawful currency of Hong Kong

Definitions

"HKCC"	means Hong Kong Credit Corporation Limited, a company incorporated in Hong Kong with limited liability on 16 March 1982 and is a licensed money lender in Hong Kong under The Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong)
"Hong Kong"	means Hong Kong Special Administrative Region of PRC
"IFA"	means independent financial advisory
"ILAS"	means the acronym for Investment-linked Assurance Scheme, an insurance policy of the "linked long term" class as defined in First Schedule, Part 2 of the ICO
"Independent Third Party"	means independent third party who is not connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with the connected persons of the Company
"ICO"	means the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong) as amended and supplemented from time to time
"Listing"	means the listing of our Shares on the Main Board
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Macau"	means Macau Special Administrative Region of PRC
"Main Board"	means the main board of the Stock Exchange
"MPF"	means Mandatory Provident Fund
"Nutmeg"	means Nutmeg Saving and Investment Limited
"PRC"	means the People's Republic of China
"Renminbi" or "RMB"	means Renminbi, the lawful currency of the PRC
"SFC"	means Securities and Futures Commission
"SFO"	means The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	means ordinary share(s) with a nominal value of HK$0.10 each in the share capital of our Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"US$"	means United States dollars, the lawful currency of the United States
"%"	means per cent

CONVOY 康宏