Annual Report 2017

中金投集团
China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)
(Stock code: 605)

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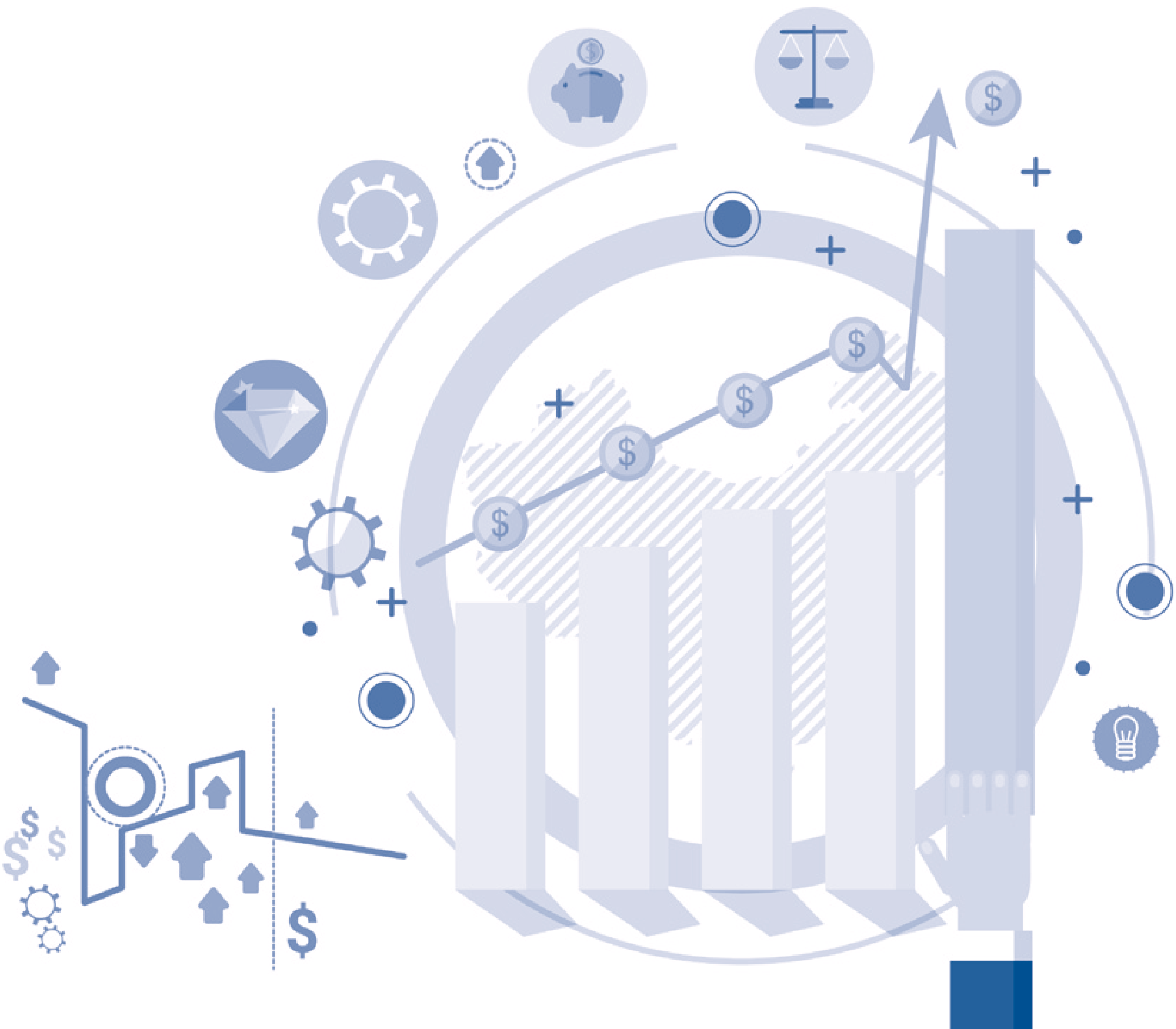


CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Luo Rui *(Chief Executive Officer)*
Madam Guan Xue Ling
Mr. Cheung Chai Hong

Non-executive Directors

Mr. Chan Yuk Ming *(Chairman)*
Mr. Cheung Siu Lam
Mr. Zhou Jian
Madam Huang Mei

Independent Non-executive Directors

Mr. Chan Chun Keung
Mr. Wang Jian Sheng
Mr. Chan Wing Fai
Mr. Zhang Xiao Jun

COMPANY SECRETARY

Mr. Chung Chin Keung FCCA, FCPA, FCA, CTA

AUDITORS

Crowe Horwath (HK) CPA Limited

AUDIT COMMITTEE

Mr. Chan Wing Fai *(Chairman)*
Mr. Chan Chun Keung
Mr. Wang Jian Sheng
Mr. Zhang Xiao Jun
Madam Huang Mei

REMUNERATION COMMITTEE

Mr. Chan Wing Fai *(Chairman)*
Mr. Chan Chun Keung
Mr. Wang Jian Sheng
Mr. Zhang Xiao Jun
Mr. Zhou Jian

NOMINATION COMMITTEE

Mr. Chan Yuk Ming *(Chairman)*
Mr. Chan Chun Keung
Mr. Wang Jian Sheng
Mr. Chan Wing Fai
Mr. Zhang Xiao Jun
Mr. Zhou Jian

PRINCIPAL BANKER

Bank of Beijing

SHARE REGISTRAR

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

REGISTERED OFFICE

Suite 5606
56th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

STOCK CODE: 605

WEBSITE

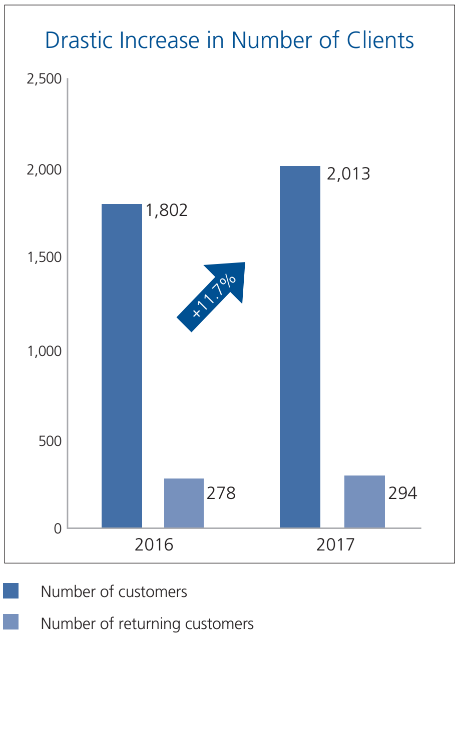
www.cfsh.com.hk

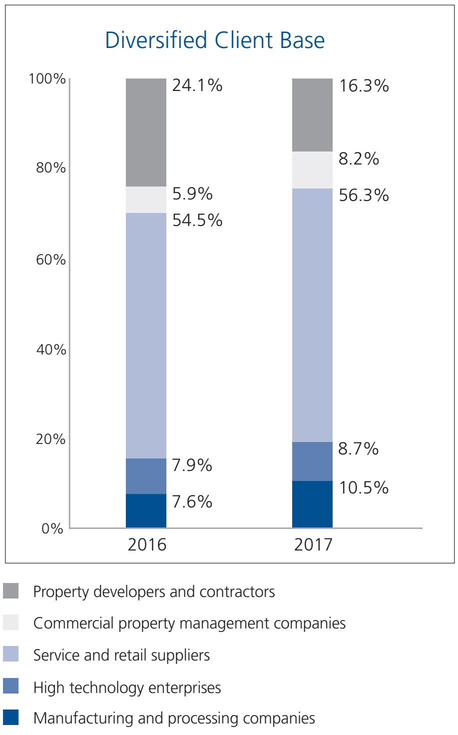
INVESTORS RELATION

0605ir@cfsh.com.hk

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2017	2016	Percentage change
	HK$'000	HK$'000	%
Interest and services income	**732,705**	680,282	7.7
After-tax operating profit attributable to equity shareholders (excluding effect on share-based payment expenses)	**290,845**	341,689	(14.9)
ROE (After tax operating profit attributable to equity shareholders/(Total equity attributable to equity shareholders-Goodwill))	**9.5%**	14.1%	(32.6)
Profit for the year attributable to equity shareholders of the Company	**286,675**	329,958	(13.1)
Basic earnings per share (HK cents)	**7.09**	8.59	(17.5)





CHAIRMAN'S STATEMENT

In 2017, the Group actively expand its presence through acquisitions, accelerating its expansion into a financial services provider with national footprint. The acquisitions not only expand the business footprint of the Group, they also enable the Group to explore new product lines and enormous marketing opportunities. Under favorable policy backdrop and an overall stable property market, the Group demonstrated steady growth in operating results with a significant expansion of accumulated loan size in the year. With the vast opportunities ahead as well as the Group's excellent track record, we are looking forward to a new wave of growth to take us to the next level.

In October 2017, the Group completed the acquisition of 90% interest of Chengdu Vision Credit and expanded its business foothold to Chengdu. In November, the Group announced the acquisition of the entire Loan Book Assets of Hong Kong Credit Gain, together with 100% interest of Shenzhen Credit Gain and Chongqing Credit Gain from Bank of East Asia. This allows the Group to fully utilize the experience of Credit Gain in consumer finance and thus make an official entry to the industry. The acquisitions transform the Group into a cross-regional integrated financial services provider. They carry important strategic implications, and are highly complementary with the Group's existing business. It is worth mentioning that post-acquisition integration is yielding good results, with significant increase in both loan balance and interest yield. The promising outcome encourages the Group to go on to expand and enrich our businesses lines through the continued search for high-quality acquisition targets.

In recent years, the financial industry is undergoing constant transformation amid the booming wave of financial technology. It is likely that 'Intelligent Finance' will present an extremely favorable market opportunity. The Group looks to integrate its vast customer resources with the resources of the newly acquired entities with the help of technology. Looking into the future, the Group aims to develop Online-to-Offline big data intelligent risk management model to link up lending and technology. The Group endeavors to acquire customers via online channels as well as develop products for various scenarios to continue to expand our product lines. These efforts are expected to lay a solid foundation for establishing a technological platform services company in the future. The adoption of technology is expected to greatly enhance the efficiency and scalability of the Group's business. All in all, the Group is well-prepared to embrace the enormous potential arising from financial technology.

2017 was an important milestone for the Group's business development. The Group will continue to operate prudently by utilizing the advantages of multiple licenses, and simultaneously expand its business footprint and consolidate its competitive advantages. I would like to take this opportunity to express my sincere gratitude to all the directors and staff, for your wise counseling and diligent work in 2017. I would also like to express my heartfelt appreciation to all shareholders and customers for their continuous trust and support. They are our limitless source of energy in inspiring our growth and innovation.

Chan Yuk Ming
Chairman

Hong Kong, 27 March 2018

Corporate Governance Practices

The Board of Directors (the "Board") of the Company is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company and its subsidiaries (the "Group") to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Board is of the view that throughout the year ended 31 December 2017, the Company has complied with most of the code provisions as set out in the CG Code, except for code provision A.1.1, A.2.1, A.4.1 and A.6.1 and details will be set out below.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code throughout the year ended 31 December 2017.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Board of Directors

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a director to perform his responsibilities to the Company, and whether the director is spending sufficient time performing them.

Board Composition

The Board currently comprises eleven directors, consisting of three executive directors, four non-executive directors and four independent non-executive directors, as follows:

Executive Directors
Mr. Luo Rui *(Chief Executive Officer)*
Madam Guan Xue Ling
Mr. Cheung Chai Hong

Non-executive Directors
Mr. Chan Yuk Ming *(Chairman of the Board, Chairman of the Nomination Committee)*
Mr. Cheung Siu Lam
Mr. Zhou Jian *(Member of the Remuneration Committee and Nomination Committee)*
Madam Huang Mei *(Member of Audit Committee)*

Independent Non-executive Directors
Mr. Chan Chun Keung *(Member of the Audit Committee, Remuneration Committee and Nomination Committee)*
Mr. Wang Jian Sheng *(Member of the Audit Committee, Remuneration Committee and Nomination Committee)*
Mr. Chan Wing Fai *(Chairman of the Audit Committee and Remuneration Committee, Member of Nomination Committee)*
Mr. Zhang Xiao Jun *(Member of the Audit Committee, Remuneration Committee and Nomination Committee)*

The biographical information of the directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 22 to 27 of the annual report for the year ended 31 December 2017.

The relationships between the directors are disclosed in the respective director's biography under the section "Biographical Details of Directors and Senior Management" on pages 22 to 27.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Chan Yuk Ming, and the Chief Executive Officer is Mr. Luo Rui. With the support of the senior management, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Code provision A.2.1 of the CG Code stipulates that the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Board considers that the Chairman's responsibilities are to manage the Board whereas the Chief Executive Officer's responsibilities are to manage the Company's businesses. The responsibilities of the Chairman and the Chief Executive Officer respectively are clear and distinctive and hence written terms thereof are not necessary.

Independent Non-executive Directors

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors are independent.

Appointment and Re-election of Directors

The Company's articles of association provides that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

Under the articles of association of the Company, at each annual general meeting, one-third of the directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. The retiring directors shall be eligible for re-election.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. One of the non-executive directors of the Company is not appointed for a specific term but is subject to retirement by rotation at least once every three years according to the articles of association of the Company.

Save for the exception above, all non-executive directors of the Company are appointed for a specific term of 1 year, subject to renewal after the expiry of the current term.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

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

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Code provision A.6.1 of the CG Code stipulates that every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

There is currently no arrangement in place for providing professional briefings and training programmes to directors. Nevertheless, the directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company would consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors whenever necessary.

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 2017, a summary of training received by directors according to the records provided by the directors is as follows:

Directors	**Training on Corporate Governance, Regulatory Development and Other Relevant Topics**
Executive Directors	
Mr. Luo Rui *(Chief Executive Officer)*	✓
Madam Guan Xue Ling	✓
Mr. Cheung Chai Hong	✓
Non-executive Directors	
Mr. Chan Yuk Ming *(Chairman)*	✓
Mr. Cheung Siu Lam	✓
Mr. Zhang Xiaobin[a]	✓
Mr. Zhou Jian	✓
Madam Huang Mei	✓
Independent Non-executive Directors	
Mr. Chan Chun Keung	✓
Mr. Wang Jian Sheng	✓
Mr. Chan Wing Fai	✓
Mr. Zhang Xiao Jun	✓

a Mr. Zhang Xiaobin resigned as a non-executive director of the Company on 13 July 2017.

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees and posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review, in respect of the year ended 31 December 2017, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice.

Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held one meeting to make recommendation to the Board on the remuneration packages of Mr. Zhang Xiao Jun who was appointed as an independent non-executive director on 5 January 2017.

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications and experience necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held one meeting to consider and recommend to the Board on the appointment of Mr. Zhang Xiao Jun as an independent non-executive director of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Meetings and Directors' Attendance Records

Code provision A.1.1 of the CG Code stipulates that at least four regular Board meetings at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary. The Board held two regular board meetings during the year ended 31 December 2017 for approving the final results for the year ended 31 December 2016 and interim results for the period ended 30 June 2017 and transacting other business.

Attendance Records of Directors

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2017 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Luo Rui	4/14	–	–	–	1/2
Guan Xue Ling	4/14	–	–	–	0/2
Cheung Chai Hong	14/14	–	–	–	1/2
Chan Yuk Ming[a]	12/14	–	–	–	2/2
Cheung Siu Lam[b]	8/14	–	–	0/1	0/2
Zhang Xiaobin[c]	0/9	–	–	–	0/2
Zhou Jian[d]	1/4	–	–	–	–
Huang Mei[e]	1/14	0/1	–	–	0/2
Chan Chun Keung	6/14	2/2	1/1	1/1	0/2
Wang Jian Sheng	4/14	0/2	0/1	1/1	0/2
Chan Wing Fai	10/14	2/2	1/1	1/1	2/2
Zhang Xiao Jun[f]	1/13	1/2	0/1	–	0/2

a Mr. Chan Yuk Ming was appointed as the chairman of Nomination Committee of the Company on 13 July 2017 and no Nomination Committee meeting was held after his appointment.

b Mr. Cheung Siu Lam ceased to be the chairman of the Nomination Committee of the Company on 13 July 2017.

c Mr. Zhang Xiaobin resigned as a non-executive director of the Company on 13 July 2017.

d Mr. Zhou Jian was appointed as a non-executive director, a member of the Remuneration Committee and the Nomination Committee of the Company on 13 July 2017. Neither Remuneration Committee, Nomination Committee nor general meeting were held after his appointment.

e Madam Huang Mei was appointed as a member of the Audit Committee on 13 July 2017.

f Mr. Zhang Xiao Jun was appointed as an independent non-executive director, a member of Audit Committee, Remuneration Committee and Nomination Committee on 5 January 2017. No Nomination Committee meeting was held after his appointment.

In addition, the Chairman of the Board held one meeting with the independent non-executive directors without the presence of executive directors during the year 2017.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records, risk management control and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the risk management and internal control systems on an ongoing basis. A bottom-up approach was employed for identification, assessment and mitigation of risk at all business unit levels and across all functional areas.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The key elements of the risk management and internal control systems of the Company include the establishment of a register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk assessment approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievement of its objectives. The judgement of the risk is mainly determined in accordance with the likelihood of occurrence and consequence of occurrence of the risk.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure procedures which provide a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Board and the management of the Company takes all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. In the event that there is evidence of any material violation of the procedure, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 41 to 49.

Auditors' Remuneration

During the year under review, the remuneration paid to the auditors of the Group, is set out below:

Service Category	Fees Paid/ Payable
Audit and other Services	HK$2,050,000

Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening a General Meeting

General meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance").

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Company's articles of association, for convening a general meeting.

Putting Forward Proposals at General Meetings

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Company's articles of association, for circulating a resolution for annual general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suite 5606, 56/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
(For the attention of the Company Secretary)
Fax: (852) 2598 8305
Email: 0605IR@cfsh.com.hk

For the avoidance of doubt, shareholders 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.

Communication with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its articles of association. An up to date version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

On behalf of the Board
Chan Yuk Ming
Chairman

Corporate Calendar

Year 2017

January 2017	The strategic investment of Fosun Group and the Strategic Alliance Memorandum with Fosun Hani
October 2017	Completed the acquisition of 90% equity interest of Chengdu Vision Credit from Value Partners Group
November 2017	Entered into the agreement with The Bank of East Asia to acquire the Loan Book Assets of HK Credit Gain, and equity interest of Shenzhen Credit Gain and Chongqing Credit Gain
December 2017	Completed the acquisition of the Loan Book Assets of HK Credit Gain

Industry Review

In 2017, the PRC government advocated popularizing the finance and consumer finance sectors, conducted reform and improvement on the financial service system. The government's work report proposed supporting financial institutions in expanding inclusive financial business, regulating the development of local small and medium financial institutions, and focusing on tackling difficulties in raising fund and high financing costs for small and micro-enterprises. In addition, domestic monetary policies remained stable and neutral, advocated to channel more investment funds to small and micro-enterprises, "agriculture, rural areas, and farmers" sectors and poverty-stricken regions to better serving the real economy.

Meanwhile, the nationwide deepening control measures on real estate sector entered a stable stage with the real estate market picked up its self-adjustment, posing a positive impact on our business. As real estate is the collateral of our business, the stable trend in domestic real estate environment, especially in major cities, is very beneficial to the Group.

Business Review

Our Group is one of the leading integrated financial services providers in China and Hong Kong. We are mainly engaged in the provision of short-term financing services to small and medium enterprises, micro-enterprises and individuals.

The principal business of the Group recorded a stable growth in 2017, its business risks continued under control and the Group kept on endeavouring in expanding its product lines and business presence. In April 2017, the Group acquired the 90% interest of Chengdu Vision Credit from Value Partners Group at HK$299.6 million and expanded its business coverage to Chengdu which completed on October 2017. In addition, in same November, the Group entered into an Asset Purchase Agreement with Credit Gain Finance Company Limited ("HK Credit Gain"), a wholly-owned subsidiary of The Bank of East Asia, Limited ("BEA") for the acquisition of Loan Book Asset, at a total consideration of approximately HK$408.4 million which completed on December 2017. The Group also entered into an Equity Purchase Agreement with HK Credit Gain and BEA for the acquisition of equity interests of Shenzhen Credit Gain Finance Company Limited (Shenzhen Credit Gain), Chongqing Liangjiang New Area Credit Gain Finance Company Limited (Chongqing Credit Gain), both wholly owned subsidiary of BEA and Chongqing Dongrong Business Consultancy Company Limited, a wholly owned subsidiary of HK Credit Gain, at a total consideration of approximately HK$664.8 million.. Other than doubling its business growth in Hong Kong, the Group further expanded its business presence in Mainland China to Shenzhen and Chongqing. Upon the completion of the acquisition, the Group has presence in three first-tier cities (Beijing, Shenzhen and Shanghai) and one municipality (Chongqing), and will gradually transform itself to become a financial service company with regional operation.

With our thorough understanding of the loan industry and our competitive advantages in risk management and customer service, the Group is expected to continue expanding its business scale and customer base through strategic market expansion.

Future Prospects

In 2017, the Group will actively focus on the booming business scenarios that have high-frequency and urgent financial needs, and look forward to integrating its tailor-made supply chain financial products in line with business scenarios. In addition, the Group plans to introduce external technology companies to innovate traditional financial products and services by integrating new business scenarios, resolves problems such as customer acquisition channels, information collection, risk models and credit approval progress, and changes the credit and risk control models of financial institutions to small, medium and micro enterprises to improve business efficiency.

The management is optimistic about the Group's long-term prospects, and continues to actively forge an integrated financial service provider, provide more diversified financial products, and seek new opportunities to maximize shareholders' value.

Financial Review

For the year ended 31 December 2017 (the "Reporting Period"), the Group reported a revenue of approximately HK$732,705,000, representing a increase of 7.7% from HK$680,282,000 as recorded in 2016. The growth in revenue was mainly attributable to an increase in interest and financing consultancy services income. Profit attributable to equity shareholders for the year ended 31 December 2017 was approximately HK$286,675,000, down 13.1% as compared to the corresponding figure last year. The loans receivable as at 31 December 2017 was about HK$4,675,515,000, up 30.5% as compared to the corresponding period last year.

Interest, guarantee and financing consultancy services income

Interest, guarantee and financing consultancy services income including interest income and services income for pawn loans, micro-lending and money lending amounted to approximately HK$284,397,000, interest and services income for other loans receivable amounted to approximately HK$448,197,000, financial guarantees amounted to approximately HK$111,000.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK$104,337,000, representing a increase by 13.5% compared to the corresponding figure in 2016.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK$178,065,000, primarily comprised staff costs, legal and professional fee, intermediary handling charges, share based expenses and rental expenses.

Profit for the year

The profit for the year attributable to equity shareholders for the Company was approximately HK$286,675,000, representing a decrease 13.1% as compared to approximately HK$329,958,000 for the corresponding period last year. The decrease was mainly attributable to increase in impairment loss on loan receivable, and increase in provision for withholding tax on dividend and distributable profits of the Group's PRC subsidiaries.

Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK$4,675,515,000, accounting for 73.4% of the total assets of the Group as at 31 December 2017. Other major assets include goodwill of approximately HK$635,477,000, intangible assets of approximately HK$19,371,000, accounts receivable of approximately HK$5,605,000, interests receivable of approximately HK$17,989,000, other receivables, deposits and prepayments of approximately HK$150,969,000, available-for-sale investments of approximately HK$99,041,000, pledged bank and security deposits paid of approximately HK$18,974,000 and time deposits and cash and cash equivalents of approximately HK$735,110,000.

Current liabilities mainly comprised short term borrowings and other payables of approximately HK$1,244,853,000, bank loans of approximately HK$213,556,000, security deposits received of approximately HK$104,311,000, senior and unsecured bonds of approximately HK$422,111,000, accruals and other deposit received of approximately HK$32,293,000, income received in advance of approximately HK$13,444,000 and tax payable of about HK$144,510,000. Non-current liabilities includes unsecured bonds of approximately HK$273,642,000 and deferred tax liabilities of about HK$20,665,000.

Employee and Remuneration Policies

As at 31 December 2017, the Group had approximately 217 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up a share option scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period including employee share option expenses were about HK$52,085,000.

Liquidity and Gearing Ratio

The Group maintains a healthy liquidity position. As at 31 December 2017, the current ratio of the Group was 2.3 times. The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings (including current and non-current borrowings and security deposits received) less time deposit and cash and cash equivalents and pledged bank and security deposits paid divided by total equity. As at 31 December 2017, the gearing ratio was about 38.6%.

Fair Value Estimation

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to approximate their fair values.

Contingent Liabilities

The directors consider that the Group had no material contingent liabilities.

Executive Directors

Mr. Luo Rui, aged 50, is the chief executive officer of the Group who joined the Group in June 2011. He is responsible for the overall business development and daily operation of the Group. Mr. Luo graduated with a Bachelor and Master's degree in Building Construction of Xi'an University of Architecture and Technology*（西安建築科技大學）. Mr. Luo has over 21 years of experience and a proven track record in commercial real estate investment and financing, assets acquisition, project development, market development and corporate management. Mr. Luo has been the chief architect and deputy general manager of a property developer in Hainan and the deputy general manager of a property management company in Beijing. Mr. Luo has extensive networks with senior management of property developers, major commercial banks and local authorities in Beijing. He is currently a councilor of the Beijing Guarantee Association*（北京市擔保協會）, the Beijing Association of Small and Medium Enterprises*（北京市中小企業協會）, the Beijing Association of Pawn Business*（北京市典當協會）and the Beijing Microcredit Association*（北京市小額貸款協會）.

Mr. Luo does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Madam Guan Xue Ling, aged 43, is the chief operating officer of the Group. Madam Guan has over 12 years of strategic decision making and practical experiences in listed companies auditing, corporate merger and acquisition, equity acquisition, transfer as well as project investment and financing.

Madam Guan joined the Group in June 2011, mainly responsible for risk management, accounting affairs and treasury management of the Group.

Madam Guan successively held the posts of quality control manager, auditing manager, assessment manager, chief auditor and head of the auditing department in domestic accounting firms, large state-owned enterprises, large private companies and foreign-invested companies. She is familiar with accounting and valuation standards. During her years with accounting firms, she had participated in the auditing work of a number of large state-owned enterprises, foreign-invested enterprises and private enterprises, such as China Resources Land, Sinobo Group and Suning Corporation. She also participated in various initial public offerings audit and internal audit, such as BBMG Corporation, Enlight Media and Ningxia Yellow River Rural Commercial Bank. She had led and participated in various auditing projects spanning across the real estate, manufacturing, media, retail, logistic and finance sectors and has extensive experiences in financial auditing and internal auditing.

Madam Guan graduated from Capital University of Economics and Business with a Postgraduate Degree in Business Administration. She is also a certified public accountant, a qualified asset appraiser in the People's Republic of China (the "PRC") and a party member of China Democratic National Construction Association.

Madam Guan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Cheung Chai Hong, aged 32, is the executive Vice President of the Group. Joined the Group in May 2014, Mr. Cheung is responsible for the daily operations in Hong Kong and heads the investor relations team of the Group.

* *For identification purposes only*

Prior to joining us, he has been the managing director of POC Holdings (HK) Limited and the chairman and leading founder of The Wine Company Limited, a fine wine retail and trading company. Mr. Cheung previously worked in PAG Capital, an Asia-focused asset management company which has an asset under management size over US$16 billion. Prior to joining PAG Capital, he also worked in Barclays Capital and focused on equity research on the retail and FMCG sector. Mr. Cheung Chai Hong holds a Bachelor Degree in Business Studies from University of Warwick and a Master Degree in Analysis, Design and Management of Information Systems from London School of Economics and Political Science.

Mr. Cheung Chai Hong is the son of Mr. Cheung Siu Lam, a non-executive director and controlling shareholder of the Company and Madam Lo Wan, a substantial shareholder of the Company. Mr. Cheung is the nephew of Mr. Zhang Xiao Jun, an independent non-executive director of the Company. Save as disclosed above, Mr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Non-Executive Directors

Mr. Chan Yuk Ming, aged 58, joined the Group in 1985 and was the non-executive director of the Company and the vice-chairman of the Group until 30 September 2015. Mr. Chan rejoined the Group as non-executive director and chairman of the board on 30 September 2016 and was appointed as the chairman of the Nomination Committee of the Company on 13 July 2017. Mr. Chan graduated from the Hangzhou Institute of Business, following which he worked in the accounting department of the Ministry of Commerce.

Mr. Chan does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Mr. Cheung Siu Lam, aged 58, is a co-founder of the Group. Before establishing the Group, Mr. Cheung worked for Beijing Machinery Import & Export Company for many years. Mr. Cheung has extensive experience in trading, retailing, food processing and property management in the PRC.

Mr. Cheung Siu Lam is the spouse of Madam Lo Wan, a substantial shareholder of the Company and the father of Mr. Cheung Chai Hong, the executive director of the Company and the executive Vice President of the Group. Mr. Cheung is also the cousin of Mr. Zhang Xiao Jun, an independent non-executive director of the Company. Save as disclosed above, Mr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Zhou Jian, aged 62, joined the group in July 2017 and is a member of the Remuneration Committee and the Nomination Committee of the Company. He has extensive and in-depth experience in financing, marketing and business development aspects. He is the Senior Scholar of Eisenhower Fellowships and holds a Master's Degree in Economics.

Mr. Zhou was appointed as an independent director of China Rapid Finance Limited (Stock code: NYSE: XRF), a company listed on the New York Stock Exchange, in September 2017. Mr. Zhou is currently the executive director and general manager of China United SME Guarantee Corporation ("Sinoguarantee"), a substantial shareholder of the Company. Before joining Sinoguarantee, he held positions including marketing general manager, business development general manager, general manager associate, Party committee member, deputy general manager of The China Export & Credit Insurance Corporation ("Sinosure"), and the spokesman of Sinosure from 2001 to 2012. From 1999 to 2001, he worked as a general manager of Assets Management Department of China Life Insurance Co., Ltd. He was a human resources expert of World Bank East Asia and Pacific Bureau from 1994 to 1997. Mr. Zhou also served as deputy director general of Technology and Education Department, general office secretary, deputy director of Foreign Loan Office of the Ministry of Health of the People's Republic of China in 1980s to 1990s.

Mr. Zhou does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Madam Huang Mei, aged 49, joined the Group in September 2015 and is a member of the Audit Committee of the Company. She has rich experience in financial management and investment business. She is the chief financial officer of China United SME Guarantee Corporation. From 2000 to 2012, Madam Huang was the financial controller of Shell China Exploration Co., Ltd.*（殼牌中國勘探有限公司）, economic analyst of Shell International Co., Ltd.*（殼牌國際有限公司）, financial controller of Jiangsu Sinopec and Shell Petroleum Marketing Co., Ltd.*（江蘇中石化殼牌石油銷售有限公司）and internal audit director of Shell (China) Ltd..

From 1998 to 2000, Madam Huang was the accounting manager of Beijing Rhone-Poulenc Pharmaceutical Co., Ltd.*（北京羅納普朗克製藥有限公司）. She was the treasurer of Novartis China Headquarters*（諾華中國總部）from 1997 to 1998 and manager of the Investment Department of Brilliance (China) Holding Limited*（華晨（中國）控股有限公司）from 1992 to 1997.

Madam Huang is a fellow member of The Association of Chartered Certified Accountants in England, obtained an EMBA degree from Guanghua School of Management of Peking University, and a graduate student of a master's degree from the Graduate School of the People's Bank of China.

Madam Huang does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

* *For identification only*

Independent Non-Executive Directors

Mr. Wang Jian Sheng, aged 64, graduated from Luoyang Industrial Institution (currently known as Henan Technology University) with a degree in engineering. He has been involved in industrial businesses for more than 28 years and has worked in the Project Department of China Everbright Industrial Company for four years. Mr. Wang is an executive director and the chairman of Strong Petrochemical Holdings Limited (a company listed on the Stock Exchange). Mr. Wang joined the Group in 1996 and was an independent non-executive director of the Company before his retirement at the annual general meeting of the Company held on 20 May 2014. Mr. Wang re-joined the Company in June 2014 and is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Wang does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Chan Chun Keung, aged 67, joined the Group in November 2000. Mr. Chan has extensive experience in trading and investment in the PRC and is currently the vice-chairman of the Fukien Chamber of Commerce in Hong Kong and a committee member of the Foreign Investment Enterprises Association in the PRC. Mr. Chan is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Chan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Chan Wing Fai, aged 40, has over 14 years' rich experience in auditing and accounting. Since 2014, he has been director of Chan Wing Fai CPA. He is currently a senior accountant of China Environmental Technology Holdings Limited (Stock code: 646) and an independent non-executive director of Golden Faith Group Holdings Limited (Stock code: 2863), both Companies are listed on the Stock Exchange. From September 2014 to June 2015, Mr. Chan was the company secretary of Jin Bao Bao Holdings Limited (Stock code: 1239), a company listed on the Stock Exchange. Joined the Group in May 2016, Mr. Chan is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. Chan holds a Bachelor of Business Administration (Hons) in Accounting from Lingnan University. Currently, he is a practising member of The Hong Kong Institute of Certified Public Accountants, the Certified Tax Adviser and member of The Taxation Institute of Hong Kong and fellow member of The Association of Chartered Certified Accountants.

Mr. Chan does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Mr. Zhang Xiao Jun, aged 49, holds a Bachelor Degree in Finance from Renmin University, a Master Degree in Economics from University of Maryland and Doctorate Degree in Accounting from Columbia University. He is currently the chaired professor in accounting at the Hass School of Business, University of California Berkeley. He has over 18 years' experience in accounting education. His research have been published in top Finance and Accounting journals. His coauthored text book on financial accounting statement analysis is used by top business schools worldwide. Joined the Group in January 2017, Mr. Zhang is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Zhang is the cousin of Mr. Cheung Siu Lam, a non-executive director and controlling shareholder of the Company, and uncle of Mr. Cheung Chai Hong, an executive director of the Company. Thus, Mr. Zhang cannot meet the independence guideline as set out in Rule 3.13(6) of Listing Rules. The Company has assessed the independence of Mr. Zhang as an independent non-executive director and has demonstrated to the satisfaction of The Stock Exchange of Hong Kong Limited that Mr. Zhang is independent on the following grounds:

- Mr. Zhang does not hold any share of the Company. He had not received an interest in securities of the Company as a gift, or by means of other financial assistance from the Company or their core connected persons of the Company. Mr. Zhang was not a director, partner or principal of a professional adviser which currently provides or has provided services within one year immediately prior to the date of his proposed appointment, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:

    (a) the Company, or any of their respective subsidiaries or core connected persons; or

    (b) the controlling shareholder Mr. Cheung Siu Lam, or chief executive officer or a director of the Company within one year immediately prior to the date of the proposed appointment.

- Mr. Zhang does not have a material interest in any principal business activities of or is involved in any material business dealings with the Company, or their respective subsidiaries or with any core connected persons of the Company.

- Mr. Zhang is not financially dependent on the Company, its holding companies or any of their respective subsidiaries or core connected persons of the Company. He is not on the board specifically to protect the interests of an entity whose interests are not the same as those of shareholders as a whole. In addition, for the past the two years immediately prior to the date of his appointment and currently, he is not an executive or director of the Company, of its holding companies or of any of their respective subsidiaries or of any core connected persons of the Company. Mr. Zhang does not have any business and/or financial relationship/connections with Mr. Cheung Siu Lam. Save for Mr. Zhang being a cousin of Mr. Cheung Siu Lam and uncle of Mr. Cheung Chai Hong, the Board is not aware of any circumstance that would raise question on Mr. Zhang's independence.

Save as disclosed in this above, Mr. Zhang does not have any relationships with any other directors, senior management, substantial or controlling shareholders of the Company.

Senior Management

Mr. Lu Wei Jun, aged 44, is the Vice President of the Group. Mr. Lu has approximately 21 years of working experience in banks and non-bank financial institutions and has over 10 years of practical experience in loan guarantee industry. Mr. Lu is responsible for the Group's loan guarantee business in Beijing. Mr. Lu graduated with a Bachelor degree in Law of Minzu University of China. Mr. Lu joined the Group in 2012.

Mr. Chung Chin Keung, aged 50, is the company secretary and financial controller of the Group. He joined the Group in October, 2004. Mr. Chung holds a bachelor degree of Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. He has more than 25 years of experience in finance, accounting and management. Before joining the Group, Mr. Chung worked for various listed companies in Hong Kong and overseas and was a company secretary for a listed company in Hong Kong. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Chartered Accountants in England and Wales and a member of The Taxation Institute of Hong Kong. Mr. Chung is responsible for daily operations and financial operations in Hong Kong.

Ms. Tsui Yan Tung, aged 31, is the investment director of the Company. Ms. Tsui joined the Group in August 2016 and she is responsible for the Company's capital market activities and investor relations. Prior to joining the company, Ms. Tsui was a Vice President at LST Partners, a Hong Kong-based hedge fund. She was responsible for investment analysis and risk management. Previously, she worked at China Construction Bank International (CCBI) Securities for over 5 years as Institutional Sales and Research Analyst.

Ms. Tsui is a Chartered Financial Analyst (CFA). She holds a BBA in Global Business and Finance from the Hong Kong University of Science and Technology.

Mr. Yuk Kai Yao, aged 37, joined the Group in January 2016. He is currently the Sales Director of Hong Kong money lender business, overseeing the Group's Hong Kong sales teams and working closely with the Board of Directors with regards sales strategies and business development activities. Prior to that, Mr. Yuk was the Vice President of Hao Tian Development Group Ltd (Stock code: 474). During his tenor with Hao Tian Development Group Ltd from January 2013 to December 2015, he was responsible for driving the sales activities of money lender business as well as fund raising and treasury matters. During September 2007 to March 2012, Mr. Yuk worked in the Global Banking team of HSBC and was last promoted to Senior Vice President. During July 2004 to March 2007, he worked in Shanghai Commercial Bank and was last promoted to Assistant Relationship Manager.

Mr. Yuk graduated from The University of Hong Kong with a Bachelor of Economics and Finance degree.

Ms. Luo Li Jun, aged 37, is the head of Shanghai office. Ms. Luo is responsible for our daily operations and business development in Shanghai. Ms. Luo jointed the Company in September 2014. She has more than 10 years of experience in business development with top tier financial institutions, such as Citibank and Standard Chartered, and 5 years of experience in business operations. Ms. Luo holds a Bachelor's Degree in business administration from East China Normal University.

REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2017.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries, are set out in note 12 to the financial statements respectively.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap 622 of the laws of Hong Kong), including a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on page 17 to 21 of this annual report. This discussion forms part of this director's report.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated to react to changes in market conditions and the Group's business strategy.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Further discussion on financial risk management is outlined in Note 43 to the consolidated financial statements.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Operational risk is mitigated and controlled through establishing robust internal controls, setting out clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of, and responsible for, managing the operational risks of their business units on a day-to-day basis.

Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

Segment Information

An analysis of the Group's segment revenue, results, assets and liabilities for the year ended 31 December 2017 is set out in note 3 to the financial statements.

Results and Dividends

The Group's profit for the year ended 31 December 2017 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 50 to 173. The directors recommend the payment of a final dividend of HK0.7 cents per ordinary share for the year ended 31 December 2017 (2016: HK1.31 cents per ordinary share).

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 35 to the financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

Share Capital and Share Options

Details of movements in share capital and share options of the Company during the year, together with the reasons therefore, are set out in notes 34 and 37 to the financial statements, respectively.

Distributable Reserves

Profit for the year attributable to equity shareholders of the Company of HK$383,915,000 (2016: HK$131,381,000) has been transferred to reserves. As at 31 December 2017, the Company's reserve available for distribution to shareholders amounted to approximately HK$378,385,000 (2016: HK$89,017,000) in accordance with the provisions of Part 6 of the Hong Kong Companies Ordinance.

Bank Borrowings and Other Borrowings

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2017 are set out in note 24 and 25 to the financial statements.

Remuneration Policy

The remuneration of employees (including Directors and senior management of the Group) is determined with reference to their qualification, expertise and experience in the industry, competence, duties and responsibilities within the Group, the performance and profitability of the Group as well as the market benchmark and the prevailing market conditions. Employees shall also be eligible to receive a discretionary year-end incentive bonus, which shall be determined by the Group at its absolute discretion taking into account, inter alia, the Group's operating performance, market conditions in which the Group operates and the individual's performance, payable at such time as the Group may consider appropriate, and discretionary share options.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the audited financial statements in this report, is set out on page 174. This summary does not form part of the consolidated financial statements in this annual report.

Major Customers and Suppliers

The Group is principally engaged in provision of short term financing services. The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's revenue and purchase respectively during the year.

As far as the directors are aware, neither the directors, their associates nor any shareholder of the Company (which, to the best of knowledge of the directors, owns more than 5% of the Company's share capital) had any beneficial interest in these major customers.

Directors

The directors who held office during the year and up to the date of this report were:

Executive Directors

Luo Rui *(Chief Executive Officer)*
Guan Xue Ling
Cheung Chai Hong

Non-executive Directors

Chan Yuk Ming *(Chairman)*
Cheung Siu Lam
Zhou Jian (appointed on 13 July 2017)
Huang Mei

Independent Non-executive Directors

Chan Chun Keung
Wang Jian Sheng
Chan Wing Fai
Zhang Xiao Jun

According to Article 105(A) of the Company's Articles of Association, Madam Guan Xue Ling, Madam Huang Mei, Mr. Chan Chun Keung and Mr. Wang Jian Sheng shall retire by rotation at the annual general meeting and are eligible to offer themselves for re-election at the annual general meeting. Mr. Wang Jian Sheng will not offer himself for re-election and will therefore retire at the annual general meeting as he intends to spend more time on his personal business whereas the other three retiring directors, i.e. Madam Guan Xue Ling, Madam Huang Mei and Mr. Chan Chun Keung shall offer themselves for re-election at the annual general meeting. According to Article 96 of the Company's Articles of Association, Mr. Zhou Jian shall retire at the annual general meeting and shall offer himself for re-election at the annual general meeting. The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Service Contracts

Independent non-executive directors, namely Mr. Wang Jian Sheng and Mr. Chan Chun Keung entered into service contracts with the Company respectively for a term of one year commencing on 9 September 2004. Mr. Chan Wing Fai has entered into a service contract with the Company for one year commencing on 27 May 2016. Mr. Zhang Xiao Jun has entered into a service contract with the Company for one year commencing on 5 January 2017. All of them are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Either party may terminate the contract by giving not less than two months' notice in writing or payment of remuneration in lieu of such notice or the unexpired part of such period. Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' Interests in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Indemnity of Directors

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2017.

Directors' Interests in Share Capital

As at 31 December 2017, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code"), were as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Cheung Siu Lam	Beneficial owner of 1,720,044,240 ordinary shares and 1,000,000 underlying shares, family interest of 468,516,000 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,274,960,240	2,000,000	52.81%
Luo Rui	Beneficial owner	3,390,000	20,000,000	0.54%
Guan Xue Ling	Beneficial owner	–	2,000,000	0.04%
Cheung Chai Hong	Beneficial owner	200,000	–	0.004%
Chan Yuk Ming	Beneficial owner	20,000,000	2,000,000	0.51%

Notes:

1. The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.

2. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 468,516,000 ordinary shares and 1,000,000 underlying shares held by his spouse, Lo Wan.

3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.

4. The percentage is calculated based on the total number of issued shares as at 31 December 2017.

Directors' Rights to Acquire Shares

Save as disclosed under the headings "Directors' Interests in Share Capital" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Interests in Substantial Shareholders

As at 31 December 2017, the following company and person (other than a director of the Company) were interested in 5% or more of the issued share capital of the Company according to the register kept by the Company under Section 336 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Name	**Capacity**	**Number of Ordinary Shares held**	**Underlying Shares Interested** (Note 1)	**Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital** (Note 4)
Lo Wan	Beneficial owner of 468,516,000 ordinary shares and 1,000,000 underlying shares, family interest of 1,720,044,240 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,274,960,240	2,000,000	52.81%
China United SME Guarantee Corporation	Beneficial owner of 643,000,000 ordinary shares and 750,000,000 shares pledged by Cheung Siu Lam	1,393,000,000	–	32.30%
Fosun International Holdings Ltd.	Interest in controlled corporation (Note 4)	371,962,000	–	8.62%
Fosun International Limited	Interest in controlled corporation (Note 4)	371,962,000	–	8.62%
Guo Guangchang	Interest in controlled corporation (Note 4)	371,962,000	–	8.62%
Fosun Hani Securities Limited	Beneficial owner of 85,338,000 ordinary shares and a security interest in 185,000,000 shares (Note 4)	270,338,000	–	6.27%

Notes:

1. The number of shares represents the shares in which the substantial shareholder is deemed to be interested as a result of holding share options.

2. By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 1,720,044,240 ordinary shares and 1,000,000 underlying shares held by Cheung Siu Lam.

3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.

4. Guo Guangchang held interests in a total of 371,962,000 shares in the Company through Fosun Hani Securities Limited and Peak Reinsurance Company Limited. Fosun Hani Securities Limited is a wholly-owned subsidiary of Novel Growth Limited, which is in turn wholly owned by Fosun Financial Holdings Limited. Peak Reinsurance Company Limited is a wholly-owned subsidiary of Peak Reinsurance Holdings Limited, which is in turn owned as to 86.93% by Spinel Investment Limited, which is in turn wholly owned by Fosun Financial Holdings Limited. Fosun Financial Holdings Limited is wholly owned by Fosun International Limited, which is in turn owned as to 71.65% by Fosun Holdings Limited, which is in turn wholly owned by Fosun International Holdings Ltd. Fosun International Holdings Ltd is owned as to 64.45% by Guo Guangchang.

5. The percentage is calculated based on the total number of issued shares as at 31 December 2017.

Save as disclosed above, no persons, other than a director whose interests are set out above, had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under Section 336 of Part XV of the SFO.

Share Option Scheme

The Company adopted a share option scheme on 7 June 2004 (the “2004 Scheme”) which was terminated on 6 June 2014. The Company adopted a new share option scheme (the “2014 Scheme”) at the Company’s annual general meeting held on 20 May 2014. Unless otherwise cancelled or amended, the 2014 Scheme will remain in force for 10 years from that date.

A summary of the 2014 Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
Participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity, any customer of the Group or any Invested Entity; any person or entity that provides technical, financial and legal support to the Group or any Invested Entity; and (iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
Total number of ordinary shares available for issue under the 2014 Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	342,908,633 ordinary shares and 7.95% of the existing issued share capital.
Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

	(a) representing in aggregate over 0.1% of the relevant class of shares in issue; and
	(b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000,
	such grant or further grant of options must be approved by the shareholders in a general meeting.
Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the 2014 Scheme.
Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1.00 being payable by the grantee.
Basis of determining the exercise price	Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options.
The remaining life of the 2014 Scheme	The 2014 Scheme remains in force until 19 May 2024.

During the year under review, no share options were granted under the 2014 Scheme.

Subsequent to the termination of the 2004 Scheme, no further option can be granted thereunder but in all other respects, the provisions of the 2004 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following share options were outstanding under the 2004 Scheme and the 2014 Scheme during the year:

Director	Date of offer	Exercise price HK$	Outstanding at 1.1.2017	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2017	Exercise period	Closing price of the securities immediately before the date on which the options were offered HK$	Fair value of each option at the date of grant HK$
Cheung Siu Lam	22.10.10	0.359	1,000,000	–	–	–	1,000,000	22.10.10 – 21.10.20	0.360	0.216
Chan Yuk Ming	04.10.07	0.479	10,000,000	–	10,000,000	–	–	04.10.07 – 03.10.17	0.460	0.235
	22.10.10	0.359	2,000,000	–	–	–	2,000,000	22.10.10 – 21.10.20	0.360	0.216
Luo Rui	11.04.14	0.660	20,000,000	–	–	–	20,000,000	11.04.14 – 10.04.24	0.630	0.4624
Guan Xue Ling	22.10.10	0.359	2,000,000	–	–	–	2,000,000	22.10.10 – 21.10.20	0.360	0.216
Employees in aggregate	04.10.07	0.479	10,000,000	–	6,000,000	4,000,000	–	04.10.07 – 03.10.17	0.460	0.235
	22.10.10	0.359	1,000,000	–	–	–	1,000,000	22.10.10 – 21.10.20	0.360	0.216
Other eligible grantees	11.04.14	0.660	10,000,000	–	–	–	10,000,000	11.04.14 – 10.04.18	0.630	0.1998
	11.04.14	0.660	30,000,000	–	–	–	30,000,000	11.04.14 – 10.04.24	0.630	0.4623
	26.08.15	0.546	55,000,000	–	–	–	55,000,000	26.08.15 – 25.08.25	0.490	0.289

Continuing Connected Transaction

As disclosed in the announcement dated 25 June 2015, a guarantee is provided by China United SME Guarantee Corporation ("Sinoguarantee") to the Group in March 2015 for the Senior Bonds issuance. The guarantee is entered on 5 March 2015 between Sinoguarantee and Golden Bauhinia Investment Holdings Company Limited (a wholly-owned subsidiary of the Company incorporated in Hong Kong). The annual guarantee fee is RMB5,100,000 being 1.7% of RMB300 million guaranteed, during the three-year term of the Senior Bonds.

Give that Sinoguarantee has become a substantial shareholder of the Company on 25 June 2015 following the completion of the Subscription Agreement, the guarantee constituted continuing connected transaction for the Company (the "Continuing Connected Transaction") under Chapter 14A of the Listing Rules. In accordance with the requirements of Rules 14A.49 and 14A.71 of the Listing Rules, details of the said Continuing Connected Transaction are included in this report.

The Company's auditor was engaged to report on the Group's Continuing Connected Transaction for the year ended 31 December 2017 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transaction in accordance with Rule 14A.56 of the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs, being Mr. Chan Chun Keung, Mr. Chan Wing Fai, Mr. Wang Jian Sheng and Mr. Zhang Xiao Jun, had reviewed the above Continuing Connected Transaction and confirmed that the transaction was entered into:

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

(ii) on normal commercial terms or better; and

(iii) according to the respective agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the Board of Directors, the Continuing Connected Transaction was entered into in the manners stated above.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Retirement Schemes

The Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

Corporate Governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year.

Auditor

The financial statements have been audited by Crowe Horwath (HK) CPA Limited, Certified Public Accountants. A resolution for their re-appointment as the Company's auditor for the ensuing year is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the board

Chan Yuk Ming
Chairman

Hong Kong, 27 March 2018

Crowe Horwath

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
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Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA FINANCIAL SERVICES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Financial Services Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 50 to 173, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 2017, 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 Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Recoverability of loans receivable

Refer to notes 18 and 42(b)(ii) to the consolidated financial statements and the accounting policy note 2(l)(i) on pages 69 to 72.

The key audit matter	How the matter was addressed in our audit
The Group has significant loans receivable balances as at year end. Given the size of the balances and the risk that some of the loans receivable may not be recoverable, judgement is required to evaluate whether any allowance should be made to reflect the risk. Management assesses impairment of loans receivable on an individual basis and on a collective basis. Individual impairment losses are estimated by management once objective evidence of impairment becomes apparent. Management exercises judgement in determining the quantum of loss based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Enforceability, timing and means of realisation of the collateral has a significant impact on collateral valuation and, therefore, the amount of impairment losses as at the reporting date. The determination of the collective impairment losses is heavily dependent on the external macro environment and the Group’s internal credit risk management strategy. The Group’s collective impairment losses are derived from estimates including the Group’s historical losses for loans receivable, the loss emergence period (i.e. the time lapse between the occurrence of the event causing eventual default to the actual recording of a loss) and other adjustment factors.	Our audit procedures to assess the recoverability of loans receivable included the following: – Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management’s key financial reporting internal controls relating to credit control, debt collection and the assessment of impairment of loans receivable; – Assessing whether terms in the loans receivable ageing report were classified within the appropriate ageing bracket by comparing a sample of individual items with underlying loan agreements; – Obtaining an understanding of the basis of management’s judgements about the recoverability of all overdue balances and evaluating, on a sample basis, whether management had performed credit assessments of the related debtors by examining underlying documentation, which included evidence of the debtors’ financial condition, correspondence with the debtors, the debtors’ adherence to agreed repayment schedules, the ageing of overdue balances, historical repayments schedules and repayments after the end of the reporting period;

Recoverability of loans receivable *(Continued)*

The key audit matter *(Continued)*	How the matter was addressed in our audit *(Continued)*
We identified assessing the recoverability of loans receivable as a key audit matter because of the inherent uncertainty of assessing if loans receivable will be recovered in full and because current market conditions are unpredictable and the assessment of the allowances for doubtful debts requires the exercise of significant management judgement.	– Evaluating the impairment calculations of loans receivable prepared by management based on a collective assessment with reference to the Group's methodologies and policies for collective assessment; – Assessing the historical accuracy of management's assessment of impairment for loans receivable by examining the actual write-offs, the reversal of previously recorded impairments and new allowances for doubtful debts recorded in the current year in respect of loans receivable balances at the prior reporting period; and – Challenging management's judgement in determining the recoverable amount of individual loans receivable balances which were overdue at the end of the reporting period by comparing, on a sample basis, the value of realisable collateral based on available market information and the settlement of the overdue balances after the end of the reporting period with related underlying documents including bank statements.

Impairment of goodwill

Refer to notes 13 and 42(b)(i) to the consolidated financial statements and the accounting policy note 2(l)(ii) on pages 72 to 73.

The key audit matter	How the matter was addressed in our audit
Management performs impairment testing annually for the cash generating units (the "CGU") to which the goodwill was allocated. The calculation of the CGU's recoverable amount is complex and involves significant management's judgement and estimation, such as the forecasted cash flows, budgeted margin, revenue growth rate and discount rate, which are sensitive to expected future market conditions and the CGU's actual performance. We focused on this area due to the size of goodwill balance and because management's assessment of the 'value in use' of the Group's CGUs involves significant judgement about future results of the business and the discount rate applied to future cash flow forecast.	Our audit procedures were designed to challenge the management's impairment assessment included: – Comparing the Group's financial forecast for the current year made as of 31 December 2016 to actual results of the current year to assess the quality of management's forecasting process; – Reconciling the cash flow forecasts to management's approved budgets and assessing the reasonableness of these budgets by comparing historical information and business plan; – Benchmarking the revenue growth rate adopted by the Group to the revenue growth rates adopted by other market players; – Evaluating and discussing discount rate and budgeted margins used in the calculations by comparing with the industry or market data;

Impairment of goodwill *(Continued)*

The key audit matter *(Continued)*	How the matter was addressed in our audit *(Continued)*
	– Testing the mathematical accuracy of the underlying value-in-use calculations; – Evaluating the sensitivity analysis performed by management around the key assumptions applied to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired.

Purchase price allocation of a business combination

Refer to notes 40(a) and 40(b) and 42(b)(iv) to the consolidated financial statements and the accounting policy note 2(f) on pages 61 to 62.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2017, the Group acquired Brilliant Star Capital (Cayman) Limited, Access Global Education Enterprise Limited and their subsidiaries. The Group engaged an independent external valuer to perform the purchase price allocation on the fair values of the considerations transferred, identifiable assets acquired and liabilities assumed. The valuation of purchase price allocation involved significant assumptions and basis adopted by the independent external valuer. We focused on this area because significant judgement by the management is involved for assumptions and basis adopted for purchase price allocation.	We evaluated the valuation methodologies and assumptions used in the purchase price allocation by: • Examining the terms of the relevant sales and purchase agreement; • Assessing the valuation methodologies adopted for the purpose of determining the fair values of the considerations transferred, the identifiable assets acquired and liabilities assumed; and • Benchmarking the key parameters against market data. In addition, we considered the independence, objectivity and competence of the independent external valuer and also assess the adequacy of disclosure in connection with the business combination.

Information other than the consolidated financial statements and auditor's report thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors are 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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

- 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 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 director on the audit resulting in this independent auditor's report is Poon Cheuk Ngai.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 27 March 2018

Poon Cheuk Ngai
Practising Certificate Number P06711

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Interest, guarantee and financing consultancy services income	3	**732,705**	680,282
Interest and handling expenses	3	**(104,337)**	(91,906)
Net interest income and service income	3	**628,368**	588,376
Education consultancy service income	3	**2,458**	–
Other income	4	**50,976**	39,942
General and administrative expenses		**(178,065)**	(128,658)
Share of loss of an associate		**(3)**	(2)
Profit before taxation	5	**503,734**	499,658
Income tax	6(a)	**(193,193)**	(154,392)
Profit for the year		**310,541**	345,266
Attributable to:			
Equity shareholders of the Company		**286,675**	329,958
Non-controlling interests		**23,866**	15,308
Profit for the year		**310,541**	345,266
Earnings per share	10	**HK cents**	HK cents
– Basic		**7.09**	8.59
– Diluted		**7.05**	8.58

The notes on pages 57 to 173 form an integral part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 35(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Profit for the year		**310,541**	345,266
Other comprehensive income/(loss) for the year, net of nil income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency		**218,075**	(200,076)
Available-for-sale investments: net movement in the fair value reserve	9	**80**	2,147
Other comprehensive income/(loss) for the year, net of nil income tax		**218,155**	(197,929)
Total comprehensive income for the year		**528,696**	147,337
Attributable to:			
Equity shareholders of the Company		**494,374**	140,629
Non-controlling interests		**34,322**	6,708
Total comprehensive income for the year		**528,696**	147,337

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	11	**6,569**	4,514
Goodwill	13	**635,477**	577,230
Intangible assets	14	**19,371**	–
Interest in an associate	15	**3,706**	3,467
Available-for-sale investments	16	**99,041**	26,259
Loans receivable	18	**458,614**	33,655
Deposits	21	**70,000**	–
Deferred tax assets	31	**1,964**	–
		1,294,742	645,125
Current assets			
Financial assets at fair value through profit or loss	17	**–**	17,817
Contingent consideration receivable	17	**1,270**	–
Loans receivable	18	**4,216,901**	3,549,974
Accounts receivable	19	**5,605**	13,428
Interests receivable	20	**17,989**	11,615
Other receivables, deposits and prepayments	21	**80,969**	46,384
Tax recoverable	6(c)	**–**	99
Pledged bank and security deposits paid	22	**18,974**	4,615
Time deposits	23	**72,370**	–
Cash and cash equivalents	23	**662,740**	273,291
		5,076,818	3,917,223
Current liabilities			
Short-term borrowings and other payables	24	**1,244,853**	580,191
Bank loans	25	**213,556**	77,076
Security deposits received	26	**104,311**	10,764
Accruals and other deposit received	27	**32,293**	34,041
Liabilities arising from loan guarantee contracts	28	**134**	–
Amount due to an associate	29	**3,125**	2,942
Financial derivatives	30	**304**	1,032
Senior bonds	32	**365,099**	–
Unsecured bonds	33	**57,012**	3,813
Income received in advance		**13,444**	19,230
Tax payable	6(c)	**144,510**	112,443
		2,178,641	841,532
Net current assets		**2,898,177**	3,075,691
Total assets less current liabilities		**4,192,919**	3,720,816

	Note	**2017 HK$'000**	2016 HK$'000
Non-current liabilities			
Senior bonds	32	**–**	334,187
Unsecured bonds	33	**273,642**	260,153
Deferred tax liabilities	31	**20,665**	3,769
		294,307	598,109
NET ASSETS		**3,898,612**	3,122,707
EQUITY			
Share capital	34	**2,080,113**	1,760,956
Reserves	35	**1,632,365**	1,233,067
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**3,712,478**	2,994,023
Non-controlling interests		**186,134**	128,684
TOTAL EQUITY		**3,898,612**	3,122,707

The consolidated financial statements on pages 50 to 173 were approved and authorised for issue by the board of directors on 27 March 2018 and were signed on its behalf by:

Chan Yuk Ming
Director

Cheung Chai Hong
Director

The notes on pages 57 to 173 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

		Attributable to equity shareholders of the Company								
	Note	Share capital HK$'000	Share-based compensation reserve HK$'000	Exchange fluctuation reserve HK$'000	Fair value reserve HK$'000	Statutory surplus reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016		1,746,674	40,950	(129,151)	146	28,833	1,260,957	2,948,409	126,001	3,074,410
Changes in equity in 2016:										
Profit for the year		–	–	–	–	–	329,958	329,958	15,308	345,266
Other comprehensive loss	9	–	–	(191,476)	2,147	–	–	(189,329)	(8,600)	(197,929)
Total comprehensive income		–	–	(191,476)	2,147	–	329,958	140,629	6,708	147,337
Equity settled share-based transactions		–	11,731	–	–	–	–	11,731	–	11,731
Shares issued under share option scheme		14,282	(4,702)	–	–	–	–	9,580	–	9,580
Lapse of share options		–	(6,412)	–	–	–	6,412	–	–	–
Purchase of own shares		–	–	–	–	–	(23,750)	(23,750)	–	(23,750)
Capital contribution from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	1	1
Dividends paid		–	–	–	–	–	(92,576)	(92,576)	–	(92,576)
Dividends paid to non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	(4,026)	(4,026)
Transfer to reserve		–	–	–	–	7,594	(7,594)	–	–	–
Balance at 31 December 2016 and 1 January 2017		1,760,956	41,567	(320,627)	2,293	36,427	1,473,407	2,994,023	128,684	3,122,707
Changes in equity in 2017:										
Profit for the year		–	–	–	–	–	286,675	286,675	23,866	310,541
Other comprehensive income	9	–	–	207,619	80	–	–	207,699	10,456	218,155
Total comprehensive income		–	–	207,619	80	–	286,675	494,374	34,322	528,696
Equity settled share-based transactions		–	4,170	–	–	–	–	4,170	–	4,170
Shares issued under share option scheme		11,425	(3,762)	–	–	–	–	7,663	–	7,663
Shares issued under subscription agreements, placing and subscription agreement and investor subscription agreement	34	246,409	–	–	–	–	–	246,409	–	246,409
Shares issued upon acquisition of subsidiaries	34(d)	61,323	–	–	–	–	–	61,323	–	61,323
Lapse of share options	37	–	(937)	–	–	–	937	–	–	–
Non-controlling interest arising from acquisition of subsidiaries	40	–	–	–	–	–	–	–	35,353	35,353
Dividends paid		–	–	–	–	–	(95,484)	(95,484)	–	(95,484)
Dividends paid to non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	(12,225)	(12,225)
Transfer to reserve		–	–	–	–	93,564	(93,564)	–	–	–
Balance at 31 December 2017		**2,080,113**	**41,038**	**(113,008)**	**2,373**	**129,991**	**1,571,971**	**3,712,478**	**186,134**	**3,898,612**

The notes on pages 57 to 173 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Operating activities			
Profit before taxation		**503,734**	499,658
Adjustments for			
Depreciation of property, plant and equipment	5(b)	**3,065**	2,782
Reversal of impairment loss for loans receivable	18(b)	**(213)**	–
(Gain)/loss on disposal of available-for-sale investments	4	**(3,773)**	926
Loss on disposal of property, plant and equipment		**1**	–
Impairment loss for loans receivable	18(b)	**29,244**	6,647
Reversal of provision for undue liability and guarantee compensation	5(b)	**–**	(57)
Bank interest income	4	**(2,476)**	(3,289)
Interest and handling expenses	3	**104,337**	91,906
Dividend income from available-for-sale investments	4	**(1,290)**	(665)
Share of loss of an associate		**3**	2
Equity-settled share-based payment expenses	5(b)	**4,170**	11,731
Fair value change of financial derivatives	4	**(728)**	539
Fair value change of contingent consideration receivable		**2,096**	–
Gain on bargain purchase		**(18,313)**	–
Other interest income from debt securities		**(1,754)**	–
		618,103	610,180
Changes in working capital			
Increase in loans receivable		**(797,190)**	(478,142)
Decrease/(increase) in financial assets at FVTPL		**17,817**	(2,526)
Decrease in accounts receivable		**7,179**	36,234
(Increase)/decrease in interests receivable		**(6,729)**	20,706
Increase in other receivables, deposits and prepayments		**(26,970)**	(31,398)
Increase in security deposit received		**94,723**	5,640
Decrease in accruals and other deposit received		**(10,418)**	(7,781)
(Decrease)/increase in income received in advance		**(4,751)**	11,763
Increase in liabilities arising from loan guarantee contracts		**138**	–
Cash (used in)/generated from operations		**(108,098)**	164,676
Taxation paid			
– PRC Enterprise Income Tax	6(c)	**(142,564)**	(133,476)
– Hong Kong Profits Tax		**(241)**	(1,294)
Taxation refund			
– PRC Enterprise Income Tax	6(c)	**–**	109
– Hong Kong Profits Tax		**101**	71
Net cash (used in)/generated from operating activities		**(250,802)**	30,086

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Investing activities			
Purchase of property, plant and equipment	11	**(4,459)**	(2,201)
Purchase of available-for-sale investments		**(135,148)**	(25,983)
Proceeds from sale of available-for-sale investments		**66,219**	43,012
Acquisition of subsidiaries		**(62,950)**	–
Acquisition of intangible assets		**(19,371)**	–
Payment of deposit for acquisition of subsidiaries		**(70,000)**	–
Withdrawal of pledged bank and security deposit		**33,473**	47,249
Placement of pledged bank and security deposit		**(48,016)**	(44)
Bank interest received		**2,476**	3,289
Dividend received from available-for-sale investments	4	**1,290**	665
Net cash (used in)/generated from investing activities		**(236,486)**	65,987
Financing activities			
Capital contribution from non-controlling shareholders of subsidiaries		**–**	1
Payment for repurchase of shares		**–**	(23,750)
Proceeds from new bank loans		**198,728**	79,999
Repayment of bank loans		**(69,364)**	(74,666)
Proceeds from new short-term borrowings and other payables		**2,486,169**	1,732,378
Repayment of short-term borrowings and other payables		**(1,893,472)**	(2,026,789)
Proceeds from the issue of unsecured bonds		**64,133**	21,203
Redemption of unsecured bonds		**(3,900)**	(9,856)
(Repayment to)/advanced from an associate		**(23)**	5
Proceeds from shares issued under subscription agreement		**246,409**	–
Proceeds from exercise of share option		**7,663**	9,580
Other interest paid		**(66,213)**	(86,033)
Other finance costs paid		**(3,493)**	–
Dividends paid to equity shareholders of the Company		**(95,484)**	(92,576)
Dividends paid to non-controlling shareholders		**(12,225)**	(4,026)
Net cash generated from/(used in) financing activities		**858,928**	(474,530)
Increase/(decrease) in cash and cash equivalents		**371,640**	(378,457)
Effect of foreign exchange rate changes		**17,809**	(16,855)
Cash and cash equivalents at beginning of the year		**273,291**	668,603
Cash and cash equivalents at end of the year	23	**662,740**	273,291

The notes on pages 57 to 173 form an integral part of these financial statements.

1. Corporate Information

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office and the principal place of business are Suite 5606, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements.

2. Significant Accounting Policies

a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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 requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) *Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale investments, financial assets at fair value through profit or loss (including contingent consideration receivable) (see note 2(k)); and

– derivative financial instruments (see note 2(h)).

2. Significant Accounting Policies *(Continued)*

b) *Basis of preparation of the financial statements (Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 42.

c) *Changes in accounting policies*

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 23(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities 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 Group has not applied any new standard or interpretation that is not yet effectively for the current accounting period.

2. Significant Accounting Policies *(Continued)*

d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2. Significant Accounting Policies *(Continued)*

d) *Subsidiaries and non-controlling interests (Continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(k)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

e) *Associates*

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

2. Significant Accounting Policies *(Continued)*

e) Associates (Continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(k)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

f) 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 the control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation 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.

2. Significant Accounting Policies *(Continued)*

f) Business combinations and goodwill (Continued)

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 interest 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 circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2. Significant Accounting Policies *(Continued)*

g) *Intangible assets*

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2. Significant Accounting Policies *(Continued)*

h) *Derivative financial instruments*

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

i) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

2. Significant Accounting Policies *(Continued)*

i) Property, plant and equipment (Continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Leasehold improvements	3 years or over the remaining term of the lease, if shorter
– Furniture and equipment	3 to 5 years
– Motor vehicles	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2. Significant Accounting Policies *(Continued)*

j) Leased assets (Continued)

ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

k) Financial assets

Financial assets are recognised when an entity within the Group becomes a party to the contractual provisions of the instrument.

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

The Group's financial assets are classified into one of the three categories, including available-for-sale financial assets, financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss.

2. Significant Accounting Policies *(Continued)*

k) *Financial assets (Continued)*

i) *Available-for-sale financial assets (Continued)*

Equity and debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

ii) *Financial assets at fair value through profit or loss*

Financial assets are classified as at FVTPL when the financial asset is either held for trading, it is designated as at FVTPL or contingent consideration that may be received from an vendor as part of a business combination.

A financial asset is classified as held for trading if:

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

2. Significant Accounting Policies *(Continued)*

k) *Financial assets (Continued)*

ii) *Financial assets at fair value through profit or loss (Continued)*

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item. Fair value is determined in the manner described in note 43(f).

They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise, they are presented as non-current assets.

iii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(l)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such case, loan and receivables are stated at cost less allowance for impairment of doubtful debts. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

2. Significant Accounting Policies *(Continued)*

k) Financial assets (Continued)

iii) Loans and receivables (Continued)

Effective interest method

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

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

l) Impairment of assets

i) Impairment of investments in debt and equity securities and other financial assets

Investments in debt and equity securities and other current and non-current financial assets that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. Significant Accounting Policies *(Continued)*

l) Impairment of assets (Continued)

i) Impairment of investments in debt and equity securities and other financial assets (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

– For available-for-sale securities that are measured at fair value, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2. Significant Accounting Policies *(Continued)*

l) *Impairment of assets (Continued)*

i) *Impairment of investments in debt and equity securities and other financial assets (Continued)*

– For loans and receivables, the Group use two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

- Individual assessment

  Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The impairment losses are recognised in profit or loss.

  Cash flows relating to loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

  The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

- Collective assessment

  Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provisions for impairment losses.

2. Significant Accounting Policies *(Continued)*

l) *Impairment of assets (Continued)*

i) *Impairment of investments in debt and equity securities and other financial assets (Continued)*

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the Group determines that a loan or receivable has no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loan is written off against its provisions for impairment losses upon necessary approval.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans, interest and account receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against financial assets directly and any amounts held in the allowance account relating to that assets are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- deposits;
- goodwill; and
- investments in subsidiaries and an associate in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2. Significant Accounting Policies *(Continued)*

l) *Impairment of assets (Continued)*

ii) *Impairment of other assets (Continued)*

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. Significant Accounting Policies *(Continued)*

l) Impairment of assets (Continued)

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

n) Accounts and other payables

Accounts and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(r), accounts and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. Significant Accounting Policies *(Continued)*

o) *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

p) *Employee benefits and share-based payment arrangements*

i) *Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

iii) *Share-based payments to employees*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based compensation reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained earnings).

2. Significant Accounting Policies *(Continued)*

p) *Employee benefits and share-based payment arrangements (Continued)*

iv) *Share-based payments to consultants*

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be estimated reliably, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

q) *Financial guarantees issued*

A loan guarantee contract is a contract that requires the issuer (that is, the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within liabilities arising from loan guarantee contracts. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in pofit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(r) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in liabilities arising from loan guarantee contracts in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

2. Significant Accounting Policies *(Continued)*

r) *Provisions and contingent liabilities*

(i) *Provisions for guarantee losses*

When determining the amounts to be recognised in respect of liabilities arising from the guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect the profit or loss in future years.

Undue liability provision is recognised at 50% of the guarantee income in the year it is generated.

Guarantee compensation provision is recognised at 1% of the year-end balance of the guarantee liability in the year it arose.

(ii) *Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

s) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

2. Significant Accounting Policies *(Continued)*

s) *Income tax (Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. Significant Accounting Policies *(Continued)*

s) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Revenue from short-term financing services

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

– Loan guarantee service income, consists of guarantee fee and related service income and is recognised in profit or loss on a straight-line basis over the guarantee period.

– Financing consulting service income is recognised when the services are rendered.

2. Significant Accounting Policies *(Continued)*

t) *Revenue recognition (Continued)*

ii) *Dividends*

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iii) *Education consultancy service income*

Revenue from such services are recognised when related services are rendered.

iv) *Other interest income*

Other interest income is recognised as it accrues using the effective interest method.

v) *Service income*

Revenue arising from the provision of the services is recognised when the relevant services are rendered.

vi) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

u) *Translation of foreign currencies*

i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

2. Significant Accounting Policies *(Continued)*

u) *Translation of foreign currencies (Continued)*

ii) *Transactions and balances*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of foreign operation.

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

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Significant Accounting Policies *(Continued)*

v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

w) Related parties

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

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

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

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

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

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

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

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

2. Significant Accounting Policies *(Continued)*

w) Related parties (Continued)

b) *(Continued)*

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).

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

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

x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's board of directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

y) Acquisition that is not constituting a business

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

3. Revenue and Segment Reporting

a) *Revenue*

The amount of each significant category of revenue during the year is as follows:

	2017 HK$'000	2016 HK$'000
Interest, guarantee and financing consultancy services income		
Pawn loans, loans receivable from micro-lending and money-lending	284,397	203,687
Designated loan receivable	–	6,660
Other loans receivable	448,197	469,935
Financial guarantees	111	–
	732,705	680,282
Interest and handling expenses arising from:		
Bank loans	(5,840)	(1,160)
Short-term borrowings	(39,749)	(36,430)
Senior bonds	(29,381)	(23,992)
Unsecured bonds	(25,874)	(23,689)
Other finance costs	(3,493)	(6,635)
	(104,337)	(91,906)
Net interest income and service income	628,368	588,376
Income arising from:		
Education consultancy service	2,458	–

For the year ended 31 December 2017, the total amount of interest income on financial assets not at fair value through profit or loss, including bank and other interest income from debt securities (note 4), was HK$736,824,000 (2016: HK$683,571,000).

3. Revenue and Segment Reporting *(Continued)*

b) *Segmental Information*

(i) *Operating segment information*

For the years ended 31 December 2017 and 2016, the directors of the Company have determined that the Group has only one reportable segment as the Group is principally engaged in providing financing service which is the basis to allocate resources and assess performance of the Group.

(ii) *Geographical information*

Revenue from external customers

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**35,502**	34,906
The PRC	**697,203**	645,376
United Kingdom	**2,458**	–
	735,163	680,282

The geographic location of revenue from external customers is based on the location at which the services were rendered.

Non-current assets

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**40,984**	1,864
The PRC	**676,358**	583,347
United Kingdom	**17,781**	–
	735,123	585,211

The above table sets out the information about the geographical location of the Group's property, plant and equipment, goodwill, intangible assets, interest in an associate and deposits ("Specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and deposits and the location of operation, in the case of interest in an associate.

3. Revenue and Segment Reporting *(Continued)*

b) *Segmental Information (Continued)*

(iii) Information about major customers

For the year ended 31 December 2017, there was no customer (2016: one) who individually contributed over 10% of the Group's revenue. The aggregate amount of revenue from that customer was HK$90,344,000 for the year ended 31 December 2016.

4. Other Income

	2017 **HK$'000**	2016 HK$'000
Bank interest income	**2,476**	3,289
Other interest income from debt securities	**1,754**	–
Dividend income from available-for-sale investments	**1,290**	665
Interest income from financial assets at FVTPL	**498**	948
Income from government subsidies	**19,280**	20,894
Available-for-sale investments: reclassified from equity		
– Gain/(loss) on disposal (note 9)	**3,773**	(926)
(Loss)/gain on fair value change of financial assets at FVTPL		
– Gain on disposal	**(18)**	6,760
– Change on fair value of financial assets at FVTPL	**–**	17
	(18)	6,777
Gain/(loss) on fair value change of financial derivatives in respect of decumulator/accumulator contracts	**728**	(539)
Exchange (loss)/gain, net	**(5,961)**	1,996
Income from waiver of amount due to the related party (note 41(b)(1))	**–**	2,338
Gain on bargain purchase (note 40(a))	**18,313**	–
Others (see note(i) below)	**8,843**	4,500
	50,976	39,942

(i) For the year ended 31 December 2017, the Group received consultancy fee income of approximately HK$3,026,000 (2016: HK$nil), which was included in other income, from 北京萬方鑫業投資咨詢有限公司, of which a director of the Company is the legal representative and executive director. The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

5. Profit Before Taxation

The Group's profit before taxation is arrived at after charging/(crediting):

		2017 HK$'000	2016 HK$'000
(a)	**Staff costs (including directors' emoluments):**		
	Salaries, allowances and other benefits	46,980	36,201
	Equity-settled share-based payment expenses	385	2,120
	Contributions to defined contribution retirement plans	4,720	3,713
		52,085	42,034
(b)	**Other items:**		
	Depreciation	3,065	2,782
	Operating lease charges in respect of properties (see note (ii) and (iv) below)	12,262	7,539
	Auditors' remuneration	2,050	1,994
	Reversal of provision for undue liability and guarantee compensation	–	(57)
	Impairment losses recognised – loans receivable (note 18(b))	29,244	6,647
	Reversal of impairment losses – loans receivable (note 18(b))	(213)	–
	Equity-settled share-based payment expenses (see note (i) below)	4,170	11,731
	Fair value change of contingent consideration receivable	2,096	–

Notes:

(i) Equity-settled share-based payment expenses include HK$385,000 (2016: HK$2,120,000) relating to staff costs which amount is also included in the total amount disclosed in note 5(a) for staff costs.

(ii) For the year ended 31 December 2017, the Group paid operating lease charges (in respect of properties) of approximately HK$1,486,000 (2016: HK$1,447,000) and HK$2,537,000 (2016: HK$2,486,000) to 北京元長厚茶葉有限公司 and 北京東皇物業管理有限公司, respectively, of which a director of the Company is their legal representatives. The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

(iii) During the year ended 31 December 2017, the Group paid operating lease charges (in respect of director's quarter) of approximately HK$1,800,000 (2016: HK$nil) to Anton (H.K.) Limited, in which a director of the Company and his wife have controlling interests. The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business. Such amount was included in the total amount disclosed in note 5(a) for staff costs. In addition, as at 31 December 2017, rental deposit of HK$300,000 (2016: HK$nil), which was related to this director's quarter, was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

6. Income Tax

a) Taxation in the consolidated statement of profit or loss represents:

	2017 **HK$'000**	2016 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**1**	57
Under-provision in respect of prior years	**1,059**	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	**147,247**	140,559
Under/(over)-provision in respect of prior years	**2,557**	(748)
Withholding tax on dividends		
Provision for the year	**28,878**	12,043
Under-provision in respect of prior year	**–**	5,165
Deferred tax		
Origination and reversal of temporary differences	**13,451**	(2,684)
	193,193	154,392

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

(ii) The provision for the Hong Kong Profits Tax of the subsidiaries established in HK and the Company are calculated at 16.5% (2016: 16.5%) of the estimated taxable profit for the year.

(iii) Pursuant to the rules and regulations of the BVI and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands.

(iv) The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2016: 25%) of the estimated taxable profits for the year.

(v) Pursuant the Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprise.

Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of profits generated since 1 January 2008.

6. Income Tax *(Continued)*

b) Reconciliation between tax expense charged to profit or loss and accounting profit at the applicable tax rates:

	2017 **HK$'000**	2016 HK$'000
Profit before taxation	**503,734**	499,658
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**132,741**	130,222
Tax effect of non-taxable income	**(2,280)**	(573)
Tax effect of non-deductible expenses	**13,057**	7,244
Tax effect of temporary differences not recognised	**(1,225)**	(1)
Tax effect of tax losses not recognised	**5,458**	4,662
Tax effect of utilisation of unused tax losses previously not recognised	**(836)**	(645)
Under-provision/(over) of PRC Enterprise Income Tax in prior years	**2,557**	(748)
Under-provision of HK Income Tax in prior years	**1,059**	–
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**44,951**	14,524
Others	**(2,289)**	(293)
Actual tax expense	**193,193**	154,392

6. Income Tax *(Continued)*

c) Current taxation in the consolidated statement of financial position represents:

	2017 HK$'000	2016 HK$'000
At 1 January	**(112,344)**	(96,145)
Provision for the year:		
– PRC Enterprise Income Tax	**(147,247)**	(140,559)
– Hong Kong Profits Tax	**(1)**	(57)
– Withholding tax on dividends	**(28,878)**	(12,043)
Over/(under)-provision in respect of prior years:		
– PRC Enterprise Income Tax	**(2,557)**	748
– Hong Kong Profits Tax	**(1,059)**	–
– Withholding tax on dividends	**–**	(5,165)
Taxation paid:		
– PRC Enterprise Income Tax	**142,564**	133,476
– Hong Kong Profits Tax	**241**	1,294
Tax refunded:		
– PRC Enterprise Income Tax	**–**	(109)
– Hong Kong Profits Tax	**(101)**	(71)
Exchange adjustment	**4,872**	6,287
At 31 December	**(144,510)**	(112,344)
Analysed for reporting purpose as:		
Tax recoverable	**–**	99
Tax payable	**(144,510)**	(112,443)
	(144,510)	(112,344)

7. Directors' And Chief Executive's Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

	Year ended 31 December 2017					
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-Total	Share-based payments (note viii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Luo Rui *(Chief executive officer)*	240	1,179	132	1,551	385	1,936
Guan Xue Ling	240	860	132	1,232	–	1,232
Cheung Chai Hong	140	1,345	8	1,493	–	1,493
Non-executive directors						
Cheung Siu Lam (note iv)	–	2,835	18	2,853	–	2,853
Chan Yuk Ming *(Chairman)* (note v)	–	1,016	18	1,034	–	1,034
Zhou Jian (note i)	56	–	–	56	–	56
Zhang Xiao Bin (note ii)	64	268	–	332	–	332
Huang Mei	120	–	–	120	–	120
Independent non-executive directors						
Chan Wing Fai (note vi)	120	–	–	120	–	120
Wang Jian Sheng	120	–	–	120	–	120
Chan Chun Keung	120	–	–	120	–	120
Zhang Xiao Jun (note iii)	119	–	–	119	–	119
	1,339	7,503	308	9,150	385	9,535

7. Directors' And Chief Executive's Emoluments *(Continued)*

	Year ended 31 December 2016					
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-Total	Share-based payments (note viii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Luo Rui *(Chief executive officer)*	240	1,190	95	1,525	2,120	3,645
Guan Xue Ling	240	672	84	996	–	996
Cheung Chai Hong	240	120	6	366	–	366
Non-executive directors						
Cheung Siu Lam (note iv)	–	2,625	18	2,643	–	2,643
Chan Yuk Ming *(Chairman)* (note v)	–	271	4	275	–	275
Zhang Xiao Bin	120	500	–	620	–	620
Huang Mei	120	–	–	120	–	120
Independent non-executive directors						
Chan Wing Fai (note vi)	71	–	–	71	–	71
Wang Jian Sheng	120	–	–	120	–	120
Chan Chun Keung	120	–	–	120	–	120
Tsang Kwok Wai (note vii)	49	–	–	49	–	49
	1,320	5,378	207	6,905	2,120	9,025

Notes:

(i) Mr Zhou Jian was appointed as non-executive director on 13 July 2017. The amount for the relevant year represented his emoluments from the date of appointment.

(ii) Mr Zhang Xiao Bin resigned as non-executive director on 13 July 2017. The amount for the relevant year represented his emoluments from 1 January 2017 to the date of resignation.

(iii) Mr Zhang Xiao Jun was appointed as independent non-executive director on 5 January 2017. The amount for the relevant year represented his emoluments from the date of appointment.

(iv) Mr. Cheung Siu Lam resigned as Chairman on 30 September 2016. Following his resignation as Chairman, Mr. Cheung remains as a non-executive director.

(v) Mr. Chan Yuk Ming was appointed as non-executive director and Chairman on 30 September 2016. The amount for the relevant year represented his emoluments from the date of appointment.

(vi) Mr. Chan Wing Fai was appointed as independent non-executive director on 27 May 2016. The amount for the relevant year represented his emoluments from the date of appointment.

(vii) Mr. Tsang Kwok Wai was resigned as independent non-executive director on 27 May 2016. The amount for the relevant year represented his emoluments from 1 January 2016 to the date of resignation.

(viii) These represents the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for share-based payments transactions as set out in note 2(p)(iii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Option Scheme" in the directors' report and note 37.

7. Directors' And Chief Executive's Emoluments *(Continued)*

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments during the years ended 31 December 2017 and 2016.

8. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, four (2016: three) are directors of the Company whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (2016: two) individual is as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, allowances and other benefits	**2,416**	2,180
Retirement scheme contributions	**18**	32
	2,434	2,212

The emoluments of the one individual (2016: two) with the highest emoluments are within the following bands:

	Number of individuals	
	2017	2016
HK$Nil up to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	–

During the years ended 31 December 2017 and 2016, no emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Other Comprehensive Income/(Loss)

Components of other comprehensive income/(loss), including re-classification adjustments, are as follows:

	Note	**2017 HK$'000**	2016 HK$'000
Exchange differences on translation into presentation currency		**218,075**	(200,076)
Available-for-sale investments:			
Changes in fair value recognised during the year		**3,853**	1,221
Reclassification adjustments for amounts transferred to profit or loss:			
– (gain)/loss on disposal	4	**(3,773)**	926
Net movement in fair value reserve during the year recognised in other comprehensive income		**80**	2,147
		218,155	(197,929)

10. Earnings Per Share

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$286,675,000 (2016: HK$329,958,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

10. Earnings Per Share *(Continued)*

a) *Basic earnings per share (Continued)*

Weighted average number of ordinary shares (basic)

	2017 Number of Shares	2016 Number of Shares
Issued ordinary shares at 1 January	**3,840,056,336**	3,864,086,336
Effect of shares repurchased	**–**	(39,144,421)
Effect of share options exercised	**5,345,205**	15,136,612
Effect of shares issued under subscription agreements, placing and subscription agreement and investor subscription agreement	**172,030,137**	–
Effect of consideration issue	**28,085,001**	–
Weighted average number of ordinary shares at 31 December	**4,045,516,679**	3,840,078,527

b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$286,675,000 (2016: HK$329,958,000) and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017 Number of Shares	2016 Number of Shares
Weighted average number of ordinary shares (basic) at 31 December	**4,045,516,679**	3,840,078,527
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**21,114,608**	7,558,858
Weighted average number of ordinary shares (diluted) at 31 December	**4,066,631,287**	3,847,637,385

11. Property, Plant and Equipment

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Total HK$'000
Cost				
At 1/1/2016	8,169	8,670	3,683	20,522
Additions	337	–	1,864	2,201
Disposals	–	–	(3)	(3)
Exchange adjustment	(494)	(246)	(178)	(918)
At 31/12/2016 and 1/1/2017	8,012	8,424	5,366	21,802
Additions	2,427	–	2,032	4,459
Additions through acquisitions of subsidiaries (note 40(a))	135	–	276	411
Disposals	–	–	(31)	(31)
Exchange adjustment	621	263	314	1,198
At 31/12/2017	**11,195**	**8,687**	**7,957**	**27,839**
Accumulated depreciation and impairment				
At 1/1/2016	7,155	6,242	1,860	15,257
Charge for the year	429	1,268	1,085	2,782
Written back on disposals	–	–	(3)	(3)
Exchange adjustment	(442)	(206)	(100)	(748)
At 31/12/2016 and 1/1/2017	7,142	7,304	2,842	17,288
Charge for the year	846	720	1,499	3,065
Written back on disposals	–	–	(30)	(30)
Exchange adjustment	518	246	183	947
At 31/12/2017	**8,506**	**8,270**	**4,494**	**21,270**
Carrying amounts				
At 31/12/2017	**2,689**	**417**	**3,463**	**6,569**
At 31/12/2016	870	1,120	2,524	4,514

12. Investments in Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
K.P.B. Group Holdings Limited	British Virgin Islands ("BVI")/Hong Kong	Ordinary US$12	100%	–	Investment holding
K.P.B. Trading Limited	BVI/Hong Kong	Ordinary US$4	–	100%	Investment holding
K.P.B. – T.C. Holdings Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
K.P.B. Asset Holdings Limited	BVI/Hong Kong	Ordinary US$6	–	100%	Investment holding
K.P.B. Marketing Limited	BVI/Hong Kong	Ordinary US$2	–	100%	Investment holding
K.P.I. Convenience Retail Company Limited	BVI/Hong Kong	Ordinary US$76,563	–	100%	Investment holding
K.P. Financial Group Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
Charter Merit Limited	Hong Kong	2 ordinary shares	–	100%	Holding of a club membership
Charter Paradise Limited	Hong Kong	2 ordinary shares	–	100%	Holding of a club membership
Sky High Finance Company Limited	Hong Kong	100 ordinary shares	–	51%	Not yet commenced business
K.P.A. Company Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Dormant
K.P.I. Development Limited	Hong Kong	2 ordinary shares and 10,000 non-voting deferred shares	–	100%	Securities trading
K.P.I. Industries Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Investment holding
K.P.I. International Trading Company Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Holding of a club membership and securities trading
KP Property Agents Company Limited (formerly known as "K.P.I. Property Investment Company Limited")	Hong Kong	2 ordinary shares	–	100%	Investment holding

12. Investments in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
KP Financial Holdings Limited	Hong Kong	1 ordinary share	–	100%	Investment holding
QL Credit Gain Finance Company Limited (formerly known as "KP Financial Services Limited")	Hong Kong	1 ordinary share	–	100%	Money lending
KP Credit Gain Finance Company Limited (formerly known as "QL Finance Company Limited")	Hong Kong	1 ordinary share	–	100%	Money lending
Qian Long Assets Management Company Limited	Hong Kong	5,000,000 ordinary shares	–	100%	Assets management services
Golden Bauhinia Investment Holdings Co., Ltd	Hong Kong	1,000,000 ordinary shares	–	100%	Investment holding
北京華夏興業融資擔保有限公司 (note a)	The PRC	Registered capital RMB300,000,000	100%	–	Provision of loan guarantee services and financing consultancy services
北京中嘉利通商貿有限公司 (note b)	The PRC	Registered capital RMB30,000,000	–	100%	Investment holding
北京中港佳鄰商業有限公司 (note c)	The PRC	Registered capital US$13,000,000	–	100%	Provision of financing consultancy services
北京中金投財務諮詢有限公司 (note d)	The PRC	Registered capital US$300,000	–	100%	Provision of financing consultancy services
北京中金港資產管理有限公司 (note e)	The PRC	Registered capital RMB200,000,000	–	100%	Provision of financing consultancy services
北京中金投典當行有限公司 (note f)	The PRC	Registered capital RMB150,000,000	–	100%	Money lending
北京惠豐融金小額貸款有限公司 (note g)	The PRC	Registered capital RMB50,000,000	–	70%	Micro-lending
北京中金城開小額貸款有限公司 (note h)	The PRC	Registered capital RMB400,000,000	80%	–	Micro-lending
上海安金金融信息服務有限公司 (note i)	The PRC	Registered capital RMB500,000	–	100%	Provision of financing consultancy services
北京融信嘉資產管理有限公司 (note j)	The PRC	Registered capital RMB50,000,000	–	100%	Provision of financing consultancy services
北京中金投商業經紀有限公司 (note k)	The PRC	Registered capital RMB500,000	–	100%	Provision of rental services
北京朗明格諮詢有限公司 (note l)	The PRC	Registered capital RMB27,500,000	–	100%	Provision of financing consultancy services

12. Investments in Subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Qian Long Capital	Cayman Islands/ Hong Kong	Ordinary US$1	–	100%	Investment manager
Fosun Hani Kronos Credit Fund SP (the "Fund") (note m)	Cayman Islands/ Hong Kong	N/A	–	81.6%	Fund investment
中金恒豐(北京)科技服務有限公司 (note n)	The PRC	Registered capital RMB10,000,000	–	70%	Micro-lending
成都市武侯惠信小額貸款有限責任公司 (note o)	The PRC	Registered capital RMB300,000,000	–	90%	Micro-lending
Noble Lion Education Company Limited	Hong Kong	1 ordinary share	100%	–	Investment holding
Brick Lane Education Company Limited	Hong Kong	10 ordinary shares	–	60%	Not yet commenced business
Access Global Education Enterprise Limited	Hong Kong	1,000 ordinary shares	–	60%	Investment holding
Access (UK) Education Limited	United Kingdom	100 ordinary shares	–	60%	Provision of education services
Brilliant Star Capital (Cayman) Limited	Cayman Islands/ Hong Kong	Ordinary HK$0.1	–	100%	Investment holding
Brilliant Star Capital (BVI) Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
Brilliant Star Capital Limited	Hong Kong	350,000,000 ordinary shares	–	100%	Investment holding

12. Investments in Subsidiaries *(Continued)*

Notes:

a) 北京華夏興業融資擔保有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to June 2031.

b) 北京中嘉利通商貿有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 15 years up to March 2023.

c) 北京中港佳鄴商業有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to March 2028.

d) 北京中金投財務諮詢有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to December 2030.

e) 北京中金港資產管理有限公司(“中金港” or “Zhongjingang”) is a limited liability company established in the PRC.

f) 北京中金投典當行有限公司(“典當行”) is a limited liability company established in the PRC.

g) 北京惠豐融金小額貸款有限公司(“惠豐小貸”) is a limited liability company established in the PRC.

h) 北京中金城開小額貸款有限公司 is a sino-foreign enterprise established in the PRC.

i) 上海安金金融信息服務有限公司 is a limited liability company established in the PRC.

j) 北京融信嘉資產管理有限公司(“融信嘉” or “Rongxinjia”) is a limited liability company established in the PRC.

k) 北京中金投商業經紀有限公司 is a limited liability company established in the PRC.

l) 北京朗明格諮詢有限公司 is a limited liability company established in the PRC.

m) The directors of the Company consider that the Group has a control over the Fund since

(1) the Group involves as investment manager;

(2) the Group is acting as a principal in the Fund;

(3) no substantial removal rights held by other parties may remove the Group as an investment manager;

(4) the investment interests held together with its remuneration from servicing and managing the Fund creates significant exposure to the variability of returns in the Fund.

n) 中金恒豐(北京)科技服務有限公司 is a limited liability company established in the PRC.

o) 成都市武侯惠信小額貸款有限責任公司 is a limited liability company established in the PRC.

12. Investments in Subsidiaries *(Continued)*

The following table lists out the information relating to 北京中金城開小額貸款有限公司, the subsidiary of the Group which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	北京中金城開小額貸款有限公司	
	2017	2016
	HK$'000	HK$'000
NCI percentage	**20%**	20%
Current assets	**799,855**	625,283
Non-current assets	**473**	738
Current liabilities	**(226,032)**	(112,873)
Non-current liabilities	**–**	–
Net assets	**574,296**	513,148
Carrying amount of NCI	**114,859**	102,630
Revenue	**126,034**	100,696
Profit for the year	**82,047**	67,317
Total comprehensive income	**120,750**	32,942
Profit allocated to NCI	**16,409**	13,463
Dividend paid to NCI	**11,920**	4,026
Cash flows from operating activities	**(113,276)**	(95,498)
Cash flows from investing activities	**(1,374)**	(682)
Cash flows from financing activities	**77,988**	65,201

13. Goodwill

	HK$'000
Cost and carrying amount	
At 1 January 2016	616,316
Exchange adjustment	(39,086)
At 31 December 2016 and 1 January 2017	577,230
Acquisition of Access Global (note 40(b))	17,781
Exchange adjustment	40,466
At 31 December 2017	635,477

Goodwill has been allocated for impairment testing purposes to the following CGUs.

– Financing business in Beijing, PRC ("Division A")

– Education business in United Kingdom ("Division B")

The carrying amounts of goodwill as at 31 December 2017 and 2016 allocated to these units are as below:

	2017	2016
	HK$'000	HK$'000
Division A	**617,696**	577,230
Division B	**17,781**	–
	635,477	577,230

13. Goodwill *(Continued)*

Division A

The recoverable amount of the CGU is determined based on the value in use calculations, which are based on a business valuation report on the CGU prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited (2016: Peak Vision Appraisals Limited). These calculations use cash flow projections based on financial budgets approved by management covering a three-year period (2016: three-year period). Cash flows beyond the three-year period (2016: three-year period) are extrapolated using an estimated growth rate stated below which is by reference to the forecasts based on the funds available for the Group's loan financing business and does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using the discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash-generating unit.

Key assumptions used for the value-in-use calculations are as follows:

	2017	2016
Growth rate	**3%**	3%
Gross margin	**85%**	86%
Discount rate	**15.29%**	15.35%

Management determined the budgeted gross margin based on past performance and its expectation for market development.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

13. Goodwill *(Continued)*

Division B

The recoverable amount of the CGU is determined based on the value in use calculations, which are based on a business valuation report on the CGU prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate stated below which is by reference to the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using the discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash-generating unit.

Key assumptions used for the value-in-use calculations are as follows:

	2017
Growth rate	**2%**
Earnings before interest and tax ("EBIT") margin	**58%**
Discount rate	**14.67%**

Management determined the budgeted EBIT margin based on past performance and its expectation for market development.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

14. Intangible Assets

	Tradenames
	HK$'000
Cost	
At 1 January 2017	–
Addition (Note 40(c))	19,371
At 31 December 2017	19,371
Carrying amount	
At 31 December 2017	19,371
At 31 December 2016	–

The tradenames have been considered to have indefinite lives because they are expected to contribute to the net cash flows of the Group indefinitely, and are not amortised.

15. Interest in An Associate

The following list contains the particulars of the associate, which is an unlisted corporate entity whose quoted market price is not available.

			Proportion of ownership interest		
Name of associate	Place of incorporation and business	Particulars of registered capital	Group's effective interest	Held by the Company	Principal activity
北京中匯豐源融資租賃有限公司 (see note below)	The PRC	Registered capital USD10,000,000	25%	25%	Not yet commence operation

Note: 北京中匯豐源融資租賃有限公司 is established in the PRC in the form of sino-foreign equity enterprise.

The Company shall contribute an amount of US$2,500,000 as its capital contribution, representing 25% equity interest in the associate. As at 31 December 2017 and 2016, the Company had contributed US$500,000 (equivalent to approximately HK$3,900,000). The Company has an obligation to settle the remaining amount of US$2,000,000 (equivalent to approximately HK$15,600,000).

The above associate is accounted for using the equity method in the consolidated financial statements.

15. Interest in An Associate *(Continued)*

Financial information about the Group's interest in the above associate, that is not material, is disclosed below:

	北京中匯豐源融資租賃有限公司 2017 HK$'000	2016 HK$'000
Carrying amount of the associate in the consolidated financial statements	**3,706**	3,467
Amounts of the Group's share of this associate's loss for the year	**(3)**	(2)
Other comprehensive income/(loss) for the year	**242**	(236)
Total comprehensive income/(loss) for the year	**239**	(238)

16. Available-for-Sale Investments

	2017 HK$'000	2016 HK$'000
Equity securities listed in Hong Kong, at fair value	**11,860**	24,356
Debt securities listed in Hong Kong, at fair value	**52,270**	–
Unlisted investment funds in PRC, at fair value	**29,908**	–
Unlisted investments:		
– Golf club memberships, at cost	**1,903**	1,903
– Marina club membership, at cost	**3,100**	–
Total	**99,041**	26,259

As at 31 December 2017 and 2016, the Group's investments in golf club memberships and marina club membership were not stated at fair value but at cost because it did not have a quoted market price in an active market and the fair value cannot be reliably measured. No impairment is recognised during the years ended 31 December 2017 and 2016 since there is no objective evidence that investments in golf club memberships and marina club membership were impaired.

17. Financial Assets at Fair Value Through Profit or Loss

a) *Financial assets at fair value through profit or loss*

	2017 HK$'000	2016 HK$'000
Equity linked note ("ELN") at fair value – held-for-trading		
– Unlisted outside Hong Kong	–	17,817
	–	17,817

b) *Contingent consideration receivable*

Contingent consideration receivable represented the profit guarantee arising from the acquisition of Access Global Education Enterprise Limited and its subsidiary (collectively referred as the "Access Global Group") during the year ended 31 December 2017 as detailed in Note (i) below. The contingent consideration receivable is measured at fair value at the end of the reporting period. The movement of the fair value of contingent consideration receivable is as follows:

	2017 HK$'000
At fair value	
At 1 January	–
Arising from acquisition of subsidiaries (Note 40(b))	3,366
Fair value change	(2,096)
At 31 December	1,270

Note:

(i) Pursuant to the sale and purchase agreement, the profit guarantee amount of each anniversary date for the period from 1 July 2017 to 30 June 2020 is not less than British Pound ("GBP") 350,000, GBP450,000 and GBP500,000, respectively.

The fair value of the contingent consideration receivable as at 31 December 2017 is based on the valuation performed by Peak Vision Appraisals Limited, an independent professional valuer not connected with the Group.

18. Loans Receivable

	2017 HK$'000	2016 HK$'000
Pawn loans receivable	**372,925**	255,281
Loans receivable arising from:		
– Micro-lending	**1,028,787**	635,566
– Money-lending	**712,383**	273,986
Other loans receivable	**2,599,499**	2,427,716
	4,713,594	3,592,549
Less: Allowances for doubtful debts		
– Collectively assessed	**(13,206)**	(8,920)
– Individually assessed	**(24,873)**	–
	(38,079)	(8,920)
	4,675,515	3,583,629
Amounts due within one year included under current assets	**4,216,901**	3,549,974
Amounts due after one year included under non-current assets	**458,614**	33,655
	4,675,515	3,583,629

Notes:

i) Approximately HK$3,976,001,000 (net of allowances for doubtful debts) (2016: HK$3,309,643,000 (net of allowance for doubtful debts)) of the Group's loans receivable were arising from the PRC and are denominated in RMB. The loans receivable in the PRC carry interest plus service charge at a monthly effective rate of 0.24% to 4.29% (2016: 1.0% to 4.3%), and the loans receivable in Hong Kong carry interest at a monthly effective rate of 0.18% to 4.46% (2016: 0.6% to 3.0%). As at 31 December 2017 and 2016, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the loans receivable.

ii) A typical loan generally has a term of 1 days to 30 years (2016: 15 days to 15 years).

18. Loans Receivable *(Continued)*

a) *Maturity profile*

As at the end of the reporting period, the maturity profile of loans receivable, based on maturity date, is as follows:

	2017					2016				
	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Other loans receivable HK$'000	Total HK$'000	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Other loans receivable HK$'000	Total HK$'000
Due within 1 month or on demand	34,193	18,855	124,579	471,125	648,752	11,170	46,897	73,265	883,662	1,014,994
Due after 1 month but within 3 months	66,036	176,275	8,431	347,405	598,147	4,036	41,465	57,890	337,269	440,660
Due after 3 months but within 6 months	40,255	294,459	78,798	617,232	1,030,744	60,592	133,246	41,400	308,528	543,766
Due after 6 months but within 12 months	232,441	460,418	120,296	1,163,737	1,976,892	179,483	409,934	71,800	898,257	1,559,474
Due after 12 months	–	78,780	380,279	–	459,059	–	4,024	29,631	–	33,655
Allowances for doubtful debts	(3,729)	(10,371)	(23,979)	–	(38,079)	(2,553)	(6,367)	–	–	(8,920)
	369,196	1,018,416	688,404	2,599,499	4,675,515	252,728	629,199	273,986	2,427,716	3,583,629

Details on the Group's credit policy are set out in note 43(a).

b) *Impairment of loans receivable*

Impairment losses in respect of loans receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loans receivable directly (see note 2(l)(i)).

The movements in allowances for doubtful debts during the year is as follows:

	2017			2016		
	Collectively assessed HK$'000	Individually assessed HK$'000	Total HK$'000	Collectively assessed HK$'000	Individually assessed HK$'000	Total HK$'000
At 1 January	8,920	–	8,920	7,085	5,500	12,585
Impairment loss recognised	3,787	25,457	29,244	2,385	4,262	6,647
Reversal of impairment losses	(213)	–	(213)	–	–	–
Uncollectible amounts written off	–	(713)	(713)	–	(9,762)	(9,762)
Exchange adjustment	712	129	841	(550)	–	(550)
At 31 December	13,206	24,873	38,079	8,920	–	8,920

18. Loans Receivable *(Continued)*

b) *Impairment of loans receivable (Continued)*

At 31 December 2017, loans receivable of HK$24,873,000 (2016: HK$nil) were individually determined to be impaired. The individually impaired receivables related to customers that refused to pay and the Group has taken legal actions against them, and management assessed that the recoverability is doubtful. Consequently, specific allowances for doubtful debts of HK$25,457,000 (2016: HK$4,262,000) were recognised in profit or loss and an amount of HK$713,000 (2016: HK$9,762,000) was written off as uncollectible.

c) *Analysed by credit quality*

	2017					2016				
	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Other loans receivable HK$'000	Total HK$'000	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Other loans receivable HK$'000	Total HK$'000
Loans receivable that are not impaired										
– Neither past due nor impaired	–	–	655,013	2,599,499	3,254,512	–	–	210,700	2,292,992	2,503,692
– Less than 1 month past due	–	–	6,342	–	6,342	–	–	–	132,377	132,377
– 1 to 3 months past due	–	–	4,629	–	4,629	–	–	–	–	–
– Over 3 months past due	–	–	22,420	–	22,420	–	–	63,286	2,347	65,633
	–	–	688,404	2,599,499	3,287,903	–	–	273,986	2,427,716	2,701,702
Loans receivable that are impaired collectively and individually										
– Not past due	372,925	1,027,260	–	–	1,400,185	255,281	633,889	–	–	889,170
– Less than 1 month past due	–	164	–	–	164	–	1,118	–	–	1,118
– 1 to 3 months past due	–	202	–	–	202	–	559	–	–	559
– Over 3 months past due	–	1,161	23,979	–	25,140	–	–	–	–	–
– Allowances for doubtful debts	(3,729)	(10,371)	(23,979)	–	(38,079)	(2,553)	(6,367)	–	–	(8,920)
	369,196	1,018,416	–	–	1,387,612	252,728	629,199	–	–	881,927
Total	369,196	1,018,416	688,404	2,599,499	4,675,515	252,728	629,199	273,986	2,427,716	3,583,629

Loans receivable that were neither past due nor impaired relate to recognised and creditworthy 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 customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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.

19. Accounts Receivable

	2017 HK$'000	2016 HK$'000
Accounts receivable	**5,605**	13,428

All of the Group's accounts receivable were arising from the PRC and are denominated in Renminbi ("RMB") and are expected to be recovered within one year.

i) Ageing analysis

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

	2017 HK$'000	2016 HK$'000
Within 1 month	**4,662**	8,753
1 to 3 months	**891**	4,613
3 to 6 months	**52**	62
Over 6 months	**–**	–
	5,605	13,428

Accounts receivable are due within 30 days from the date of billing. Further details on the Group's credit policy are set out in the note 43(a).

19. Accounts Receivable *(Continued)*

ii) Accounts receivable that are not impaired

	2017	2016
	HK$'000	HK$'000
Neither past due nor impaired	**4,662**	8,753
Less than 1 month past due	**605**	4,055
1 to 3 months past due	**338**	592
4 to 6 months past due	**–**	28
	5,605	13,428

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

Accounts receivable that was past due but not impaired relates to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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.

20. Interests Receivable

	2017	2016
	HK$'000	HK$'000
Interests receivable	**17,989**	11,615

Approximately HK$9,362,000 (2016: HK$6,822,000) of the Group's interests receivable were arising from the PRC and are denominated in RMB. All of the interests receivable are expected to be recovered within one year.

20. Interests Receivable *(Continued)*

i) Ageing analysis

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

	2017	2016
	HK$'000	HK$'000
Within 1 month	**11,294**	8,584
1 to 3 months	**2,327**	1,093
3 to 6 months	**1,223**	154
Over 6 months	**3,145**	1,784
	17,989	11,615

Interests receivable are due within 30 days from the date of billing (or on maturity date of loans receivable according to the relevant loan agreements).

ii) Interests receivable that are not impaired

	2017	2016
	HK$'000	HK$'000
Neither past due nor impaired	**10,541**	8,584
Less than 1 month past due	**1,958**	572
1 to 3 months past due	**1,188**	572
4 to 6 months past due	**1,157**	103
Over 6 months past due	**3,145**	1,784
	17,989	11,615

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

Interests receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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.

21. Other Receivables, Deposits and Prepayments

	2017 HK$'000	2016 HK$'000
Non-current		
Deposits (note a)	**70,000**	–
Current		
Other receivables	**45,016**	27,242
Amounts due from related parties (note 41(c)(i))	**359**	335
Amounts due from non-controlling interests (note b)	**7,377**	6,894
	52,752	34,471
Prepayments	**22,522**	9,028
Utility and sundry deposits (note c)	**5,695**	2,885
	80,969	46,384

a) The amount represents the deposits for the acquisitions of certain companies which are engaged in money lending business in the PRC and engaged in properties holding and provision of services in Hong Kong.

b) The maximum outstanding balance due from non-controlling interests during the year was HK$7,377,000 (2016: HK$10,752,000).

c) The amount of utility and sundry deposits expected to be recovered or recognised as expense after more than one year is HK$2,958,000 (2016: HK$2,029,000). Except for the non-current deposits, all of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

22. Pleged Bank and Security Deposits Paid

a) As at 31 December 2017, deposits of HK$18,190,000 are pledged to a bank to secure bank loans and banking facilities granted to the Company and the Group. The interest rates on the deposits are ranging from Hong Kong Interbank Offered Rate ("HIBOR") +2.75% to HIBOR+4.00% per annum.

b) Security deposits of RMB655,000 (equivalent to approximately HK$784,000) (2016: RMB4,128,000 (equivalent to approximately HK$4,615,000)) are placed by the Group with the financial institutions according to the requirements of the financial institutions for credit guarantees that the Group provides to third parties for their borrowings from the financial institutions.

c) All of the security deposits paid as at 31 December 2017 and 2016 are expected to be recovered within one year.

23. Cash and Cash Equivalents and Time Deposits

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents in the consolidated statements of financial position and cash flows:		
Cash at financial institutions and on hand	662,740	273,291
Time deposits with original maturity over three months	72,370	–

a) Deposits with financial institutions carry interest at market rates ranging from 0.01% to 1.65% (2016: 0.01% to 0.35%) per annum.

b) Cash at financial institutions as at 31 December 2017 include HK$383,874,000 (2016: HK$201,195,000) placed with financial institutions in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

23. Cash and Cash Equivalents and Time Deposits *(Continued)*

c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Short-term borrowings and other payables $'000	**Bank loans** $'000	**Senior bonds** $'000	**Unsecured bonds** $'000	**Amount due to an accociate** $'000	**Financial derivatives** $'000	**Total** $'000
At 1 January 2017	580,191	77,076	334,187	263,966	2,942	1,032	1,259,394
Changes from financing cash flows:							
Proceeds from new short-term borrowings and other payables	2,486,169	–	–	–	–	–	2,486,169
Repayment of short-term borrowings and other payables	(1,893,472)	–	–	–	–	–	(1,893,472)
Proceeds from new bank loans	–	198,728	–	–	–	–	198,728
Repayment of bank loans	–	(69,364)	–	–	–	–	(69,364)
Proceeds from new unsecured bonds	–	–	–	64,133	–	–	64,133
Repayment to an associate	–	–	–	–	(23)	–	(23)
Bank loans interest and other interests paid	(18,820)	(5,840)	(22,134)	(19,419)	–	–	(66,213)
Redemption of unsecured bonds	–	–	–	(3,900)	–	–	(3,900)
Total changes from financing cash flows	573,877	123,524	(22,134)	40,814	(23)	–	716,058
Exchange adjustments	51,036	7,116	23,665	–	206	–	82,023
Changes in fair value							
Gain on fair value change of financial derivatives	–	–	–	–	–	(728)	(728)
Other changes:							
Interest expenses	39,749	5,840	29,381	25,874	–	–	100,844
At 31 December 2017	1,244,853	213,556	365,099	330,654	3,125	304	2,157,591

24. Short-Term Borrowings and Other Payables

	Note	2017 HK$'000	2016 HK$'000
Borrowings under contractual agreements with:			
– 找銀子	24(a)	**1,678**	1,883
– 理理貸	24(b)	**790,521**	347,379
– 小微財行	24(c)	**196,455**	172,117
Borrowings from employees	24(d)	**11,764**	3,034
Borrowings from shareholders	41(c)(ii)	**146,108**	8,004
Borrowings from a money lending licensed corporation	24(e)	**–**	15,299
Borrowings from securities companies	24(f)	**–**	3,359
Borrowings from related companies	24(g)	**90,631**	–
Other payables	24(h)	**7,696**	29,116
		1,244,853	580,191

a) In 2014, Zhongjingang and Rongxinjia, both of which are subsidiaries of the Company, separately entered into a strategic cooperation agreement with an independent third party, which would establish and operate online lending platform (namely, "找銀子" or "Zhaoyinzi"), in the launch of internet finance so as to invite investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 31 December 2017, the borrowings under this platform amounted to approximately HK$1,678,000 (2016: HK$1,883,000), which bore a finance cost measured at an annualised rate of 9% (2016: 11.5%) and were secured by certain of loans receivable of approximately HK$1,675,000 (2016: HK$1,565,000).

The amount of finance costs incurred during the year amounting to HK$65,000 (2016: HK$12,066,000) is included in interest and handling expenses (note 3(a)).

24. Short-Term Borrowings and Other Payables *(Continued)*

b) During the year ended 31 December 2015, the Group entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform (namely, "理理貸" or "Li Li Dai"), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 31 December 2017, the borrowings under this platform amounted to approximately HK$790,521,000 (2016: HK$347,379,000), which bore a finance cost measured at an annualised rate of ranged from 8% to 9.1% (2016: 7.5% to 11%) and were secured by certain of loans receivable of approximately HK$547,906,000 (2016: HK$346,558,000).

The amount of finance costs incurred during the year amounting to HK$6,333,000 (2016: HK$2,868,000) is included in interest and handling expenses (note 3(a)).

c) During the year ended 31 December 2016, Zhongjingang and Rongxinjia entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform (namely, "小微財行" or "Xiaoweicaihang"), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regards, the Group shall assign all its right and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 31 December 2017, the borrowings under this platform amounted to approximately HK$196,455,000 (2016: HK$172,117,000), which bore a finance cost measured at an annualized rate of a range from 8% to 9% (2016: 8% to 11.5%) and were secured by certain of loans receivable of approximately HK$207,003,000 (2016: HK$182,974,000).

The amount of finance costs incurred during the year amounting to HK$16,449,000 (2016: HK$13,585,000) is included in interest and handling expense (note 3(a)) .

d) During the years ended 31 December 2017 and 2016, the Group borrowed funds from its employees (together with their relatives or friends, the "Employees") based in Hong Kong for the development of its money lending business. As at 31 December 2017, the borrowings from the Employees amounted to approximately HK$11,764,000 (2016: HK$3,034,000), which bore a finance cost measured at an annualised rate of 5.5% to 7.5% (2016: 7.5%), were repayable within one year and not secured by any assets or guarantees.

The amount of finance costs incurred during the year amounting to HK$225,000 (2016: HK$515,000) is included in interest and handling expenses (note 3(a)).

24. Short-Term Borrowings and Other Payables *(Continued)*

e) As at 31 December 2016, the loan bore interest at 7% per annum, was repayable on 18 September 2017 and secured by corporate guarantee provided by the Company. During the year ended 31 December 2017, such loan has been fully repaid.

f) As at 31 December 2016, borrowings from securities companies bore interest at a range of 1.79% to 1.81% per annum, were repayable within one month and secured by legal charges over certain of available-for-sale investments of HK$7,440,000 (as included in "available-for-sale investments (note 16)) and equity linked note of HK$17,817,000 (as included in "Financial assets at fair value through profit or loss" (note 17)) held by the Group in an account maintained with these securities companies. As at 31 December 2017, such borrowings have been fully repaid.

g) During the year ended 31 December 2017, the Group borrowed funds from Geston Limited and South Asian Power Investment Limited, related parties of the Group. Cheung Siu Lam, a director of the Company, controls those companies. As at 31 December 2017, the borrowings from the related parties amounted to approximately HK$30,000,000 (2016: HK$nil) and HK$60,631,000 (2016: HK$nil) respectively, which bore a finance cost measured at annualized rate of 4.8%, were repayable within one year and not secured by any assets or guarantees.

The amount of finance costs incurred during the year amounted to HK$631,000 is included in interest and handling expenses (note 3(a)).

h) Other payables represents third party interests in consolidated structured entity, which consists of third-party unit/shareholders' interests in consolidated structured entity which are reflected as a liability since they can be redeemed for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entity cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment fund that are subject to the actions of third-party unit holders.

The amount of finance costs incurred during the year amounting to HK$1,089,000 (2016: HK$967,000) is included in interest and handling expenses (note 3(a)).

i) The short-term borrowings of approximately HK$988,654,000 (2016: HK$521,379,000) were arising from the PRC and are denominated in RMB.

j) All short-term borrowings are carried at amortised cost.

25. Bank Loans

At the end of the reporting period, the bank loans of the Group were repayable as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year or on demand	**213,556**	77,076

At the end of the reporting period, the bank loans were secured as follows:

	Note	2017 HK$'000	2016 HK$'000
Bank loans			
– secured by Sinoguarantee's guarantee	(i)	**–**	67,076
– secured by the Group's loan receivable	(ii)	**30,000**	–
– secured by an independent third party's guarantee	(iii)	**143,556**	–
– secured by the Company's corporate guarantee	(iv)	**20,000**	10,000
– secured by the subsidiary's corporate guarantee and pledged deposit	(v)	**20,000**	–
		213,556	77,076

The ranges of effective interest rates on the Group's bank loans are as follows:

	2017 %	2016 %
Effective interest rates:		
Bank loans	**4.79%-5.29% per annum**	4.79%-5.29% per annum

Notes:

i) As at 31 December 2016, a bank loan of HK$67,076,000 was secured by Sinoguarantee's guarantee. The Company, Guan Xue Ling, a director of the Company, Lu Wei Jun, a senior management of the Group, and certain subsidiaries provided counter-guarantee to Sinoguarantee. In addition, approximately HK$13,415,000 loans receivable and 37.5% of equity interest in 北京中金城開小額貸款有限公司, a subsidiary of the Company, were pledged to Sinoguarantee.

ii) As at 31 December 2017, a bank loan of HK$30,000,000 were secured by loans receivable of HK$120,424,000, security deposit of HK$214,000 and corporate guarantee provided by the Company.

25. Bank Loans *(Continued)*

Notes: *(Continued)*

iii) As at 31 December 2017, the bank loans of approximately HK$143,556,000 were secured by a guarantee provided by a guarantor, an independent third party. The Company, Guan Xue Ling, a director of the Company, Lu Wei Jun, a senior management of the Group, and certain subsidiaries provided counter-guarantee to the guarantor. In addition, approximately HK$200,911,000 loans receivable and 60% of equity interest in 北京中金城開小額貸款有限公司, a subsidiary of the Company, were pledged to the guarantor.

iv) As at 31 December 2017, a bank loan of HK$20,000,000 (2016: HK$10,000,000) was secured by corporate guarantee provided by the Company.

v) As at 31 December 2017, a bank loan of HK$20,000,000 was secured by corporate guarantee provided by a subsidiary and the pledged bank deposit of HK$17,976,000.

vi) The bank loans of approximately HK$143,556,000 (2016: HK$67,076,000) were obtained in the PRC and denominated in RMB.

vii) All of the bank loans are carried at amortised cost.

viii) All of the bank loans are repayable on demand clause according to the banking facilities.

ix) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 43(b). As at 31 December 2017, none of the covenants relating to the bank loans had been breached (2016: Nil).

26. Security Deposits Received

Security deposits received refer to deposits received from customers as collateral for loan facilities granted by the Group. These deposits, which are denominated in RMB and HKD, are interest-free, and will be returned to customers after the relevant loan agreements expire.

27. Accruals and Other Deposits Received

	2017 HK$'000	2016 HK$'000
Accrued salaries, wages and other benefits	**2,130**	1,313
Accrued expenses	**4,228**	5,055
Dividend payable	**731**	709
Deposit received from a guarantor (see note (b) below)	**–**	8,385
Rental and other deposits received	**–**	39
VAT and other tax payables	**18,748**	14,518
Others	**6,456**	4,022
	32,293	34,041

Notes:

(a) All of the accruals and other deposit received are expected to be settled or recognised as income within one year or are repayable on demand.

(b) The balance represents deposits paid by a guarantor as collateral for loan facilities granted to the Group's customers.

28. Liabilities Arising from Loan Guarantee Contracts

	2017 **HK$'000**	2016 HK$'000
Provision for guarantee losses	**134**	–

Movement analysis of provision for guarantee losses

	2017		
	Undue liability provision (note i) **HK$'000**	**Guarantee compensation provision** (note ii) **HK$'000**	**Total** **HK$'000**
At 1 January	**–**	**–**	**–**
Credited to profit or loss for the year	**50**	**84**	**134**
Exchange adjustment	**–**	**–**	**–**
At 31 December	**50**	**84**	**134**

Notes:

i) Pursuant to Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies, a financial guarantee company shall provide 50% of its guarantee income in the year it derived, as undue liability provision (“未到期責任準備金”).

ii) Pursuant to Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies, a financial guarantee company shall provide no less than 1% of the year-end balance of the guarantee liability in the year it arose as guarantee compensation provision (“擔保賠償準備金”).

29. Amount Due to An Associate

The amount is unsecured, interest free and repayable on demand.

30. Financial Derivatives

As at 31 December 2017, the Group has an outstanding equity decumulator contract (2016: one forward foreign exchange accumulator contract) with maturity date on 3 July 2018 (2016: 11 December 2017).

Based on the decumulator contract, the Group has an obligation to sell a specified number of the equity security ("Equity Security") every day up to the maturity date at the strike price if the stock price is lower than the predetermined forward price, and sell twice the specified number of the Equity Security every day up to the maturity date if such stock price is higher than the predetermined forward price. The counterparty financial institution can terminate the contract when the market price of the underlying equity securities is lower than a knock-out price set out in the relevant contract. The Group has sufficient number of Equity Securities to fulfil these decumulator contracts.

Based on the forward foreign exchange accumulator contract, the Group has an obligation to buy a specified amount of the Australian Dollars ("AUD") at specific date every month (the "Valuation Date") up to the maturity date at the strike price if the foreign currency exchange rate at the Valuation Date is higher than the predetermined exchange rate, and buy twice the specified amount of the AUD at specific date every month up to the maturity day if such foreign currency rate at the Valuation Date is lower than the predetermined exchange rate. The counterparty financial institution can terminate the contract when the exchange rate of the underlying foreign currency is higher than a knock-out price set out in the relevant contract.

The Group relies on the valuation provided by an independent professional valuer, Peak Vision Appraisals Limited, to determine the fair value of the derivative financial instruments which is based on Monte Carlo Simulation model. The key inputs applied to the valuation are time to maturity, knock-out probability, expected volatility, spot price of the underlying asset, risk free rate and the expected return rate. For the forward foreign exchange accumulator contract, the key inputs applied to the valuation are time to maturity, knock-out probability, expected volatility, spot exchange rate of the underlying foreign currency, risk free rate, expected return rate and the discount rate. The fair value of the derivative financial instrument for the contract as at 31 December 2017 is approximately HK$304,000 (2016: HK$1,032,000), which was recognised in the consolidated statement of financial position.

As at 31 December 2017, the contract was secured by legal charges over certain of available-for-sale investments of HK$5,288,000 (as included in "Available-for-sale investments" (note 16)), (2016: available-for-sale investments of HK$4,142,000 (as included in "Available-for-sale investments" (note 16)) and equity linked note of HK$17,817,000 (as included in "Financial assets at fair value through profit or loss" (note 17(a))) held by the Group in an account maintained with the relevant financial institution.

31. Deferred Taxation

a) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follow:

Deferred tax arising from:	**Accrued expenses** HK$'000	**Withholding tax** HK$'000	**Total** HK$'000
At 1 January 2016	–	6,770	6,770
Charged to profit or loss (note 6(a))	–	(2,684)	(2,684)
Exchange adjustment	–	(317)	(317)
At 31 December 2016 and 1 January 2017	–	3,769	3,769
Charged to profit or loss (note 6(a))	(2,622)	16,073	13,451
Exchange adjustment	658	823	1,481
At 31 December 2017	(1,964)	20,665	18,701

The analysis of deferred tax assets is as follows:

	2017 **HK$'000**
Deferred tax assets:	
– Deferred tax asset to be recovered after more than 12 months	**–**
– Deferred tax asset to be recovered within 12 months	**1,964**
	1,964

b) *Deferred tax assets not recognised*

Deferred tax assets in respect of the unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits against which the unused tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

The Group has not recognised deferred tax assets in respect of the cumulative tax losses of HK$250,702,000 (2016: HK$216,478,000) for its Hong Kong incorporated subsidiaries due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation.

31. Deferred Taxation *(Continued)*

c) Deferred tax liabilities not recognised

At 31 December 2017, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was HK$523,877,000 (2016: HK$1,124,680,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. Senior Bonds

On 5 March 2015, a subsidiary of the Company issued the 3-year senior guaranteed bonds ("Senior Bonds") at 99.33% in an aggregate nominal value of RMB300,000,000 which will mature on 5 March 2018. The bonds carry interest at the coupon rate of 6.5% per annum. The interest is payable semi-annually in arrears on 5 March and 5 September each year.

The Senior Bonds are unconditionally and irrevocably guaranteed, jointly and severally, by the Company and Sinoguarantee.

Below collaterals were provided to Sinoguarantee:

– Mr. Cheung Siu Lam, the Company's controlling shareholder, has entered into a share charge in favour of Sinoguarantee, pursuant to which Mr. Cheung Siu Lam has pledged 750 million shares he owns in the Company to Sinoguarantee;

– the Group has entered into a share charge in favour of Sinoguarantee, pursuant to which it has pledged all of its shareholdings in Zhongjingang, a wholly-owned subsidiary of the Company, to Sinoguarantee; and

– Zhongjingang, Rongxinjia, 惠豐小貸 and 典當行, all of which are subsidiaries of the Company, have each entered into an agreement to pledge certain receivables to Sinoguarantee of approximately HK$538,335,000 as at 31 December 2017 (2016: HK$503,793,000).

The directors of the Company considered that no derivatives were embedded in the Senior Bonds and it is appropriate to use amortised cost to record the Senior Bonds in the consolidated statement of financial position. The Senior Bonds are settled on 5 March 2018.

33. Unsecured Bonds

The Company issued unlisted and unsecured bonds. The details of the due date and coupon rate per annum are shown as below table. All of unsecured bonds are carried at amortised cost. The unsecured bonds are subject to the fulfillment of covenants relating to certain financial ratios, as are commonly found in leading arrangements. If the Group were to breach the covenants, unsecured bonds would become payable on demand. The Group regularly monitors it compliance with these covenants. At 31 December 2017 and 2016, none of the covenants relating to the unsecured bonds had been breached.

	Coupon rate per annum	2017 HK$'000	2016 HK$'000
Current liabilities			
Unsecured bonds of HK$3,900,000 due 2017 (issued in 2016)	4.25%	–	3,813
Unsecured bonds of HK$58,000,000 due 2018 (issued in 2015) ("Bond A") – current portion	5.50%	57,012	–
		57,012	3,813
Non-current liabilities			
Bond A – non-current portion	5.50%	–	54,989
Unsecured bonds of HK$220,000,000 due 2022 (issued in 2015)	7.00%	190,879	187,610
Unsecured bonds of HK$10,000,000 due 2022 (issued in 2016)	5.00%	9,010	8,832
Unsecured bonds of HK$10,000,000 due 2024 (issued in 2016)	6.00%	8,873	8,722
Unsecured bonds of HK$55,000,000 due 2019 (issued in 2017)	6.00%	54,727	–
Unsecured bonds of HK$11,413,000 due 2021 (issued in 2017)	4.00%	10,153	–
		273,642	260,153
		330,654	263,966

34. Share Capital

a) Issued share capital

	Note	No. of shares	HK$'000
Ordinary shares, issued and fully paid:			
At 1 January 2016		3,864,086,336	1,746,674
Shares issued under share option scheme	34(b)	20,000,000	14,282
Shares repurchased	34(c)	(44,030,000)	–
At 31 December 2016 and 1 January 2017		3,840,056,336	1,760,956
Shares issued under the share option scheme	34(b)	16,000,000	11,425
Shares issued under acquisition agreement	34(d)	91,527,011	61,323
Shares issued under subscription agreement dated 17 May 2017	34(e)	243,000,000	164,983
Shares issued under the placing and subscription agreement dated 3 July 2017	34(f)	57,000,000	38,206
Shares issued the investor subscription agreement dated 3 July 2017	34(g)	41,000,000	27,670
Shares issued under subscription agreement dated 17 July 2017	34(h)	23,000,000	15,550
At 31 December 2017		4,311,583,347	2,080,113

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary Shares rank equally with regard to the Company's residual assets.

34. Share Capital *(Continued)*

b) *Shares issued under share option scheme*

During the year ended 31 December 2017, options were exercised to subscribe for 16,000,000 ordinary shares (2016: 20,000,000 ordinary shares) in the Company at a total consideration of HK$7,663,000 (2016: HK$9,580,000), all of which was credited to share capital. HK$3,762,000 (2016: HK$4,702,000) was transferred from the share-based compensation reserve to share capital account in accordance with note 2(p)(iii).

c) *Purchase of own shares*

During the year ended 31 December 2016, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		HK$	HK$	HK$'000
January 2016	26,234,000	0.53	0.51	13,762
February 2016	12,102,000	0.53	0.51	6,372
March 2016	3,416,000	0.63	0.61	2,132
June 2016	2,278,000	0.66	0.65	1,484
				23,750

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HK$23,750,000 was paid wholly out of retained earnings.

d) *Shares issued under acquisition agreement*

On 11 September 2017, the Company allotted and issued 91,527,011 shares to the vendor. The details are set out in note 40(a).

34. Share Capital *(Continued)*

e) *Shares issued under subscription agreement dated 17 May 2017*

On 17 May 2017, the Company entered into a subscription agreement with Sinoguarantee whereby the Company allotted and issued 243,000,000 new shares at a subscription price of HK$0.68 per subscription share to Sinoguarantee. The proceeds from subscription agreement was HK$165,240,000 and the expenses in relation to subscription agreement was HK$257,000, resulting in a net increase in share capital of HK$164,983,000.

f) *Shares issued under the placing and subscription agreement dated 3 July 2017*

On 3 July 2017, the Company entered into the placing and subscription agreement with independent third parties whereby Cheung Siu Lam placed 57,000,000 shares to those independent third parties at a subscription price of HK$0.68 per subscription share and the Company allotted and issued 57,000,000 new shares at a subscription price of HK$0.68 per subscription share to independent third parties. The proceeds from the placing and subscription agreement was HK$38,760,000 and the expenses in relation to subscription agreement was HK$554,000, resulting in a net increase in share capital of HK$38,206,000.

g) *Shares issued under the investor subscription agreement dated 3 July 2017*

On 3 July 2017, the Company entered into the investor subscription agreement with an independent third party whereby the Company allotted and issued 41,000,000 new shares at a subscription price of HK$0.68 per subscription share to the independent third party. The proceeds from subscription agreement was HK$27,880,000 and the expenses in relation to subscription agreement was HK$210,000, resulting in a net increase in share capital of HK$27,670,000.

h) *Shares issued under subscription agreement dated 17 July 2017*

On 17 July 2017, the Company entered into a subscription agreement with an independent third party whereby the Company allotted and issued 23,000,000 new shares at a subscription price of HK$0.68 per subscription share to the independent third party. The proceeds from subscription agreement was HK$15,640,000 and the expenses in relation to subscription agreement was HK$90,000, resulting in a net increase in share capital of HK$15,550,000.

35. Reserves

a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share-based compensation reserve HK$'000	**Retained earnings** HK$'000	**Total** HK$'000
At 1 January 2016	40,950	67,550	108,500
Profit and total comprehensive income for the year	–	131,381	131,381
Shares issued under share option scheme	(4,702)	–	(4,702)
Equity settled share-based transactions	11,731	–	11,731
Lapse of share options	(6,412)	6,412	–
Purchase of own shares	–	(23,750)	(23,750)
Dividends paid	–	(92,576)	(92,576)
At 31 December 2016 and 1 January 2017	**41,567**	**89,017**	**130,584**
Profit and total comprehensive income for the year	–	383,915	383,915
Shares issued under share option scheme	(3,762)	–	(3,762)
Equity settled share-based transactions	4,170	–	4,170
Lapse of share options	(937)	937	–
Dividends paid	–	(95,484)	(95,484)
At 31 December 2017	**41,038**	**378,385**	**419,423**

35. Reserves *(Continued)*

b) *Dividends*

(i) *Dividends payable to equity shareholders of the Company attributable to the year*

	2017 HK$'000	2016 HK$'000
Interim dividend declared and paid of HK1.05 cents per ordinary share (2016: HK1.05 cent per ordinary share)	**45,167**	40,321
Final dividend proposed after the end of the reporting period of HK0.70 cents per ordinary share (2016: HK1.31 cents per ordinary share)	**30,181**	50,305
	75,348	90,626

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	2017 HK$'000	2016 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.31 cents per share (2016: HK1.36 cents per share)	**50,317**	52,255

35. Reserves *(Continued)*

c) *Nature and purpose of reserves*

i) *Share-based compensation reserve*

The share-based compensation reserve represents the portion of the grant date fair value of unexercised share options granted to eligible participants that has been recognised in accordance with the accounting policy adopted for share-based payments in notes 2(p)(iii) and (iv).

ii) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

iii) *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in notes 2(k) and 2(l)(i).

iv) *Statutory surplus reserve*

According to the Company's PRC subsidiaries' articles of association, each PRC company is required to transfer 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the PRC company's registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years' losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

36. Employee Retirement Benefits

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

37. Share Options

Equity-settled share option schemes

The share option scheme adopted by the Company on 7 June 2004 (the "2004 Share Option Scheme") was terminated on 6 June 2014, and the Company adopted a new share option scheme on 20 May 2014 (the "2014 Share Option Scheme", together with the 2004 Share Option Scheme are referred to as the "Schemes") at the Company's annual general meeting held on 20 May 2014. No further options shall be offered under the 2004 Share Option Scheme, but in all other respects the provisions of the 2004 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2014 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

According to the terms of the Scheme, the directors of the Company are authorised, at their discretion, to invite employees or any person who has contributions to the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The options are exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

37. Share Options *(Continued)*

Equity-settled share option schemes (Continued)

a) The terms and conditions of the grants are as follows:

Category of grantee	Number of instruments '000	Exercise price per share HK$	Date of grant	Exercisable period	Contractual life of option
Directors and ex-directors	30,000	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	10,000	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
	6,660	0.660	11 April 2014	11 April 2015 to 10 April 2024	10 years
	6,660	0.660	11 April 2014	11 April 2016 to 10 April 2024	10 years
	6,680	0.660	11 April 2014	11 April 2017 to 10 April 2024	10 years
Employees	38,500	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	26,000	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
Consultants	10,000	0.660	11 April 2014	11 April 2015 to 10 April 2018	4 years
	10,000	0.660	11 April 2014	11 April 2016 to 10 April 2018	4 years
	30,000	0.660	11 April 2014	11 April 2014 to 10 April 2016	2 years
	30,000	0.660	11 April 2014	11 April 2015 to 10 April 2016	2 years
	9,990	0.660	11 April 2014	11 April 2015 to 10 April 2024	10 years
	9,990	0.660	11 April 2014	11 April 2016 to 10 April 2024	10 years
	10,020	0.660	11 April 2014	11 April 2017 to 10 April 2024	10 years
	18,315	0.546	26 August 2015	26 August 2016 to 25 August 2025	10 years
	18,315	0.546	26 August 2015	26 August 2017 to 25 August 2025	10 years
	18,370	0.546	26 August 2015	26 August 2018 to 25 August 2025	10 years
Total share options granted	289,500				

37. Share Options *(Continued)*

Equity-settled share option schemes (Continued)

b) The number and weighted average exercise prices of share options are as follows:

Option type	Outstanding at 1/1/2016 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/2016 '000	Exercisable at 31/12/2016 '000
2007	40,000	–	(20,000)	–	–	20,000	
2010	6,000	–	–	–	–	6,000	
2014	105,000	–	–	–	(45,000)	60,000	
2015	55,000	–	–	–	–	55,000	
	206,000	–	(20,000)	–	(45,000)	141,000	87,615
Weighted average exercise price	HK$0.586	–	HK$0.479	–	HK$0.660	HK$0.577	HK$0.574

Option type	Outstanding at 1/1/2017 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/2017 '000	Exercisable at 31/12/2017 '000
2007	20,000	–	(16,000)	–	(4,000)	–	
2010	6,000	–	–	–	–	6,000	
2014	60,000	–	–	–	–	60,000	
2015	55,000	–	–	–	–	55,000	
	141,000	–	(16,000)	–	(4,000)	121,000	102,630
Weighted average exercise price	HK$0.577	–	HK$0.479	–	HK$0.479	HK$0.593	HK$0.602

37. Share Options *(Continued)*

Equity-settled share option schemes (Continued)

b) The number and weighted average exercise prices of share options are as follows: *(Continued)*

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2017 was HK$0.67 (2016: HK$0.62).

The options outstanding at 31 December 2017 had an exercise price of HK$0.359 or HK$0.660 or HK$0.546 (2016: HK$0.479 or HK$0.359 or HK$0.660 or HK$0.546) and a weighted average remaining contractual life of 6.24 years (2016: 6.32 years).

38. Commitments

a) *Operating lease arrangements*

As lessee

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

	2017 **HK$'000**	2016 HK$'000
Within one year	**9,253**	5,132
In the second to fifth years, inclusive	**6,869**	1,142
	16,122	6,274

The Group is the lessee in respect of its office premises and director's quarter held under operating leases. The leases typically run for an initial of one to nine years, with an option to renew the lease when all items are renegotiated. None of the leases includes contingent rentals.

38. Commitments *(Continued)*

b) Capital Commitments

On 27 November 2017, the Group entered into equity transfer agreement with two independent third parties (the "Vendors"). Pursuant to the equity transfer agreement, the Group conditionally agreed to acquire the entire equity interest in Shenzhen Credit Gain Finance Company Limited (深圳市領達小額貸款有限公司) ("Shenzhen Credit Gain"), Chongqing Liangjiang New Area Credit Gain Finance Company Limited (重慶兩江新區領達小額貸款有限公司) ("Chongqing Credit Gain") and Chongqing Dongrong Business Consultancy Company Limited (重慶市東榮商務諮詢有限公司) ("Chongqing Dongrong") through structured contracts at a cash consideration of RMB563,367,000 (equivalent to approximately HK$664,773,000). Deposits of HK$50,000,000 were paid to the vendors. As at 31 December 2017, there was a capital commitment of HK$614,773,000 in relation to the acquisition of Shenzhen Credit Gain, Chongqing Credit Gain and Choongqing Dongrong.

Completion of the acquisition of Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong was subject to the approval of government authorities. As at 31 December 2017, the acquisition was in the process.

39. Financial Guarantee Contracts

The Group provides loan guarantee services to small-to-medium-sized enterprises in the PRC. As at 31 December 2017, the Group had contracts in relation to the loan guarantee business of approximately HK$20,578,000 (2016: HK$Nil) in which approximately HK$50,000 (2016: HK$Nil) and HK$84,000 (2016: HK$Nil) were recognised as undue liability provision and guarantee compensation provision respectively in the consolidated statement of financial position. The Group may become involved in certain legal proceedings relating to claims arising out of its operations in the normal course of business. However, none of these proceedings, individually or in aggregate, is expected to have a material adverse effect on the Group's financial position or operational results.

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business

a) Acquisition of subsidiaries – Brilliant Star Group

During the year ended 31 December 2017, the Group acquired the entire equity interest in Brilliant Star Capital (Cayman) Limited at a consideration of HK$299,625,000 of which HK$61,323,000 was settled by the issuance of 91,527,011 shares of the Company at the fair value on 11 September 2017 of HK$0.67 each and the remaining consideration was or will be settled by cash. Brilliant Star Capital (Cayman) Limited and its subsidiaries (including a 90% equity interest held subsidiary) (collectively referred as the "Brilliant Star Group") is principally engaged in the small loan business in Chengdu, the PRC. The Group acquired Brilliant Star Group to extend its financial services business in the PRC. The acquisition was completed on 31 October 2017.

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

a) *Acquisition of subsidiaries – Brilliant Star Group (Continued)*

The following summarises the total consideration and the amounts of the assets acquired and liabilities assumed, as well as the amount of gain on bargain purchase arising from the acquisition recognised at 31 October 2017 (the date of acquisition):

	HK$'000
Consideration:	
Cash	237,397
Consideration payable	905
Issuance of shares	61,323
	299,625
The fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition were as follows:	
Property, plant and equipment	411
Loans receivable	85,660
Interest receivable	165
Prepayments, deposits and other receivables	10,583
Time deposits	71,064
Cash and bank balances	195,375
Shareholder's loan	(323,079)
Accruals and other deposit received	(10,009)
	30,170
Assignment of shareholder's loan to the Group	323,079
Less: Non-controlling interests (note i)	(35,311)
Gain on bargain purchase arising from acquisition recognised in other income in profit or loss (note ii)	(18,313)
Total Consideration	299,625
Net cash outflow arising on acquisition:	
Cash consideration paid	(237,397)
Cash and cash equivalents acquired	195,375
	(42,022)

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

a) *Acquisition of subsidiaries – Brilliant Star Group (Continued)*

Notes:

(i) The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interests proportionate share of the recognised amounts of the 90% equity interest held subsidiary's identifiable net assets.

(ii) The Group's interest in the net fair value of Brilliant Star Group's identifiable assets and liabilities at the date of acquisition exceeds the cost of the business combination. Before recognising a gain on a bargain purchase, the Group reassessed whether it has correctly identified all of the assets acquired and all of the liabilities assumed and any additional assets or liabilities that should be identified in that review.

Since (i) the Group identified that the National Internet Finance License held by Brilliant Star Group was cancelled by the PRC Government during the process of transferring the equity interest of Brilliant Star Group from the vendor to the Group and therefore the vendor compensated the Group; and (ii) the vendor disposed the whole business segment of money lending and continued to concentrate its core business for investment management service. After the commercial negotiation with the vendor, accordingly, the net fair value of Brilliant Star Group's identifiable assets and liabilities attributable to equity interest acquired by the Group at the date of acquisition exceeds the cost of the business combination and gain from bargain purchase was recognised immediately in the profit or loss.

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

a) *Acquisition of subsidiaries – Brilliant Star Group (Continued)*

During the period from the date of acquisition to the end of the reporting period, Brilliant Star Group contributed HK$4,261,000 to the revenue of the Group and a profit of HK$2,204,000 to the profit of the Group for the year ended 31 December 2017. Had the acquisition occurred on 1 January 2017, the revenue and profit of the Group for the year ended 31 December 2017 would have been HK$743,713,000 and HK$303,434,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

Acquisition related costs amounting to HK$189,000 have been excluded from the consideration and have been recognised as general and administrative expenses in the consolidated statement of profit or loss.

The fair value of loans receivables, interest receivable and other receivables at the date of acquisition approximated their gross contractual amounts and were expected to be fully recovered in the future.

b) *Acquisition of subsidiaries – Access Global Group*

On 16 June 2017, the Group entered into an agreement with independent third party to acquire 60% equity interest in Access Global Group at a consideration of HK$21,210,000 by cash (subject to the profit guarantee as described in the sale and purchase agreement). Access Global Group is principally engaged in education consultancy service in United Kingdom. The Group acquired Access Global Group to develop education consultancy service business in United Kingdom to diversify its business. The acquisition was completed on 30 June 2017.

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

b) *Acquisition of subsidiaries – Access Global Group (Continued)*

The following summarises the total consideration and the amounts of the assets acquired and liabilities assumed, as well as the amount of goodwill arising from the acquisition recognised at 30 June 2017 (the date of acquisition):

	HK$'000
Consideration:	
Cash	21,210
Contingent consideration arrangement (note 17)	(3,366)
Total Consideration	17,844
The fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition were as follows:	
Prepayments, deposits and other receivables	509
Cash and bank balances	282
Accruals and other deposit received	(686)
	105
Less: Non-controlling interests (note i)	(42)
Goodwill arising on acquisition	17,781
Total Consideration	17,844
Net cash outflow arising on acquisition:	
Cash consideration paid	(21,210)
Cash and cash equivalents acquired	282
	(20,928)

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

b) Acquisition of subsidiaries – Access Global Group (Continued)

Notes:

(i) The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interests proportionate share of the recognised amounts of acquiree's identifiable net assets.

(ii) The goodwill arising from the acquisition of Access Global Group is attributable to the future growth and profitability in relation to the education business in United Kingdom. None of the goodwill recognised is expected to be deductible for income tax purposes.

During the period from the date of acquisition to the end of the reporting period, Access Global Group contributed HK$2,458,000 to the revenue of the Group and a profit of HK$1,235,000 to the profit of the Group for the year ended 31 December 2017. Had the acquisition occurred on 1 January 2017, the revenue and profit of the Group for the year ended 31 December 2017 would have been HK$734,025,000 and HK$309,835,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

Acquisition related costs amounting to HK$590,000 have been excluded from the consideration and have been recognised as general and administrative expenses in the consolidated statement of profit or loss.

The fair value of other receivables at the date of acquisition approximated their gross contractual amounts and were expected to be fully recovered in the future.

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

c) *Acquisition that is not constituting a business*

On 29 November 2017, the Group entered into an agreement with an independent third party to acquire loans and interests receivable and trademark at a consideration of HK$408,447,000 by cash. The acquisition was completed on 18 December 2017.

	HK$'000
Consideration:	
Cash	408,447
	408,447
The net assets acquired are as follows:	
Intangible asset	19,371
Loans receivable	387,412
Interests receivable	2,212
Receipt in advance	(548)
	408,447

41. Material Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with its related parties during the year:

a) *Remuneration of key management personnel of the Group*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	2017	2016
	HK$'000	HK$'000
Short-term employee benefits	**8,842**	6,698
Post-employment benefits	**308**	207
Equity compensation benefits	**385**	2,120
	9,535	9,025

Total remuneration is included in "staff costs" (see note 5(a)).

b) *Transaction with Sinoguarantee*

	Note	**2017**	2016
		HK$'000	HK$'000
Income from waiver of amount due by the Group	(1)	**–**	2,338
Consultancy fee paid		**–**	1,836
Guarantee fee paid (senior bond)	(2)	**5,896**	5,950
Guarantee fee paid (bank loan)	(3)	**867**	875

41. Material Related Party Transactions *(Continued)*

b) *Transaction with Sinoguarantee (Continued)*

Notes:

(1) Sinoguarantee agreed to waive an amount of approximately HK$Nil (2016: HK$2,338,000) due by the Group.

(2) It represents an annual guarantee fee of RMB5,100,000 (2016: RMB5,100,000) paid to Sinoguarantee in relation to the provision of guarantee for a senior bond of RMB300 million (2016: RMB300 million) issued by the Group. Further details of senior bond are set out in note 32.

(3) It represents the guarantee fee paid to Sinogurantee in relation to the provision of guarantee to a bank for a bank loan of RMB60,000,000 which was settled during the year (2016: RMB60,000,000) granted to the Group. Further details of the bank loan are set out in note 25.

(4) Sinoguarantee is a substantial shareholder of the Company.

The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

c) *Financing arrangements*

(i) The details of the amounts due from related parties included in other receivables, deposits and prepayments are as follows:

Name	Note	**2017 HK$'000**	2016 HK$'000
北京萬方達隆物業管理有限公司（"達隆物業"）	(1), (2)	**359**	335

Notes:

(1) The amounts due from related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

(2) Mr. Cheung Siu Lam, a non-executive director of the Company, is the legal representative of 達隆物業. The maximum outstanding balance due from 達隆物業 during the year was HK$359,000 (2016: HK$358,000).

41. Material Related Party Transactions *(Continued)*

c) *Financing arrangements (Continued)*

(ii) The details of the borrowings from shareholders included in short-term borrowings and other payables are as follows:

Name	Note	2017 HK$'000	2016 HK$'000
Short-term borrowings			
– Lo Wan	(1), (2)	**141,044**	8,004
– Cheung Siu Hung	(3), (4)	**5,064**	–
		146,108	8,004

Notes:

(1) The loan from Ms Lo Wan is unsecured, bears interest at 4.8% per annum and is repayable on 20 April 2018 and 8 May 2018. Related interest expense incurred on this loan during the year ended 31 December 2017 was approximately HK$4,467,000 (2016: HK$4,000), which is included in interest and handling expenses (note 3(a)).

(2) Ms. Lo Wan is a shareholder of the Company and the spouse of Mr. Cheung Siu Lam, a non-executive director of the Company.

(3) The loan from Ms. Cheung Siu Hung is unsecured, bears interest at 7% per annum and is repayable on 25 April 2018. Related interest expense incurred on this loan during the year ended 31 December 2017 was approximately HK$63,000, which is included in interest and handling expenses (note 3(a)).

(4) Ms. Cheung Siu Hung is a shareholder of the Company and the sister of Mr. Cheung Siu Lam, a non-executive director of the Company.

(iii) During the year ended 31 December 2017, the Group paid consultancy fee of approximately HK$3,704,000 (2016: approximately HK$1,959,000) and HK$4,966,000 (2016: HK$nil) to 北京天福號生態科技有限公司 and 北京萬方慈雲投資諮詢有限公司, respectively, of which a director of the Company is a legal representative. The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

42. Critical Accounting Judgements and Estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

For investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal.

At the end of each reporting period, the Group assesses the variable returns arising from other equities and uses plenty of judgements, in combination with historical exposure to variable returns, to determine the consolidation scope.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Impairment of goodwill (Carrying amount: HK$635,477,000 (2016: HK$577,230,000))

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

42. Critical Accounting Judgements and Estimates *(Continued)*

(b) *Sources of estimation uncertainty (Continued)*

(ii) *Impairment of loans receivable (Carrying amount: HK$4,675,515,000 (2016: HK$3,583,629,000))*

The Group reviews portfolios of loans receivable periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for loans receivable. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

The impairment loss for loans receivable that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the financial assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgement based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

As described in Note 2(l), loans receivable stated at amortized cost are reviewed at the end of each reporting period to assess whether impairment losses exist. The Group makes judgements as to whether there is any objective evidence that the loans receivable are impaired, i.e. whether there is a decrease in estimated future cash flows. If, in a subsequent period, the amount of the impairment losses on receivables decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss.

42. Critical Accounting Judgements and Estimates *(Continued)*

(b) *Sources of estimation uncertainty (Continued)*

(iii) *Tax payable (Carrying amount: HK$144,510,000 (2016: HK$112,443,000)) and deferred tax liabilities (Carrying amount: HK$20,665,000 (2016: HK$3,769,000))*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(iv) *Acquisition of subsidiaries*

The Group conducted purchase price allocation based on the fair value of the identifiable assets and liabilities in the relevant business of the acquisition date. The fair value of relevant identifiable assets and liabilities are assessed by the independent valuer based on the business forecasts and the key assumptions provided by the management and the adoption of the appropriate valuation methodology. If different judgements or assumptions were used, the amounts assigned to the individual acquired assets or liabilities could be materially different.

43. Financial Risk Management and Fair Values of Financial Instruments

The Group's major financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, loans receivable, accounts receivable, interests receivable, other receivables, pledged bank and security deposits paid, cash and cash equivalents, time deposits, short-term borrowings and other payables, bank loans, security deposits received, amount due to an associate, financial derivatives, Senior Bonds and Unsecured Bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments under loans the Group guaranteed or provided. Credit risk is primarily attributable to unexpired guarantees issued by the Group and the loan business of the Group, loans receivable, accounts, interests and other receivables, pledged bank and security deposits paid, time deposits, cash and cash equivalents and available-for-sales investments.

Except for the guarantee as disclosed below, the Group does not provide any other guarantees which would expose the Group to credit risk.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising loan business*

The Group has taken measures to identify credit risks arising from loan business. The Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. A transaction may be subject to the review and approval of credit approval officer and the executive directors depending on the transaction size.

During the post-transaction monitoring process, the Group performs credit evaluations on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

All loans granted are backed by collateral (e.g. property, gold, jewellery, diamonds and watches etc.) as security. The Group also focuses on ascertaining legal ownership and the valuation of the collateral. A loan granted is based on the value of the collateral and generally approximates 5.15%-100% (2016: 4.66%-99.63%) of the estimated value of the collateral. The Group closely monitors the ownership and the value of the collateral throughout the loan period. The loans receivable are due by the date as specified in the corresponding loan agreements.

In accordance with accounting policies, if there is objective evidence that indicates the cash flows for a particular loan is expected to decrease, and the amount can be estimated, the loan is recorded as an impaired loan and the impairment loss is recognised in profit or loss.

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which an allowance for impairment loss is provided individually, the amount is determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis. In making such assessments, the Group considers the value of collateral held and expected future cash flows from the asset.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising loan business (Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 12.35% (2016: 17.74%) and 25.21% (2016: 30.25%) of the total loans receivable was due from the Group's largest debtor and the five largest debtors respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loans receivable are set out in note 18.

(ii) *Credit risk arising from guarantee business*

The Group adopts the same pre-approval, review and credit approval risk management system for credit risk arising from guarantee business. During the post-transaction monitoring process, all guarantees provided are backed by collateral (e.g. property, gold, jewellery, diamonds and watches etc.) as security. The Group focuses on ascertaining legal ownership and the valuation of the collateral. A guarantee provided by the Group is based on the value of the collateral and generally approximates 72.77% (2016: nil) of the estimated value of the collateral. The Group monitors the value of the collateral throughout the guarantee period.

The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 39.

(iii) *Other credit risks*

In respect of accounts receivable, interests and other receivable, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtor operates. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable and interests receivable are set out in notes 19 and 20 respectively.

The majority of the Group's investments are liquid securities listed on the recognised stock exchanges. Given their high credit standing, management does not expect any investment counterparty to fail to meet it obligations.

The credit risk on cash and cash equivalents, time deposits and pledged bank and security deposits paid is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

b) *Liquidity risk*

Individual operating entities within the Group are responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to the Company's board approval when the borrowings exceed certain predetermined level of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

	2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount at 31 December HK$'000
Non-derivative financial liabilities:						
Bank loans						
– fixed rates	145,391	–	–	–	145,391	143,556
– variable rates	72,258	–	–	–	72,258	70,000
Short-term borrowings and other payables	1,319,128	–	–	–	1,319,128	1,244,853
Senior Bonds	370,554	–	–	–	370,554	365,099
Unsecured bonds	79,761	74,759	283,460	10,618	448,598	330,654
Security deposits received	104,311	–	–	–	104,311	104,311
Amount due to an associate	3,125	–	–	–	3,125	3,125
Accruals and other deposit received	13,545	–	–	–	13,545	13,545
	2,108,073	74,759	283,460	10,618	2,476,910	2,275,143
Financial guarantees issued:						
Maximum amount guaranteed arising from:						
– Loan guarantee business*	20,578	–	–	–	20,578	134

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

b) *Liquidity risk (Continued)*

	2016					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount at 31 December HK$'000
Non-derivative financial liabilities:						
Bank loans						
– fixed rates	67,859	–	–	–	67,859	67,076
– variable rates	10,358	–	–	–	10,358	10,000
Short-term borrowings and other payables	586,809	–	–	–	586,809	580,191
Senior Bonds	21,800	346,279	–	–	368,079	334,187
Unsecured bonds	23,699	75,100	49,500	238,285	386,584	263,966
Security deposits received	10,764	–	–	–	10,764	10,764
Amount due to an associate	2,942	–	–	–	2,942	2,942
Accruals and other deposit received	19,484	–	–	–	19,484	19,484
	743,715	421,379	49,500	238,285	1,452,879	1,288,610
Financial guarantees issued:						
Maximum amount guaranteed arising from:						
– Loan guarantee business*	–	–	–	–	–	–

* The maximum amount guaranteed represents the total amount of liability should all customers default. Since a significant portion of guarantees issued is expected to expire without being called upon the maximum liabilities do not represent expected future cash outflows.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk*

The Group is principally engaged in the provision of financing services. Its interest rate risk arises primarily from deposits with financial institutions, loans receivable, bank loans, interest-bearing borrowings, senior bonds, listed debt securities classified as available-for-sale investment and unsecured bonds.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's assets and liabilities at the end of the reporting period:

	At 31 December	
	2017	2016
	HK$'000	HK$'000
Fixed interest rate		
Financial assets		
Loans receivable (Non-current portion)	**458,614**	33,655
Loans receivable (Current portion)	**4,216,901**	3,549,974
Available-for-sale investment, debt securities	**52,270**	–
Time deposits	**72,370**	–
	4,800,155	3,583,629
Financial liabilities		
Bank loans	**(143,556)**	(67,076)
Borrowings under contractual agreements with:		
– 找銀子	**(1,678)**	(1,883)
– 理理貸	**(790,521)**	(347,379)
– 小微財行	**(196,455)**	(172,117)
Borrowings from employees	**(11,764)**	(3,034)
Borrowings from shareholders	**(146,108)**	(8,004)
Borrowings from a money lending licensed corporation	**–**	(15,299)
Borrowings from securities companies	**–**	(3,359)
Borrowings from related companies	**(90,631)**	–
Senior Bonds	**(365,099)**	(334,187)
Unsecured Bonds	**(330,654)**	(263,966)
	(2,076,466)	(1,216,304)
Net fixed rate financial instruments	**2,723,689**	2,367,325

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk (Continued)*

(i) *Interest rate profile (Continued)*

	At 31 December 2017 HK$'000	2016 HK$'000
Variable interest rate		
Financial assets		
– Cash at bank/financial institutions	**662,740**	272,863
– Pledged bank and security deposits paid	**18,974**	4,615
	681,714	277,478
Financial liabilities		
– Bank loans	**(70,000)**	(10,000)
Net variable rate financial instruments	**611,714**	267,478
Fixed rate borrowings as a percentage of total borrowings	**96.74%**	99.18%

(ii) *Sensitivity analysis*

The Group's interest rate risk arises primarily from bank loans and listed debt securities. Bank loans with variable rates expose the Group to cash flow interest rate risk. The Group has fair value interest rate risk arising from its listed debt securities.

The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. The directors consider the Group's exposure to cash flow interest rate risk of bank deposits is not significant.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk (Continued)*

(ii) *Sensitivity analysis (Continued)*

At 31 December 2017 it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank loans, with all other variables held constant, would decrease/increase the Group's profit after tax (and retained earnings) by approximately HK$585,000 (2016: HK$84,000).

At 31 December 2017 it is estimated that a general increase/decrease of 100 basis points in interest rates for listed debt securities, with all other variables held constant, would decrease/increase the Group's other components of equity by approximately HK$7,718,000/HK$11,090,000.

The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2016: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

d) *Currency risk*

The Group is exposed to currency risk, primarily with respect to the senior bonds with carrying amount of HK$365,099,000 (2016: HK$334,187,000) which is denominated in RMB. The sensitivity analysis includes only for senior bonds and adjusts their translation at the year ended for 1% (2016: 1%) change in foreign currency rates. For a 1% strengthening of the group entity's functional currency against RMB, it would decrease the Group's profit after tax and retained earnings by approximately HK$3,052,000 (2016: HK$2,989,000). For a 1% weakening of the group entity's functional currency against RMB, there would be an equal and opposite impact.

The sensitivity rate of 1% (2016: 1%) applied represents management's assessment of the reasonably possible change in foreign exchange rates.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

e) *Equity price risk*

The Group is exposed to equity price changes arising from listed equity investments and unlisted investment fund classified as available-for-sale investments (see note 16) and financial assets classified as held for trading (see note 17). Other than unquoted investments held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on recognised stock exchanges. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared the relevant industry indicators, as well as the Group's liquidity needs.

At 31 December 2017 it is estimated that an increase/(decrease) of 10% (2016: 10%) in the relevant stock market index (for listed investments) and fair value of unlisted investment, with all other variables held constant, would have increased/ decreased the Group's profit after tax (and retained earnings) and other components of consolidated equity as follows:

	2017			2016		
		Effect on profit after tax and retained earnings HK$'000	**Effect on other components of equity HK$'000**		Effect on profit after tax and retained earnings HK$'000	Effect on other components of equity HK$'000
Change in the relevant equity price risk variable:						
Increase	**10%**	**–**	**4,177**	10%	1,782	2,436
Decrease	**10%**	**–**	**(4,177)**	10%	(1,782)	(2,436)

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

e) Equity price risk (Continued)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the changes in the stock market index or fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is assumed that the fair values of the Group's listed investments would change in accordance with the historical correlation with the relevant stock market index, that none of the Group's listed available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index, and that all other variables remain constant. It is also assumed that the fair values of the Group's unlisted investment would change in accordance with the market value, that none of the Group's unlisted available-for-sale investments would be considered impaired as a result of the decrease in market value, and that all other variables remain constant. The analysis is performed on the same basis for 2016.

f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable input

For financial instruments traded in inactive markets, their fair value measurements are based on net assets values provided by the relevant investment fund manager.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) *Fair value measurement (Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

The Group engages independent professional valuers performing valuations for its financial instruments, including the financial derivatives and financial assets which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are prepared by independent valuers at each interim and annual reporting dates, and are reviewed by the financial controller and approved by the directors of the Company. Discussion of the valuation process and results with the financial controller and the directors of the Company is held twice a year to coincide with the reporting dates.

	Fair value at 31 December 2017 HK$'000	**Fair value measurements as at 31 December 2017 categorised into**			Fair value at 31 December 2016 HK$'000	Fair value measurements as at 31 December 2016 categorised into		
		Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Group								
Recurring fair value measurements								
Assets:								
Available-for-sale investments								
– Equity securities, listed	**11,860**	**11,860**	**–**	**–**	24,356	24,356	–	–
– Debt securities, listed	**52,270**	**–**	**52,270**	**–**	–	–	–	–
– Investment funds, unlisted	**29,908**	**–**	**–**	**29,908**	–	–	–	–
Financial asset at FVTPL								
– held for trading	**–**	**–**	**–**	**–**	17,817	–	–	17,817
Contingent consideration receivable	**1,270**	**–**	**–**	**1,270**	–	–	–	–
Liabilities:								
Financial derivatives	**304**	**–**	**–**	**304**	1,032	–	–	1,032

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) *Fair value measurement (Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of debt securities in Level 2 is determined by using quoted prices from financial institutions.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**
Financial assets at FVTPL – held for trading	Monte Carlo Simulations	Expected volatility: N/A (2016: 21.41% to 33.66%)
Financial derivatives liability	Monte Carlo Simulations	Expected volatility: 31.54% (2016: 11.41%)
Investment funds, unlisted	Net asset value	N/A
Contingent consideration receivable	Monte Carlo Simulations	Expected volatility: 31.40% to 39.79%

As at 31 December 2017 and 2016, no sensitivity analysis is performed on the financial assets at FVTPL (including contingent consideration receivable) and financial derivatives as the impact is not significant to the Group's profit.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) *Fair value measurement (Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

The movements during the period in the balances of these Level 3 fair value measurements are as follows:

Financial assets at FVTPL – held for trading:	**2017 HK$'000**	2016 HK$'000
At 1 January	**17,817**	–
Payment for purchases of investments	**–**	70,800
Gain on disposal	**(18)**	–
Changes in fair value recognised in profit or loss	**–**	17
Proceeds from sales of investments	**(17,799)**	(53,000)
At 31 December	**–**	17,817
Total (loss)/gains for the year included in profit or loss for assets held at the end of the reporting period	**–**	17

Contingent consideration receivable:	**2017 HK$'000**	2016 HK$'000
At 1 January	**–**	–
Additions through acquisitions of subsidiaries (note 40(b))	**3,366**	–
Fair value change recognised in general and administrative expenses in profit or loss	**(2,096)**	–
At 31 December	**1,270**	–
Total loss for the year included in profit or loss for assets held at the end of the reporting period recognised in general and administrative expenses in profit or loss	**(2,096)**	–

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Investment fund in the PRC, unlisted:	**2017 HK$'000**	2016 HK$'000
At 1 January	**–**	–
Payment for purchase of investments	**29,908**	–
At 31 December	**29,908**	–

Financial derivatives liabilities:	**2017 HK$'000**	2016 HK$'000
At 1 January	**1,032**	493
Changes in fair value recognised in other income in profit or loss	**(728)**	539
At 31 December	**304**	1,032
Total loss for the year included in profit or loss for financial derivatives liabilities held at the end of the reporting period recognised in other income in profit or loss	**304**	539

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 2016.

44. Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The Group monitors capital on the basis of a gearing ratio, which was unchanged from 2016. This ratio is calculated as net debt divided by capital. Net debt is calculated as total borrowings (including current and non-current borrowings and security deposits received) less cash and cash equivalents, time deposits and pledged bank and security deposits paid. Capital comprises all components of equity.

44. Capital Management *(Continued)*

The gearing ratio at 31 December 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
Current Liabilities:		
Bank loans	**213,556**	77,076
Unsecured Bonds	**57,012**	3,813
Short-term borrowings and other payables	**1,244,853**	580,191
Security deposit received	**104,311**	10,764
Senior Bonds	**365,099**	–
	1,984,831	671,844
Non-current liabilities:		
Senior Bonds	**–**	334,187
Unsecured Bonds	**273,642**	260,153
	273,642	594,340
Total borrowings	**2,258,473**	1,266,184
Less: Cash and cash equivalents	**(662,740)**	(273,291)
Pledged bank and security deposits paid	**(18,974)**	(4,615)
Time deposits	**(72,370)**	–
Net debt	**1,504,389**	988,278
Total equity	**3,898,612**	3,122,707
Gearing ratio	**38.59%**	31.65%

Qian Long Assets Management Company Limited, a wholly-owned subsidiary of the Company, provides financial services to its customers and is subject to capital requirements imposed by the Securities and Futures Commission ("SFC"). The Group monitors the financial position of Qian Long Assets Management Company Limited in order to ensure that Qian Long Assets Management Company Limited maintains a liquid capital level adequate to support the level of activities and meet the capital requirements imposed by SFC. During the years ended 31 December 2017 and 2016, Qian Long Assets Management Company Limited complied with the capital requirements imposed by SFC. Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

45. Company-level Statement of Financial Position

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**799**	748
Interests in subsidiaries		**469,400**	469,400
Interest in an associate		**3,900**	3,900
Deposits		**20,000**	–
		494,099	474,048
Current assets			
Amounts due from subsidiaries		**1,893,187**	1,648,161
Dividends receivable from subsidiaries		**724,467**	329,170
Other receivables, deposits and prepayments		**5,675**	27,001
Cash and cash equivalents		**155,053**	2,213
		2,778,382	2,006,545
Current liabilities			
Short-term borrowings and other payables		**141,044**	8,004
Bank Loan		**20,000**	–
Unsecured bonds		**57,012**	3,813
Amounts due to subsidiaries		**268,597**	298,595
Accruals and other deposit received		**2,787**	8,632
		489,440	319,044
Net current assets		**2,288,942**	1,687,501
Total assets less current liabilities		**2,783,041**	2,161,549
Non-current liabilities			
Unsecured Bonds		**283,505**	270,009
NET ASSETS		**2,499,536**	1,891,540
EQUITY			
Share capital	34	**2,080,113**	1,760,956
Reserves	35	**419,423**	130,584
TOTAL EQUITY		**2,499,536**	1,891,540

Approved and authorised for issue by the board of directors on 27 March 2018 and were signed on its behalf by:

Chan Yuk Ming	**Cheung Chai Hong**
Director	*Director*

46. Events After the Reporting Period

After the end of the reporting period, the directors of the Company proposed a final dividend. Further details are disclosed in note 35(b).

47. Ultimate Controlling Party

The directors regard Mr. Cheung Siu Lam through his direct shareholding in the Company as being the ultimate controlling party. The Company does not have any parent company.

48. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKAS 40, Investment Property: Transfers of investment property	1 January 2018
HK(IFRIC) 22, Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16, Leases	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019

48. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2017 *(Continued)*

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

48. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2017 *(Continued)*

HKFRS 9, Financial instruments (Continued)

(a) Classification and measurement (Continued)

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

Equity investments currently 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 the Group expects to apply the option to present fair value changes 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.

Listed debt securities classified as available-for-sale investments carried at fair value as disclosed in note 16: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the listed debt instrument in the open market, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed debt instruments will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the fair value reserve will continue to be subsequently reclassified to profit or loss when the listed debt securities are derecognised or reclassified.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

48. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2017 *(Continued)*

HKFRS 9, Financial instruments (Continued)

(b) *Impairment*

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, the impact of the changes to the recognition and measurement of overall credit loss impairment for the Group on initial application of HKFRS 9 is estimated to result in a reduction in the retained earnings of less than 2% as at 1 January 2018.

(c) *Hedge accounting*

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently does not have hedge accounting and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group concluded that the adoption of HKFRS 15 is unlikely to have a significant impact on the consolidated financial statements.

HKFRS 16, Leases

As disclosed in note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

48. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2017 *(Continued)*

HKFRS 16, Leases (Continued)

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 38, at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$16,122,000 for properties. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

Summary Financial Information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified or restated as appropriate, is set out below.

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Interest, guarantee and financing consultancy services income	**732,705**	680,282	725,490	560,496	440,724
Profit for the year	**310,541**	345,266	353,052	296,483	240,135
Attributable to:					
Equity shareholders of the Company	**286,675**	329,958	345,815	293,634	237,478
Non-controlling interest	**23,866**	15,308	7,237	2,849	2,657
	310,541	345,266	353,052	296,483	240,135

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**6,371,560**	4,562,348	4,836,197	3,200,142	2,860,529
Total liabilities	**(2,472,948)**	(1,439,641)	(1,761,787)	(629,447)	(729,318)
Non-controlling interest	**(186,134)**	(128,684)	(126,001)	(25,060)	(40,746)
Balance of total equity attributable to equity shareholders of the Company	**3,712,478**	2,994,023	2,948,409	2,545,635	2,090,465