ANNUAL REPORT 2017 年報

CONVOY 康宏

Convoy Global Holdings Limited
康宏環球控股有限公司

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

Stock Code 股份代號：1019

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Ng Wing Fai
Dr. Cho Kwai Chee (appointed on 9 March 2017 and removed on 17 August 2018)
Mr. Yap E Hock (appointed on 9 December 2017)
Ms. Ip Yee Kwan (appointed on 9 December 2017 and resigned on 23 January 2018)
Mr. Shin Kin Man (appointed on 15 January 2018)
Mr. Lee Jin Yi (appointed on 19 November 2020)
Mr. Chung Kwok Wai, Kelvin (appointed on 1 January 2021)
Ms. Wong Suet Fai (appointed on 15 January 2018, resigned on 22 October 2018 and appointed on 1 January 2021)
Mr. Wong Lee Man* (removed as *Chairman of the Board* on 21 December 2017 and removed as Director on 7 January 2021)
Ms. Fong Sut Sam* (resigned on 16 November 2020)
Ms. Chan Lai Yee* (removed on 7 January 2021)
Mr. Tan Ye Kai, Byron (resigned on 6 January 2018)

NON-EXECUTIVE DIRECTORS

Mr. Johnny Chen *(Chairman of the Board)* (appointed as *Chairman of the Board* on 21 December 2017 and re-designated from executive Director to non-executive Director on 1 January 2021)
Mr. Chen Shih-pin (appointed on 29 December 2017)
Mr. Wang John Hong-chiun (resigned on 25 January 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pun Tit Shan
Mrs. Fu Kwong Wing Ting, Francine (appointed on 8 December 2017)
Mr. Pak Wai Keung, Martin (appointed on 8 December 2017)
Mr. Yan Tat Wah (appointed on 8 December 2017)
Mr. Lam Kwok Cheong (appointed on 19 November 2020)
Ms. Carrie Bernadette Ho (appointed on 1 January 2021)
Mr. Mak Ka Wing, Patrick (appointed on 9 March 2017 and resigned on 7 November 2017)
Mr. Chan Ngai Sang, Kenny (resigned on 29 November 2017)
Mr. Ma Yiu Ho, Peter (resigned on 5 July 2018)
Dr. Huan Guocang (appointed on 15 January 2018 and resigned on 22 October 2018)

AUDIT COMMITTEE

Mr. Pak Wai Keung, Martin *(Chairman)* (appointed on 12 December 2017)
Mr. Yan Tat Wah (appointed on 12 December 2017)
Mrs. Fu Kwong Wing Ting, Francine (appointed on 12 December 2017)
Mr. Ma Yiu Ho, Peter (ceased as *Chairman* but remain as member on 12 December 2017 and ceased on 5 July 2018)
Mr. Chan Ngai Sang, Kenny (ceased on 29 November 2017)
Mr. Pun Tit Shan (ceased on 12 December 2017)

REMUNERATION COMMITTEE

Mrs. Fu Kwong Wing Ting, Francine *(Chairman)* (appointed on 12 December 2017)
Mr. Johnny Chen (appointed on 12 December 2017)
Mr. Yan Tat Wah (appointed on 12 December 2017)
Mr. Chan Ngai Sang, Kenny (ceased on 29 November 2017)
Mr. Wong Lee Man* (ceased on 12 December 2017)
Mr. Pun Tit Shan (ceased on 12 December 2017)

NOMINATION COMMITTEE

Mr. Pun Tit Shan *(Chairman)* (appointed as Chairman on 12 December 2017)
Mrs. Fu Kwong Wing Ting, Francine (appointed on 12 December 2017)
Mr. Johnny Chen (appointed on 12 December 2017)
Mr. Chan Ngai Sang, Kenny (ceased on 29 November 2017)
Mr. Wong Lee Man* *(Chairman)* (ceased on 12 December 2017)

CORPORATE GOVERNANCE COMMITTEE

Mr. Johnny Chen *(Chairman)* (appointed on 15 January 2018)
Mrs. Fu Kwong Wing Ting, Francine (appointed on 15 January 2018)
Mr. Pak Wai Keung (appointed on 15 January 2018)
Mr. Yan Tat Wah (appointed on 24 August 2018)
Mr. Tan Ye Kai, Byron *(Chairman)* (ceased on 15 January 2018)
Mr. Wong Lee Man* *(Chairman)* (ceased on 15 January 2018)
Ms. Fong Sut Sam* (ceased on 15 January 2018)
Ms. Chan Lai Yee* (ceased on 15 January 2018)

* The duties as directors of Mr. Wong Lee Man, Ms. Fong Sut Sam and Ms. Chan Lai Yee have been suspended since 8 December 2017 following their arrests by the Independent Commission Against Corruption.

COMPANY SECRETARY

Mr. Kong Siu Keung (appointed on 1 April 2020)
Mr. Chow Kim Hang (resigned on 8 December 2017)
Mr. Chung Wai Kwong, Anthony (appointed on 8 December 2017 and resigned on 30 June 2018)
Mr. Lau Hok Yuk (appointed on 30 June 2018 and resigned on 1 April 2020)

AUTHORISED REPRESENTATIVES

Mr. Yap E Hock (appointed on 23 January 2018)
Mr. Kong Siu Keung (appointed on 1 April 2020)
Mr. Chow Kim Hang (resigned on 8 December 2017)
Mr. Tan Ye Kai, Byron (resigned on 6 January 2018)
Mr. Chung Wai Kwong, Anthony (appointed on 8 December 2017 and resigned on 30 June 2018)
Ms. Ip Yee Kwan (appointed on 8 January 2018 and resigned on 23 January 2018)
Mr. Lau Hok Yuk (appointed on 30 June 2018 and resigned on 1 April 2020)

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5th, 7th, 15th, 37th, 39th, and 40th Floors, @CONVOY
169 Electric Road
Hong Kong

Address changed on 16 January 2020:
37/F and 39/F
Lee & Man Commercial Center
169 Electric Road
Hong Kong

Address changed on 13 July 2020:
Trust Tower
68 Johnston Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited

OUR COMPANY'S WEBSITE ADDRESS

www.convoy.com.hk

AUDITOR

ZHONGHUI ANDA CPA Limited (appointed on 31 August 2020)
Certified Public Accountants

Chairman's Statement

BACKGROUND LEADING TO THE VOLUNTARY SHARES TRADING SUSPENSION ON 7 DECEMBER 2017

The Company was first alerted to potential wrongdoings of the Previous Management Team in February 2016 when it received an inquiry from an authority which subsequently led to the Company's full cooperation with the SFC and the ICAC after Mr. David Webb published a report on the "Enigma Network" on 15 May 2017 which included the Company as one of the companies in the Enigma Network. On 7 December 2017, the authorities conducted enforcement operations and arrested three members of the Previous Management. Immediately in the morning of the same day, the Company voluntarily suspended trading of the shares of the Company to safeguard the interests of the Company and its shareholders.

The New Management Team faced a period of extreme uncertainties in the aftermath of the arrests of three members of the Previous Management Team that took place on 7 December 2017. Since December 2017, with determined mission to rebuild the damaged reputation and corporate governance of the Company, the New Management Team has been putting in substantial amount of time and resources in strengthening the Company's business and management including but not limited to the total revamp of corporate organization, re-strategizing the Company's long-term business vision, and strengthening corporate governance and control of the Company.

IMMEDIATE ACTIONS TAKEN TOWARDS TRADING RESUMPTION

The Company has taken two-pronged approaches in rectifying the potential damage to the Company caused by the Previous Management, namely assessment of the damage conducted by FTI Consulting and taking remedial actions to protect the interest of the Company including

(a) the suspension of the executive duties of three executive Directors namely, Mr. Wong Lee Man, Ms. Fong Sut Sam and Ms. Chan Lai Yee on 8 December 2017;

(b) the appointment of three new independent non-executive Directors on 8 December 2017 and three executive Directors on 9 December 2017 to the Board of the Company; and

(c) a complete revamp of the senior management team and the termination of the employment of certain personnel.

BUSINESS IMPACT

Even though the New Management Team has taken swift action in ringfencing the troubled subsidiaries involved in the various wrongdoings to ensure there were no further impact on the operation and finance of the Group, the IFA business has experienced a series of unprecedented challenges. Since early 2015, with the change of regulatory requirements of the ILAS, the IFA business has started its harsh deterioration. With limited efforts by the Previous Management Team in rebuilding the IFA business during 2016 and 2017, the IFA business again suffered destructive damages with the loss of over 250 consultancy force after the enforcement operations in December 2017 amongst its many other problems.

In 2017, the Group suffered a loss in proprietary investments segment of HK$883 million primarily comprising of legacy investments under the Previous Management Team.

LEGAL PROCEEDINGS

On 18 December 2017, the Company filed legal proceedings to the High Court against 28 defendants to unwind the wrongful placement of shares arising from serious breach of fiduciary duties by the Previous Management Team and claimed loss and damage. Subsequently, on 22 December 2017, the Company filed an application again to the High Court against 4 defendants (including 2 members of the Previous Management Team) who were involved in suspected self-dealings and passing off, which caused substantial losses to the Company. The purpose of the litigations is to protect the interests of the Group, shareholders and staff to recover the misapplication of capital for the development of business of the Company.

PRIORITIES IN STAKEHOLDERS PROTECTION

As I said on 29 December 2017 after the extraordinary general meeting, Convoy always gave priorities in protecting our stakeholders. First, to protect our staff and sales teams to enable them to work normally. Second, to protect our customers to safeguard their interests. Third, to protect our shareholders, especially minority shareholders. Fourth, to protect the financial market to minimize potential impact. The Group is accountable to the society and will always co-operate with the regulatory and enforcement authorities to help maintain proper market order.

Johnny Chen
Chairman and Non-Executive Director

Hong Kong, 17 February 2021

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

Key financial information:	2017 HK$'000	2016 HK$'000	Change %
Revenue	**863,885**	1,205,145	-28.3
Loss before tax	**(1,422,208)**	(65,008)	2,087.7
EBITDA	**(1,333,391)**	18,366	-7,360.1

FINANCIAL REVIEW

GROUP PERFORMANCE

The Group reported a loss before tax of HK$1,422.2 million for the year, a decline of 2,087.7% over the 2016 loss before tax of HK$65.0 million.

GROUP REVENUE

Revenue increased from IFA commission income together with interest income from margin financing and asset management service income. The increase however was offset by the significant decline in fair value of financial instruments, lower interest income from debts held and money lending business, and lower income from corporate finance business. As a result, revenue was at HK$863.9 million for the year, dropped by HK$341.3 million against the 2016 revenue.

The Group revenue by reportable segments is as follows:

Revenue by reportable segments:	2017 HK$'000	2016 HK$'000	Increase/ (decrease) HK$'000	Change %
IFA segment	**886,827**	698,637	188,190	26.9%
Money lending segment	**79,230**	144,040	(64,810)	-45.0%
Proprietary investment segment	**(265,023)**	157,473	(422,496)	-268.3%
Asset management segment	**46,371**	38,045	8,326	21.9%
Corporate finance segment	**5,999**	39,079	(33,080)	-84.6%
Securities dealing segment	**110,481**	127,871	(17,390)	-13.6%
Total	**863,885**	1,205,145	(341,260)	-28.3%

GROUP OPERATING AND OTHER EXPENSES

Total operating and other expenses increased substantially as a result of higher level of impairment on assets, including impairment of investment of an associate, namely First Credit Financial Group Limited, impairment of goodwill, impairment on available-for-sales investments, impairment on loans and other receivables, together with provision for losses on investment brokerage products and share of loss of an associate, namely JFA Capital. Increases in other operating costs were in general in line with business activities.

Loss after tax was HK$1,451.8 million that denoted a drop of HK$1,347.6 million against the 2016 of HK$104.2 million.

GROUP FINANCIAL POSITION

Total consolidated assets of the Group decreased by 18.8% from HK$6,546.7 million as at 31 December 2016 to approximately HK$5,314.8 million as at 31 December 2017. Reduction recorded mostly in non-current assets as a result of impairment of financial and non-financial assets, disposals of investments and investment properties. With a substantial repayment of loans from money lending business in 2017, the reduction resulted in a corresponding increase in cash and cash equivalents. Group's liquidity was strengthened.

PROSPECTS AND OUTLOOK

KEY EVENTS HIGHLIGHTS

Before 8 December 2017, Convoy was effectively operated and managed by the Previous Management Team largely comprised of Dr. Cho Kwai Chee ("Roy Cho") (a former executive Director who was removed by the New Board on 17 August 2018), Mr. Wong Lee Man ("Quincy Wong") (former Chairman and executive Director whose duty had been suspended since 8 December 2017 and was removed at the adjourned extraordinary general meeting held on 7 January 2021), Ms. Fong Sut Sam ("Rosetta Fong") (a former executive Director whose duty had been suspended since 8 December 2017 and resigned on 16 November 2020), Ms. Chan Lai Yee ("Christie Chan") (a former Executive Director whose duty had been suspended since 8 December 2017 and was removed at the adjourned extraordinary general meeting held on 7 January 2021) and Mr. Tan Ye Kai, Byron (former Executive Director, resigned on 6 January 2018 when his employment was terminated).

On 15 November 2016, Roy Cho who was not a director of Convoy at the time procured the then Convoy board to grant share options of 149,388,000 shares at an exercise price of HK$0.2332 to some senior executives, including Quincy Wong, purportedly in recognition of their "past and continuous contribution which has contributed significantly to the business operation and performance" of the Convoy Group. However, the Human Resources Department, which is the department responsible for determining matters such as appraisal, performance evaluation and remuneration, was deliberately excluded from the decision-making process.

During 2017, Convoy encountered a series of unforeseen planned attacks and challenges engineered by Roy Cho with collaboration of Previous Management and certain Convoy shareholders from the Enigma Network with a motive to completely concealing all evidence of irregularities and wrongdoings.

In January 2017, the Previous Management Team led by Roy Cho unexpectedly stopped the operation funding of a wholly owned subsidiary of Convoy, Hong Kong Credit Corporation Limited ("HKCC"), and totally ignored the potential legal and financial liabilities that caused to the Group. HKCC is a money lending arm of Convoy which focuses on mortgage financing business targeting the profitable niche non-bank customers segment. HKCC had built an instant success program, Mortgage Insurance Program ("HKCC MIP"), jointly with a reputable general insurance company in Hong Kong in second half of 2016. HKCC MIP was the first ever formal collaboration between a licensed money license lender and insurance company in Hong Kong with many unique first-of-its-kind features in the consumer finance industry in Hong Kong. HKCC was expected to build a long-term sustainable and profitable business for the Group. The instant success built by HKCC within months was immediately collapsed after the sudden stopped of funding by the Previous Management Team. The unexpected destruction of HKCC business by the Previous Management Team has caused a serious financial, reputation and brand damages to both HKCC and the Group. Despite maintaining its loan book with profitable results, HKCC had no longer generating new business after December 2017.

On 9 May 2017, the former Chairman of Convoy, Quincy Wong, received an email from a 1.23% minority shareholder, Town Ally Enterprise Limited (wholly owned by an Enigma Network company), requested the then entire Board to voluntarily seek re-election in the annual general meeting in June 2017 ("June 2017 AGM"). Despite the informal and non-binding nature of the request and the minor shareholding status of the shareholder making the request, Quincy Wong acted upon the request by asking the then board to resign without first discussing with the then Board and without first consulting with legal advisors. Worse still, all of the then Directors (except Mr. Ng Wing Fai) swiftly agreed to resign and seek re-election in June 2017 AGM.

On 15 May 2017, the Webb Report was published which included Convoy as one of the companies in the Enigma Network. Soon after the publishment of the Webb Report, the regulators formally conducted raid and investigations on Convoy of any potential irregularities and wrongdoings on 28 June 2017. In cooperation with the regulators, Convoy appointed FTI Consulting (Hong Kong) Limited, an independent internal control advisor on 30 June 2017 to conduct investigations and forensic review to identify any misfeasance, misconduct or wrongdoings, committed or suspected to have been committed by any person connected with the Group and identified parties.

During the period between July and October 2017, Mr. Kwok Hiu Kwan ("Mr Kwok") and Mr. Chen Pei Xiong ("Mr. Chen") started to acquire Shares in a manipulative and coordinated arrangement from certain Enigma Network companies and individuals (according to the pleadings filed by Convoy in HCA 2922/2017). Mr. Kwok and Mr. Chen then respectively filed the disclosure of interests with the Stock Exchange as shareholder of Convoy with approximately 29.91% and 7.26% interest respectively.

On 30 October 2017, Convoy received a notice from Mr. Kwok requisitioning an extraordinary general meeting to remove all the then directors except Quincy Wong, Rosetta Fong and Mr. Ma Yiu Ho, Peter ("Peter Ma") (a former independent non-executive Director who resigned on 5 July 2018), and to appoint five nominees or persons at Mr. Kwok's choice in order to exert a complete control of Convoy ("Requisition"). Convoy then announced on 20 November 2017 that the Requisition extraordinary general meeting was fixed and held on 29 December 2017.

Immediately after the Requisition, two Directors of Convoy resigned in November 2017, namely:

i. Mr. Mak Ka Wing, Patrick resigned as an independent non-executive Director effective 2 November 2017; and

ii. Mr. Chan Ngai Sang, Kenny resigned as an independent non-executive Director effective 29 November 2017.

On 7 December 2017, one of the regulators conducted enforcement operations led to the arrest of three members of the Previous Management including Quincy Wong, Rosetta Fong and Christie Chan ("Arrest"). In order to protect the interest of Convoy and its shareholders, Convoy then immediately made a proactive action to request a voluntary suspension on trading of Convoy shares in the morning on 7 December 2017. In facing extreme uncertainties in the aftermath of the Arrest and series resignation of the then directors, Convoy learned the urgency to appoint new qualified professionals to the Board to oversee and advise Convoy, more importantly, to stabilize and rebuild the Group. With that in mind, Convoy took decisive decision to appoint new board members below:

i. Mrs. Fu Kwong Wing Ting, Francine Fu was appointed as an independent non-executive Director on 8 December 2017;

ii. Mr. Pak Wai Keung, Martin was appointed as an independent non-executive Director on 8 December 2017;

iii. Mr. Yan Tat Wah was appointed as an independent non-executive Director on 8 December 2017;

iv. Mr. Johnny Chen was appointed as an executive Director on 9 December 2017;

v. Mr. Yap E Hock, was appointed as an executive Director on 9 December 2017; and

vi. Ms. Ip Yee Kwan ("Ms. Ip"), was appointed as an executive Director on 9 December 2017.

With the appointment of new directors above, the New Board of Convoy was officially formed and Mr. Johnny Chen was appointed as the chairman of the New Board on 21 December 2017. Ms. Ip was also appointed as the Chief Financial Officer of the Group. The New Board under the assistance of Ms. Ip immediately led a team and took control of the finance department, assessed the financial damages and verified the cash positions of the Group.

The New Management Team led by Mr. Johnny Chen and Mr. Ng Wing Fai with a determined mission to safeguard, de-risk, stabilize and rebuild the Group immediately undertook a complete organizational restructuring which includes de- risking the crisis brought by and minimizing the influence of the Previous Management Team through fresh recruitment of management personnel. Since 7 December 2017, Convoy has replaced a substantial number of senior staff which has resulted in a complete change of senior management of the Group.

On 18 December 2017, with the advices of legal advisors, Convoy together with two of its subsidiaries (namely Convoy Collateral Limited and OnePlatform Securities Limited (formerly named CSL Securities Limited) ("OnePlatform Securities") commenced legal proceedings against 28 Defendants in High Court Action No 2922 of 2017 ("HCA 2922/2017"). Convoy's claim against these defendants arise from a placement of Convoy's shares which took place on 29 October 2019 where a substantial number of shares ("Wrongfully Allotted Shares") were allotted to certain placees holding out as independent placees ("Alleged Independent Placees"). It is Convoy's case that the Wrongfully Allotted Shares had then been wrongfully transferred to Mr. Kwok and Mr. Chen respectively. Reference is made to the Company's announcements dated 9 January 2018, 12 February 2018, 5 March 2018, 24 September 2018, 19 June 2020, 17 November 2020 and 3 January 2021.

Although Convoy experienced a year of significant watershed in 2017 and encountered unmanned challenges, looking into the future, the Group will further integrate its internal and external resources, aiming to promote its business. The Group is committed to executing upon its long-term strategy, strengthening the market-leading positions of its core business, and investing for growth in new businesses and opportunities. In doing so, the Group is well-positioned to compete in the years ahead, deliver higher, more sustainable returns for its shareholders, and becomes a trusted partner for institutions and individuals.

BUSINESS REVIEW

IFA BUSINESS

Hong Kong and Macau

The IFA Business has experienced a series of unprecedented challenges since early 2015 with first the change of regulatory requirements of the Investment-linked Assurance Scheme ("ILAS") that took effect on 1 January 2015 which led to serious deterioration of the IFA Business in 2015. With limited efforts by the Previous Management Team in rebuilding the IFA Business during 2016 and 2017, the IFA Business again suffered destructive damages with the loss of over 250 consultancy force after the enforcement operations in December 2017.

Notwithstanding the immense reputational and financial damages, our various diversification strategies by way of adding business partners, strengthening consultancy force and enlarging product variety helped driving a steady growth of the revenue from IFA business in Hong Kong. While Mandatory Provident Fund Schemes Authority continues to promote the Employee Contribution Arrangement ("ECA") and study feasibility for the implementation of "MPF full portability", the Group believes that the demand on our MPF financial planning and advisory services would continue to increase. With the Group's persistent efforts on implementing these strategies, we have confidence to maintain our competitiveness in the IFA industry in Hong Kong.

For Macau, we will continue to explore opportunities to scale up our business operations in order to enhance regional connectivity and tap new business opportunities.

Mainland China

To seize business opportunities on the increasing demand for wealth management and financial planning services from Mainland China, the Group has devoted substantial resources in Mainland China in the past few years to build up and broaden our client base. By adjusting our business strategies from time to time, strengthening our client base and implementing stringent cost controls, we would target to achieve profitability for our Mainland China operations in long run.

MONEY LENDING BUSINESS

The Group's money lending business was significantly affected with the sudden destruction of HKCC by the Previous Management Team in January 2017. Notwithstanding the serious negative impacts and damage caused to the Group, the New Management Team will continue to revamp and develop its all-rounded financial services platform which manages wealth and provides liquidity for customers. To effectively use the Group resources, we will continue to extend prudent lending to the retail markets this business into the in-building fintech platform, while at the same time continue to strengthen credit quality and credit risk management to accumulate a stable income stream for the Group.

ASSET MANAGEMENT BUSINESS

Revenue from asset management business increased by approximately 21.9% from approximately HK$38.0 million in prior year to approximately HK$46.4 million in current year which was mainly due to a slight increase in fund management fee along with our steady growth in number of funds and asset under management and also extra income from performance fee sharing.

With the healthy growth in investment brokerage and asset management business, we believe that our asset management platform will continue to create substantial value for our shareholders by means of generating stable and recurring income for our Group.

SECURITIES DEALING BUSINESS

The securities dealing business suffered a setback in the second half of 2017 particularly after the investigation by the regulator into OnePlatform Securities, primarily carrying on securities dealing business, with regard to its margin lending operation triggered by the "Enigma Network Stock". After the probe, OnePlatform Securities was accused of failing to comply with certain requirements as set out in the Code of Conduct for Persons Licensed by and Registered with the SFC applicable to securities margin financing activity. As a penalty for the non-compliance, certain operational conditions and restrictions on OnePlatform Securities was imposed in the form of an undertaking made to SFC (the "Undertaking") in July 2017. The Undertaking was accepted by the previous management of OnePlatform Securities who confirmed to strictly abide by it until SFC is satisfied that OnePlatform Securities has undergone a reshuffle, enhancing its system and controls in relation to securities margin financing operation.

After the Undertaking to SFC, the securities margin loans were substantially recovered. Margin loan balance plummeted from over HK$900 million on average in 2016 to less than HK$100 million on average in 2017. On shrinking securities margin financing business, revenue from securities dealing businesses dropped in 2017.

PROPRIETARY INVESTMENTS

The proprietary investments suffered approximately HK$883 million losses in 2017 primarily comprising of legacy investments under the previous management. To safeguard the interest of the Group and all stakeholders, the new management team had in early 2018 taken immediate action and terminated the operation of proprietary investments.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon the shareholders' fund, placing of bonds and cash generated from its business operations to finance its operations and expansion. As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$2,021.6 million (2016: HK$967.1 million), bond payables of approximately HK$595.5 million (2016: HK$616.4 million) and interest-bearing bank and other borrowings of HK$Nil (2016: HK$59.9 million). The gross gearing ratio, calculated on the basis of the aggregate of the Group's bond payables and interest-bearing bank and other borrowings divided by equity attributable to owners of the Company, was approximately 16.6% (2016: 13.8%). As at 31 December 2017, the net current assets of the Group amounted to approximately HK$2,568.3 million (2016: HK$3,181.3 million) and the current ratio (current assets/current liabilities) was approximately 3.4 (2016: 4.0).

CAPITAL STRUCTURE

As at 31 December 2017 and 2016, the authorised share capital of the Company was HK$2,000 million divided into 20,000,000,000 shares of HK$0.1 each and the issued share capital of the Company was approximately HK$777.9 million divided into 7,778,596,000 shares of HK$0.1 each. Please refer to notes 4 and 41 to the consolidated financial statements in this annual report for detailed explanation on the share capital structure of the Company.

During the years ended 31 December 2017 and 2016, no movement in the Company's authorised and issued share capital was noted.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 503 (2016: 491) supporting staff and 14 (2016: 17) salary-based/daily rate trainees. The total remuneration of the employees (including the Directors' remuneration) was approximately HK$297.1 million for the year ended 31 December 2017 (2016: HK$236.4 million).

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

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

In addition, the Company's retirement policy scheme was adopted for the primary purpose to retain critical participants for the continual operation and development of the Group. The Company also operates a share option scheme which was adopted on 23 June 2010 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share option scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that the adoption date.

RISK MANAGEMENT

The Group adopts very stringent risk management policies and monitoring systems to mitigate the risks associated with interest rate, credit, liquidity, foreign currency and equity, debt and investment fund price in all its major operations. For details of the financial risk management, please refer to note 6 to the consolidated financial statements.

INTEREST RATE RISK

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets and liabilities. The Group's interest rate risk arises from its loans receivable carried at amortised costs, interest-bearing bank and other borrowings with floating interest rates, held to maturity investments, restricted cash, cash held on behalf of clients, pledged bank deposit and cash and cash equivalents. Except for, bank and other borrowings and loans receivable with floating rates, which are entitled to interest at variable rates, and expose the Group to cash flow interest rate risk, cash and cash equivalents, loan receivables at fixed rate, held to maturity investment, restricted cash, cash held on behalf of clients, pledged bank deposits, bond payables and interest-bearing bank and other borrowings are at fixed rates.

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

CREDIT RISK

The Group conducts business with and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise loans receivable, accounts receivable, deposits and other receivables, held-to-maturity investments, cash held on behalf of clients, restricted cash, pledged bank deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk of accounts receivable and loans receivable. The Group minimises risk exposure by performing credit analysis and overseeing and monitoring of the performance regularly.

All cash held on behalf of clients are located in Hong Kong and deposited with a financial institution. The Group regularly reviews the cash position and the financial institution is financially solid, the concentration risk of cash held on behalf of clients is manageable. Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable, deposits and other receivables and accounts receivable are disclosed in the relevant notes to the consolidated financial statements.

LIQUIDITY RISK

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

FOREIGN CURRENCY RISK

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

EQUITY, DEBT AND INVESTMENT FUND PRICE RISK

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

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2017, the financial investments held by the Group are as follows:

	2017 HK$'000	2016 HK$'000
Held-to-maturity investments	**18,185**	141,815
Available-for-sale investments	**927,817**	761,755
Financial assets at fair value through profit or loss	**624,815**	1,105,957
Financial liabilities at fair value through profit or loss	**(167)**	(35,122)
Total	**1,570,650**	1,974,405

Save as disclosed above, the Group did not hold any other significant financial investment as at 31 December 2017.

Information in relation to the top 3 significant financial investments as at 31 December 2017 are set out as follows:

Stock code	**Name of investee company/fund**	**Nature of investment**	**Principal business or investment scope of the investee company/fund**	**Carrying value**		**Investment during the year**	**Change in fair value during the year**
				2017 HK$'000	2016 HK$'000	HK$'000	HK$'000
Not applicable	Nutmeg Saving and Investment Limited	Investment in shares	Provision of online discretionary investment management services and is regulated by the Financial Conduct Authority of the United Kingdom	**254,004**	236,148	–	17,856
1140	OP Financial Limited	Investment in listed shares	Provision of management services and trading in securities	**203,885**	162,815	–	41,070
Not applicable	Mulberry Health Inc.	Investment in shares	High growth technology and date driven health insurance company	**165,036**	155,000	–	10,036

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 13 July 2017, the Group disposed of its entire equity interest in Waller Holdings Limited to an Independent Third Party for a consideration of approximately HK$145.4 million, which included the settlement by repayment of loan of approximately HK$138.2 million and cash consideration received of approximately HK$7.2 million, resulting in a gain on disposal of approximately HK$28.8 million.

Save as disclosed above, the Group did not have any other material acquisition and disposal of subsidiaries for the year ended 31 December 2017.

FUTURE PLANS RELATING TO MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2017, the Group's capital commitments related to the capital investments in available-for-sale investments amounted to HK$50.4 million (2016: HK$205.3 million).

Save as disclosed above, the Group had not executed any agreement in respect of material investments or capital assets and did not have any other future plans relating to material investments or capital assets as at the end of the reporting period.

CONTINGENT LIABILITIES

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group. No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defenses against the claimants or the amounts involved in these claims are not expected to be material. For details of the litigation which the Group is involved, please refer to note 54 to the consolidated financial statements in this annual report.

Save as the above, the Group did not have any significant contingent liabilities as at 31 December 2017 and 2016.

PLEDGE OF ASSETS

As at 31 December 2017, assets pledged to banks to secure banking facilities (including bank borrowings and bank overdraft) granted to the Group are as follows:

	2017 HK$'000	2016 HK$'000
Investment property	**–**	111,300
Building	**–**	22,155
Bank deposit	**10,169**	10,103
Total	**10,169**	143,558

Biographical Details of
Directors and Senior Management

EXECUTIVE DIRECTORS

MR. NG WING FAI

Mr. Ng Wing Fai ("Mr. Ng"), aged 53, was appointed as an executive Director on 15 September 2015. Mr. Ng is the Group President of the Company and the director of certain subsidiaries of the Company. He holds a Master of Business Administration Degree from Harvard University and a Bachelor of Arts Degree from University of Cambridge. Mr. Ng is the Managing Partner and Founding Partner of Primus Pacific Partners, an Asian private equity fund with a focus on financial services. At Primus Pacific Partners, Mr. Ng oversees substantial investments in New China Life Insurance Co., Ltd., the fourth largest life insurance company in China, EON Bank, the seventh largest bank in Malaysia, and a number of significant assets around the world. Mr. Ng was previously the Managing Director of Fubon Financial Holding Co., Ltd. ("Fubon Financial"), the largest financial conglomerate in Taiwan and was in charge of Fubon Financial's overall strategy, capital markets, merger and acquisition activities and major change programs. During his tenure at Fubon Financial, Mr. Ng led the winning bids to acquire Taipei Bank in Taiwan and International Bank of Asia in Hong Kong. Prior to his position at Fubon Financial, Mr. Ng served as the Managing Director and Head of the Asia-Pacific Financial Institutions Group at Salomon Smith Barney. Among his many transactions in the region, he represented and advised Fubon Financial in its strategic alliance with Citigroup in 2000. From 1998 to 1999, Mr. Ng led a team of bank specialists in advising the Government of Malaysia on recapitalizing and restructuring the banking industry. Previously, Mr. Ng was a Management Consultant at Booz Allen & Hamilton specializing in financial services in the United States of America and Asia.

MR. YAP E HOCK

Mr. Yap E Hock ("Mr. Yap"), aged 65, was appointed as an executive Director on 9 December 2017. Mr. Yap is responsible for exploring business development opportunities and implementation of operational strategies of the Group. Mr. Yap is a director of certain subsidiaries of the Company. Mr. Yap is also a director of Hong Kong Credit Corporation Limited, a wholly-owned licensed money lender of the Company that focuses on prime mortgage lending business. Mr. Yap obtained a Bachelor Degree in Chemical Engineering from the University of Sheffield, the United Kingdom in 1978. He is also a fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Yap started his career with the London office of KPMG as an auditor specializing in insolvency from August 1978 to May 1983. From May 1983 to January 1987, he worked at Chase Manhattan Bank as an investment banker and in various investment banks in the region. He later took up management roles in several financial services companies in the Asia Pacific Region. He served as the Chief Executive Officer and as the Group Managing Director of Prime Credit Limited during the period from August 1999 to December 2007.

Mr. Yap is currently an independent non-executive director and also the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of China New Town Development Company Limited (HKSE Stock Code: 1278), a company listed on the Stock Exchange. He had also served as an independent non-executive director of SRE Group Limited (HKSE Stock Code: 1207), a company listed on the Stock Exchange, from September 2004 to May 2012.

MR. SHIN KIN MAN

Mr. Shin Kin Man ("Mr. Shin"), aged 44, was appointed as an executive Director on 15 January 2018. Mr. Shin is the Chief Executive Officer of Convoy Financial Services Limited, a subsidiary of the Company, and is responsible for managing the consultancy team and refining business development system for the Group. He is also the director of certain subsidiaries of the Company. Mr. Shin graduated from the Hong Kong Baptist University in 1998. In the same year, he joined Convoy Financial Services Limited as a Financial Consultant. He was promoted to Deputy Director in 2005. He has many years of experience in business development and team management. He once held the position of President of Lions Clubs of Happy Valley International District 303 — Hong Kong and Macau and he is now a core member of various social service organizations.

MS. WONG SUET FAI

Ms. Wong Suet Fai ("Ms. Wong"), aged 50, who was an executive Director from 15 January 2018 to 22 October 2018 and was re-appointed as an executive Director on 1 January 2021. Ms. Wong has over 20 years of related experience encompassing organizational and talent development, compensations and benefits management, staff training and engagement, organizational efficiency. Ms. Wong graduated with a Bachelor of Business Administration (Hons.) in Human Resources Management from Hong Kong Baptist University in 1995. She also holds a Master of Business Administration from University of Leicester in 2003 and completed the Advanced Management Program offered by Harvard Business School in 2018.

Ms. Wong joined the Group in February 2012. She is currently the Group Chief People and Culture Officer and Acting Chief of OnePlatform of the Company. She is responsible for overseeing all aspects of human resources, marketing and branding, talent engagement and development, organizational efficiency and leading the OnePlatform business. She is also a director of certain subsidiaries of the Company. Before joining the Group, Ms. Wong held different positions in AXA, Sun Life Financial, Hutchison Ports, CSL Telecommunications and Wyeth.

MR. LEE JIN YI

Mr. Lee Jin Yi ("Mr. Lee"), aged 63, was appointed as an executive Director on 19 November 2020. Mr. Lee has extensive experience in the banking industry and held various senior management positions with major financial institutions over the past 20 years. Mr. Lee was the deputy chairman of Lansen Pharmaceutical Holdings Limited ("Lansen"), a company listed on the Stock Exchange, the chief executive officer of Cathay International Holdings Limited ("CIH"), a company listed on the London Stock Exchange, and a director of Xiamen City Commercial Bank. Mr. Lee was the managing director and chief executive officer of Fubon Bank (Hong Kong) Limited for five and a half years and a director of Fubon Financial Holding Company Limited. Prior to that, Mr. Lee was the managing director and China senior country officer of J.P. Morgan Chase & Co. and chairman of the Hong Kong Management Committee of J.P. Morgan Chase & Co. Mr. Lee obtained a master's degree in business administration from Harvard University in 1984.

Mr. Lee was an independent director of Taichung Commercial Bank Company Limited, a company listed on the Taiwan Stock Exchange (TWSE Stock Code: 2812) from June 2011 to June 2020. He was a non-executive director of Lansen (HKSE Stock Code: 503) from April 2010 to October 2019, and an executive director of CIH (LSE Stock Code: CTI) from January 2010 to October 2019.

MR. CHUNG KWOK WAI, KELVIN

Mr. Chung Kwok Wai, Kelvin ("Mr. Chung"), aged 54, was appointed as an executive Director on 1 January 2021. Mr. Chung has over 25 years of experiences in banks and financial institutions. His expertise is formulating strategic business blueprint, designing distribution strategies for financial products, regulating operations, and maintaining efficiency in corporate governance. Mr. Chung holds a Master of Business Administration in Technology Management, which he obtained from Deakin University in 2001.

Mr. Chung joined the Group in May 2019 as the Head of Distribution Management and he is currently the Managing Director of Perform Financial Planning Services Limited since January 2020 and the Chief Business Officer of OnePlatform Wealth Management Limited since November 2020. Before joining the Group, Mr. Chung held different senior positions in Prudential Hong Kong Limited, Western Union Business Solutions, DBS Bank, Bank of China and HSBC.

NON-EXECUTIVE DIRECTORS

MR. JOHNNY CHEN

Mr. Johnny Chen ("Mr. Chen"), aged 61, was re-designed as a non-executive Director on 1 January 2021 but he remains as the Chairman of the Board. Mr. Chen has been an executive Director since 9 December 2017. He acted as interim Chairman of the Board from 9 December 2017 until 21 December 2017 when he was appointed as Chairman of the Board with effect from 21 December 2017. Mr. Chen is the director of Fubon Convoy Asset Management (HK) Limited, an associate of the Group. Mr. Chen is the Senior Advisor of LionRock Capital Limited and an Adjunct Associate Professor of Department of Finance, Hong Kong University of Science and Technology. Mr. Chen joined the management of Zurich Insurance Group ("Zurich") in 2005. He worked in Zurich from March 2005 to February 2015 in multiple senior managerial roles in the Asia-Pacific region. His last position in Zurich was the chairman of Life and General Insurance, China. Prior to joining Zurich, Mr. Chen was an executive member of the Greater-China Management Board and the Operating Committee of PricewaterhouseCoopers ("PwC"), as well as a managing partner of PwC's Beijing office. Mr. Chen holds a Master of Science Degree in Accounting from the University of Rhode Island and a Bachelor Degree in Accounting from the Johnson & Wales University. He is a certified public accountant in the United States.

Mr. Chen is currently an independent non-executive director of each of Uni-President China Holdings Ltd. (HKSE Stock Code: 220), where Mr. Chen also serves as a member of each of the audit committee, the nomination committee and the investment, strategy and development committee; Stella International Holdings Limited (HKSE Stock Code: 1836), where Mr. Chen also serves as the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee; Alibaba Pictures Group Limited (HKSE Stock Code: 1060), where Mr. Chen also serves as the chairman of the audit committee and a member of the nomination committee; and China Travel International Investment Hong Kong Limited (HKSE Stock Code: 308), where Mr. Chen also serves as a member of each of the audit committee, the remuneration committee and the nomination committee. From July 2005 to January 2014, Mr. Chen was a non-executive director of New China Life Insurance Company Ltd. (HKSE Stock Code: 1336). He was also an independent non-executive director of China Minsheng Financial Holding Corporation Limited (formerly known as "China Seven Star Holdings Limited") (HKSE Stock Code: 245) from December 2015 to November 2018; Viva China Holdings Limited (HKSE Stock Code: 8032) from June 2010 to February 2019; and China Dongxiang (Group) Co., Ltd. (HKSE Stock Code: 3818) from July 2017 to March 2019. All of the above companies are listed on the Stock Exchange.

MR. CHEN SHIH-PIN

Mr. Chen Shih-pin ("Mr. Chen"), aged 68, was appointed as a non-executive Director on 29 December 2017. Mr. Chen was educated at, and holds a Bachelor of Science Degree and a Master of Business Administration Degree from, the National Taiwan University. Mr. Chen is also a member of the Actuarial Institute of Chinese Taipei. Since February 1995, Mr. Chen has been working at Fubon Life Insurance Co., Ltd. Over the years, he has worked as Assistant Vice President since 1995 until 1997, as Vice President since 1997 until 2001, as Executive Vice President since 2001 until 2004, as Senior Advisor since 2004 until 2005, as Director since 2005 until 2008, as Executive Vice President since 2008 until 2010, as Advisor since 2010 until 2011, and as Supervisor from 2013 until now. Prior to his employment with Fubon Life Insurance Co., Ltd., Mr. Chen worked at Chung Hsing Life Insurance Co., Ltd. as a Resident Supervisor from March 1993 to February 1995 and Cathay Life Insurance Co., Ltd. as a Manager from October 1977 to March 1993.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MRS. FU KWONG WING TING, FRANCINE

Mrs. Fu Kwong Wing Ting, Francine ("Mrs. Fu"), aged 52, who was an independent non-executive Director from 16 March 2010 to 26 May 2014, was re-appointed as an independent non-executive Director on 8 December 2017. Mrs. Fu attained her Master Degree in Politics, Philosophy and Economics from University of Oxford in the United Kingdom in June 1994 and has been holding the CFP (Certified Financial Planner) designation since October 2001. Mrs. Fu is the Managing Principal and owner of a business consulting firm, Coram Advisory Services (HK) Limited, set up in 2008 to provide advisory service to business based in Hong Kong. Before setting up her own practice, she was the Chief Marketing Officer of AXA China Region Insurance Company Limited, one of the top three long term insurers in Hong Kong, from January 2006 to June 2008. She has been in the financial services industry with various leading financial services companies for over 22 years. She has previously been a member of the Advisory Committee on Applied Mathematics of the Hong Kong Polytechnic University, an alternate member of the Investment-Linked Assurance and Pooled Retirement Funds of the Securities and Futures Commission, a member of the Investor Education Advisory Committee of the Hong Kong Securities and Futures Commission from April 2006 to March 2008 and a member of the Award Council of the Hong Kong Award for Young People from February 1994 to January 2002. Mrs. Fu has previously been the President of the Institute of Financial Planners of Hong Kong from September 2008 to September 2010. She has also previously been a board member of United World Colleges Hong Kong Committee Limited from July 2008 to May 2018. Mrs. Fu is currently a board member of Li Po Chun United World College (Hong Kong), Limited since 1991 as well as a Governor and an executive committee member of Keswick Foundation since 2014.

Mrs. Fu was appointed as an independent non-executive Director of the Company on 16 March 2010, and as the chairman of each of the remuneration committee and the nomination committee of the Company, and a member of each of the audit committee and the corporate governance committee of the Company. At the annual general meeting (the "2014 AGM") of the Company held on 6 May 2014, Mrs. Fu did not offer herself for re-election due to her personal commitments on her other business and accordingly retired as an independent non-executive Director upon the conclusion of the 2014 AGM.

MR. PAK WAI KEUNG, MARTIN

Mr. Pak Wai Keung, Martin ("Mr. Pak"), aged 57, was appointed as an independent non-executive Director on 8 December 2017. Mr. Pak had held positions of chief financial officer and company secretary at various listed companies in Hong Kong, and has accumulated over 25 years of experience in finance, accounting and corporate governance affairs. Mr. Pak is a fellow of the Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

Mr. Pak has been appointed as an independent non-executive director of Nan Nan Resources Enterprise Limited (HKSE Stock Code: 1229), Dragon Mining Limited (HKSE Stock Code: 1712), and Viva China Holdings Limited (HKSE Stock Code: 8032) since September 2017, November 2018 and February 2019, respectively. He was an independent non-executive director of Ta Yang Group Holdings Limited (HKSE Stock Code: 1991) from April 2016 to October 2018. All of the above companies are listed on the Stock Exchange. He was also an independent non-executive director of Trony Solar Holdings Company Limited (HKSE Stock Code: 2468) and China Huiyuan Juice Group Limited (HKSE Stock Code: 1886) from January 2017 and June 2019, respectively until the listing of its shares on the Main Board of the Stock Exchange was cancelled on 23 August 2018 and 18 January 2021, respectively.

MR. PUN TIT SHAN

Mr. Pun Tit Shan ("Mr. Pun"), aged 59, was appointed as an independent non-executive Director on 9 May 2016. He holds a Master of Business Administration Degree (with Honour) from the University of Manchester. Mr. Pun is currently the Investment Director of Wellchamp Capital Limited and is a licensed person to carry out Type 9 (asset management) regulated activity under the Securities and Futures Ordinance. He has over 33 years of experience in the finance field, such as strategic dealing and arbitraging in the derivatives market, sales and marketing management in the primary and secondary equity market and sales and asset management of high net-worth clients and investment advisory.

From 1984 to 1989, Mr. Pun was a Chief Trader and Dealing Room Manager of legacy Po Sang Bank Ltd., Hong Kong and was a Vice President and Senior Dealer of Credit Suisse, Hong Kong from 1989 to 1993, both focusing on foreign exchange and precious metals trading. From 1993 to 1994, he was a Manager of Po Sang Financial Investment Services Co., Ltd. From 1994 to 1996, he was appointed as Director of Po Sang Futures Ltd. and Chung Mao Commodities & Futures Ltd. From 1996 to 2003, he acted as Vice President of Bank of China International Securities Ltd. looking after the stock options and the financial derivatives and the brokerage sales department. From 2003 to 2008, he was the Responsible Officer and director of Southwest Securities (HK) Brokerage Ltd. (formerly known as "Tanrich Securities Co. Ltd."), Southwest Securities (HK) Asset Management Ltd. (formerly known as "Tanrich Asset Management Ltd."), and Southwest Securities (HK) Futures Ltd. (formerly known as "Tanrich Futures Ltd."). From 2008 to 2015, he was the Responsible Officer of Haitong International Securities Co. Ltd., and Haitong International Futures Ltd., and in the years of 2008 to 2014, he was also the Responsible Officer of Haitong International Asset Management Ltd. In January 2015 to September 2015, he was also the Responsible Officer of Haitong International Consultants Ltd. of which the principal activities were engaged in asset management. From October 2015 to July 2016, he was the Chief Investment Officer of Astrum Capital Management Limited. From August 2016 to January 2018, he was the Chief Executive Officer of Asia Wealth Securities Limited. From March 2018 to July 2020, he was the Head of Investment and Responsible Officer of TC Concord Securities Limited and TC Concord Asset Management Limited.

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

Mr. Pun is currently an independent non-executive director of CPMC Holdings Limited (HKSE Stock Code: 906) and was an independent non-executive director of China New Economy Fund Limited (HKSE Stock Code: 80) from April 2016 to June 2019, both of which are listed on the Stock Exchange.

MR. YAN TAT WAH

Mr. Yan Tat Wah ("Mr. Yan"), aged 56, was appointed as an independent non-executive Director on 8 December 2017. Mr. Yan is a fellow and practising member of the Hong Kong Institute of Certified Public Accountants, and the Association of Chartered Certified Accountants, a fellow member of the Society of Chinese Accountants and Auditors, and a fellow member of the Institute of Chartered Accountants in England and Wales. Mr. Yan is also a fellow member of the Taxation Institute of Hong Kong and Certified Tax Adviser in Hong Kong. Mr. Yan is a Senior Partner and founder of the accounting firm LKY China, Certified Public Accountants (Practising). Mr. Yan was an independent non-executive director of Tidetime Sun (Group) Limited (now known as "Up Energy Development Group Limited") (HKSE Stock Code: 307), a company listed on the Stock Exchange, for over 10 years until September 2009, and also served as the chairman of its audit committee and a member of its remuneration committee.

MR. LAM KWOK CHEONG

Mr. Lam Kwok Cheong ("Mr. Lam"), aged 67, was appointed as an independent non-executive Director on 19 November 2020. He has over 38 years of experience as a practicing solicitor. He obtained a bachelor's degree in law from the University of Hong Kong in November 1976. Mr. Lam is a Justice of the Peace, a holder of Bronze Bauhinia Star (BBS) and a solicitor of the High Court of Hong Kong. Mr. Lam is currently a member of the Buildings Ordinance Appeal Tribunal Panel, an Ex-Officio Member of Heung Yee Kuk New Territories, a Civil Celebrant of Marriages and a China appointed Attesting Officer.

Mr. Lam is currently an independent non-executive director of Sparkle Roll Group Limited (HKSE Stock Code: 970) and Wah Sun Handbags International Holdings Limited (HKSE Stock Code: 2683), both companies are listed on the Stock Exchange. He was an independent non-executive director of China Brilliant Global Limited (HKSE Stock Code: 8026), a company listed on the Stock Exchange, from June 2015 to February 2018.

MS. CARRIE BERNADETTE HO

Ms. Carrie Bernadette Ho ("Ms. Ho"), aged 61, was appointed as an independent non-executive Director on 1 January 2021. She has extensive experience in the accounting and corporate finance field. She graduated from Monash University, Australia with a Bachelor of Economics. She is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. Ms. Ho held different positions at accountant firms, and private and listed public companies. Among others, she worked as adviser to chairman of Hudson Holdings Limited since 1997 until 2000, chief financial officer and company secretary of Zhong Hua International Holdings Limited (HKSE Stock Code: 1064), a company listed on the Stock Exchange, since 2000 until 2002, and general manager of FTMS Training Systems (Hong Kong) Limited since 2006 until 2007.

SENIOR MANAGEMENT

MR. HO CHOON LENG, PATRICK

Mr. Ho Choon Leng, Patrick ("Mr. Ho"), aged 49, was appointed as Chief Digital Officer of the Company in February 2017. Mr. Ho is the pioneer of iFast, one of the most successful online investment platforms in Asia. He has over 20 years of track record in Information Technology and Fintech in Asia.

MS. CHIU WAI LING, VENUS

Ms. Chiu Wai Ling, Venus ("Ms. Chiu"), aged 45, joined the Group in September 2019 and is presently the Managing Director of Digital Wealth Management and Innovation of the Company. Ms. Chiu has over 20 years of experience in wealth management and banking industry. She took up several senior positions in managing the wealth management and private banking businesses for various established banks.

Corporate Governance Report

The Board hereby presents this Corporate Governance Report (the "CG Report") for the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The New Board recognises the importance of good corporate governance in the management of the Group and is committed to establishing and maintaining good corporate governance practices and procedures to safeguard the interests of the Company's shareholders, ensure the sustainability of the Group's business and to enhance the Board and senior management's accountability and transparency.

Due to limited books of accounts and records available to the Company and the New Board, and that many key personnel or members of the Previous Board had ceased to be Directors of the Company or with duties suspended, the New Board noted that the historical information in respect of the corporate governance of the Company available to them may not be complete and sufficient to establish an accurate and reliable review of the corporate governance of the Company and may contain significant errors. The corporate governance report was prepared in accordance with the limited information available to the New Board.

For the reasons discussed above and based on the limited information available, the New Board considered that (i) the Company appeared to have failed to ensure the compliance of certain of the then provisions of the Corporate Governance Code ("CG Code"); and (ii) there was insufficient information to determine if certain CG Code provisions have been complied with. Below is a summary of these relevant CG Code provisions:

CG Code provisions	Description of deviations
A.1.1 and A.1.3	The Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals, with proper prior notice being given to all Directors. The Company has failed to comply with such requirements for most of the Board meetings convened during the year ended 31 December 2017.
A.1.2, A.1.4–1.7	Based on the limited information available, the New Board is not able to confirm whether the Company has complied with these provisions, noting that the Company may not possess the full and complete record of the board meetings such as resolutions, notices and agenda for the year ended 31 December 2017. Looking ahead, the New Board is committed to ensure compliance of these code provisions.
A.2.1	The Company does not have an official position of chief executive officer and the day-to-day management of the Group's business has been handled by the executive Directors collectively and led by the president of the Company. The Board believes that the arrangement is adequate to ensure an effective management and control of the Group's business operations. The situation is under constant review and the Board will assess whether any changes to the current practice, including re-designation of the president as chief executive officer, are needed.

CG Code provisions	Description of deviations
A.2.2–A.2.9	The current Chairman of the Company, Mr. Johnny Chen, was appointed on 21 December 2017 following the suspension of duties of Mr. Wong Lee Man, the Chairman of the Previous Board. Based on the limited information available, the significant change in the board composition and Mr. Wong Lee Man's duties being suspended, the New Board is unable and is not in an appropriate position to determine whether these provisions have been complied for the year ended 31 December 2017. The existing Chairman is committed to taking adequate action to observe the relevant requirements in these code provisions.
A.5.1	Mr. Mak Ka Wing, Patrick ("Mr. Mak"), and Mr. Chan Ngai Sang, Kenny ("Mr. Chan") who was also the Chairman of the Remuneration Committee and a member each of the Nomination Committee and the Audit Committee, resigned as independent non-executive Directors with effect from 7 November 2017 and 29 November 2017, respectively. Following the resignation of Mr. Chan, the Nomination Committee comprised only two members, one of whom was an executive Director. As a remedial action, the Company appointed Mrs. Fu Kwong Wing Ting, Francine, Mr. Pak Wai Keung, Martin and Mr. Yan Tat Wah as independent non-executive Directors all with effect from 8 December 2017. Further, on 12 December 2017, the Company appointed sufficient number of independent non-executive Directors to the Nomination Committee.
A.6.1	As the additional members of the New Board as at December 2017 were only appointed to the board in December 2017 (i.e. Mr. Johnny Chen, Mr. Yap E Hock, Ms. Ip Yee Kwan, Mr. Chen Shih-pin, Mrs. Fu Kwong Wing Ting, Francine, Mr. Pak Wai Keung, Martin and Mr. Yan Tat Wah), the Company did not provide any training for them during the year ended 31 December 2017. The New Board is aware of its duty under this code provision and intends to comply with these provisions in future.
A.6.4	For the year ended 31 December 2017, no written guidelines had been put in place for employees in respect of their dealings in the Company's securities. However, records show that the Company had sought confirmation with the then Directors as to whether each of them had complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") for the half year ended 30 June 2017. In addition, Directors for the year ended 31 December 2017 have returned a written confirmation to the Company confirming he/she had complied with the Model Code for the period of their office during the year 2017, except Mr. Tan Ye Kai Byron and Ms. Chan Lai Yee. The New Board is aware of its duty under this code provision and intends to adopt relevant written guidelines as soon as possible.

CG Code provisions	Description of deviations
A.6.5 and I.(i)	The Company did not receive training records from Mr. Wong Lee Man and Ms. Chan Lai Yee (whose duty had been suspended since 8 December 2017 and they subsequently were removed on 7 January 2021) and the former Directors, namely Dr. Cho Kwai Chee ("Dr. Cho") and Mr. Tan Ye Kai, Byron. Mr. Wang John Hong-chiun replied that he did not receive any training during the year ended 31 December 2017. As the additional members of the New Board as at December 2017 were only appointed to the board in December 2017 (i.e. Mr. Johnny Chen, Mr. Yap E Hock, Ms. Ip Yee Kwan, Mr. Chen Shih-pin, Mrs. Fu Kwong Wing Ting, Francine, Mr. Pak Wai Keung, Martin and Mr. Yan Tat Wah), the Company did not provide any training for them during the year ended 31 December 2017. The New Board is aware of its duty under this code provision and intends to comply with these provisions in future.
A.7.1–A.7.3	Based on the limited information available and the significant change in the board composition, the New Board is not able to confirm whether the Company has complied with this provision, noting that the Company does not possess the full and complete record of the board meetings such as resolutions, notices and agenda for the year ended 31 December 2017. The New Board is committed to ensure compliance of these code provisions.
B.1.1 and C.1.1	Based on the limited information available and the significant change in the board composition, the New Board is not able to confirm whether the Company has complied with these provisions. The New Board is committed to ensure compliance of these code provisions.
C.1.2	The Company's management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their relevant duties. The management of the Company has failed to provide any management updates on a monthly basis during the year ended 31 December 2017.
C.2.1 , C.2.3, and Q.(b) — Q.(c)	The Company engaged an independent professional firm to conduct risk management assessment for the year ended 31 December 2017 in 2018. As such, the Company did not conduct a review of the effectiveness of the Group's risk management and internal control system except through the Audit Committee which conducted two meetings in 2017 to, amongst others, review the effectiveness of the Group's financial controls, risk management and internal control system. However, based on the limited information available and the significant change in the board composition, the New Board is not in an appropriate position to confirm the effectiveness of the risk management and internal control system and its related review.

CG Code provisions	Description of deviations
C.2.5 and Q.(a)	The Company did not have an internal audit function for the year ended 31 December 2017. Based on the limited information available and the significant change in the board composition, the New Board is not in an appropriate position to review the need for an internal audit function for the year ended 31 November 2017. However, the New Board is committed to improving the internal audit practices of the Group and set up the internal audit function in March 2018.
C.3.1	While the minutes of the meetings of the Audit Committee during the year ended 31 December 2017 were kept, based on the limited information available, the New Board is not able to confirm whether such minutes were circulated for comments and record within a reasonable time after the meetings. The New Board is committed to ensure compliance of these code provisions.
D.1.1 and D.1.2	Based on the limited information available and the significant change in the board composition, the New Board is not able to confirm whether the Company has complied with this provision, noting that the Company may not possess the full and complete record of the board meetings such as resolutions, notices and agenda for the year ended 31 December 2017. The New Board is committed to ensure compliance of these code provisions.
D.1.4	Whilst there were relevant letters of appointment or service agreement with the relevant Directors, based on the limited information available and the significant change in the board composition, the New Board is not able to confirm whether the Company has complied with this provision in relation to the members of the Previous Board. The New Board is committed to ensure compliance of these code provisions.
E.1.4	As at 31 December 2017, no formal shareholders' communication policy has been put in place. Moving forward, the New Board intends to adopt such policy to reflect the current practices as soon as possible.
F.1.3 and F.1.4	Based on the limited information available and the significant change in the board composition, the New Board is not able to confirm whether the Company has complied with these provisions. The New Board is committed to ensure compliance of these code provisions.

CG Code provisions	Description of deviations
H(c)	As detailed below, the Company did not receive confirmation from Ms. Chan Lai Yee whose duties had been suspended since 8 December 2017 and she subsequently was removed on 7 January 2021, nor did the Company receive the said confirmation from the ex-Directors, namely Dr. Cho and Mr. Tan Ye Kai, Byron regarding the compliance of the required standard set out in the Model Code during their tenure of office. As such, the New Board is not able to confirm whether the Company has complied with these provisions.
I.(f)	Mr. Mak and Mr. Chan (who was also the Chairman of the Remuneration Committee and a member each of the Nomination Committee and the Audit Committee), resigned as independent non-executive Directors with effect from 7 November 2017 and 29 November 2017, respectively. Following the resignation of Mr. Mak, the number of independent non- executive Directors fell below one-third of the Board. As a remedial action, the Company appointed Mrs. Fu Kwong Wing Ting, Francine, Mr. Pak Wai Keung, Martin and Mr. Yan Tat Wah as independent non-executive Directors all with effect from 8 December 2017. By so doing, the number of independent non-executive Directors was increased to more than three and made up of at least one-third of the Board.
N.(b)	Based on the limited information available and the significant change in the board composition, the New Board is not able to confirm whether this provision was complied with or not. The New Board is committed to ensure compliance of this code provision.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Directors (save that the Company did not receive the confirmations from Mr. Tan Ye Kai Byron and Dr. Cho Kwai Chee who are former Directors and Ms. Chan Lai Yee, whose duty had been suspended since 8 December 2017, and she subsequently was removed as a Director at the adjourned extraordinary general meeting of the Company on 7 January 2021) confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2017.

BOARD OF DIRECTORS

COMPOSITION

The year 2017 was a turbulent year for Convoy. The Group co-operated with the investigation conducted by the law enforcement authorities regarding the potential irregularities of the Group, which ultimately led to the arrest of three of the Company's executive Directors on 8 December 2017 by the ICAC, namely Mr. Wong Lee Man, Ms. Fong Sut Sam and Ms. Chan Lai Yee. We have suspended the duties of these three executive Directors on the same day. Subsequently, Dr. Cho was removed as an executive Director of the Group with effect from 17 August 2018 as he has been absent from all meetings of the Board for more than six consecutive months since December 2017 without special leave of absence from the Board, nor he has performed any duty in his capacity as an executive Director during the same period.

Against this background, since December 2017, there has been a significant change in the Board composition.

The Board before the change in management structure comprised the following Directors (the "Previous Board"):

Executive Directors

Mr. Wong Lee Man *(ex Chairman)*	(suspended)
Ms. Fong Sut Sam	(suspended)
Mr. Tan Ye Kai, Byron	(resigned on 6 January 2018)
Mr. Ng Wing Fai	
Ms. Chan Lai Yee	(suspended)
Dr. Cho Kwai Chee	(removed on 17 August 2018)

Non-executive Directors

Mr. Wang John Hong-chiun

Independent Non-executive Directors

Mr. Ma Yiu Ho, Peter	(resigned on 5 July 2018)
Mr. Chan Ngai Sang, Kenny	(resigned on 29 November 2017)
Mr. Pun Tit Shan	
Mr. Mak Ka Wing, Patrick	(resigned on 7 November 2017)

Following the aforementioned arrest of three of the Company's executive Directors on 8 December 2017, a New Board was formed to re-establish good standard of corporate governance and procedures. In particular, Mr. Johnny Chen and Mr. Yap E Hock were appointed as executive Directors on 9 December 2017. On the other hand, due to the resignation of Mr. Mak Ka Wing, Patrick and Mr. Chan as independent non-executive Directors on 7 November 2017 and 29 November 2017 respectively, Mrs. Fu Kwong Wing Ting, Francine, Mr. Pak Wai Keung, Martin and Mr. Yan Tat Wah were appointed on 8 December 2017. Mr. Chen Shih-pin was appointed as non-executive Director on 29 December 2017. Save for Mr. Tan Ye Kai, Byron (who resigned on 6 January 2018), Dr. Cho Kwai Chee (who was appointed on 9 March 2017 and removed on 17 August 2018), Ms. Ip Yee Kwan (who was appointed on 9 December 2017 and resigned on 23 January 2018) and Mr. Ma Yiu Ho, Peter (who resigned on 5 July 2018).

During the year ended 31 December 2017 and as at the date of this CG Report, the Board currently comprises the following Directors:

Executive Directors

Mr. Ng Wing Fai
Mr. E Hock Yap (appointed on 9 December 2017)
Mr. Shin Kin Man (appointed on 15 January 2018)
Mr. Lee Jin Yi (appointed on 19 November 2020)
Ms. Wong Suet Fai (appointed on 15 January 2018 and resigned on 22 October 2018, and re-appointed on 1 January 2021)
Mr. Chung Kwok Wai, Kelvin (appointed on 1 January 2021)
Mr. Tan Ye Kai Byron (resigned on 6 January 2018)
Ms. Ip Yee Kwan (appointed on 9 December 2017 and resigned on 23 January 2018)
Dr. Cho Kwai Chee (removed on 17 August 2018)
Mr. Wong Lee Man (removed as *Chairman of the Board* on 21 December 2017 and removed as Director on 7 January 2021)
Ms. Fong Sut Sam (suspended from 8 December 2017 and resigned on 16 November 2020)
Ms. Chan Lai Yee (suspended from 8 December 2017 and removed on 7 January 2021)

Non-executive Directors

Mr. Johnny Chen *(Chairman)* (appointed as an executive Director on 9 December 2017 and re-designed as a non-executive Director with effect from 1 January 2021)
Mr. Chen Shih-pin
Mr. Wang John Hong Chiun (resigned on 25 January 2018)

Independent Non-executive Directors

Mr. Pun Tit Shan
Mrs. Fu Kwong Wing Ting Francine (appointed on 8 December 2017)
Mr. Pak Wai Keung Martin (appointed on 8 December 2017)
Mr. Yan Tat Wah (appointed on 8 December 2017)
Mr. Lam Kwok Cheong (appointed on 19 November 2020)
Ms. Carrie Bernadette Ho (appointed on 1 January 2021)
Mr. Ma Ka Wing Patrick (appointed on 9 March 2017 and resigned on 7 November 2017)
Mr. Chan Ngai Sang Kenny (resigned on 29 November 2017)
Mr. Ma Yiu Ho Peter (resigned on 5 July 2018)

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

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

The New Board has a balance of skills and experience appropriate for the requirements of the business of the Company. 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 biographical information of the current Directors are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 14 to 20 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other.

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

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

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

ROLES AND FUNCTIONS

The Board is responsible for overall strategic formulation and monitoring the performance of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board also delegates various responsibilities to the Audit Committee, the Remuneration Committee, the Nomination Committee, the corporate governance committee (the "Corporate Governance Committee", collectively with Audit Committee, Remuneration Committee and Nomination Committee, as the "Board Committees"). Further details of these committees are set out below in this CG Report.

BOARD MEETINGS

Regular Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles.

The Company Secretary assists the chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company will give reasonable notice for all other Board meetings. Normally, the Company also sends the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least 3 days before the date of the Board meeting. Upon suspension of their duties as Directors from 8 December 2017, notices of Board meeting and the agenda and accompanying board papers were not sent to Mr. Wong Lee Man, Ms. Fong Sut Sam and Ms. Chan Lai Yee.

During the year 2017, 12 Board meetings were held to consider, among other things, the appointment of directors and committee members, various projects contemplated by the Group and to review and approve the final results of the Group for the year ended 31 December 2016 and the interim results of the Group for the six months ended 30 June 2017. 2 out of the 12 Board meetings were regular Board meetings. For the attendance record of each Director at the Board meetings, Board committee meetings and general meetings of the Company, please refer to the paragraph headed "ATTENDANCE RECORDS OF DIRECTORS" set out below in this CG Report.

Please note that there is insufficient information to as to the compliance with certain provisions of CG Code in relation to the meetings of the board of directors of a listed issuer for the year 2017.

ACCESS TO INFORMATION

The New Board has full and timely access to all the information of the Company and may seek independent professional advice in appropriate circumstances at the Company's expense. The Company will, upon request, provide separate independent professional advice to Directors to assist the Directors to discharge their duties to the Company.

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

Please note that there is insufficient information to determine as to the compliance with certain provisions of CG Code in relation to supply of and access to information for the year 2017.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will review the profiles of the candidates and make recommendations to the Board on the nomination, appointment, and re-appointment of Directors.

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

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Provision A.6.5 of the CG Code stipulates that 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. Internally-facilitated briefings for Directors are arranged where appropriate and all Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2017, the Directors, namely Mr. Ng Wing Fai and Mr. Pun Tit Shan have confirmed that they had participated in continuous professional development by attending training courses organised by professional firms/institutions.

As stated above, the Company did not receive training records from Mr. Wong Lee Man, Ms. Chan Lai Yee and Ms. Fong Sut Sam and the former Directors, namely Dr. Cho, Mr. Tan Ye Kai, Byron, Mr. Ma Yiu Ho, Peter and Mr. Wang John Hong-chiun to confirm whether they had participated in continuous professional development during the year ended 31 December 2017.

As the additional members of the New Board as at 31 December 2017 were only appointed to the board in December 2017 (i.e. Mr. Johnny Chen, Mr. Yap E Hock, Ms. Ip Yee Kwan, Mr. Chen Shih-pin, Mrs. Fu Kwong Wing Ting, Francine, Mr. Pak Wai Keung, Martin and Mr. Yan Tat Wah), the Company did not provide any induction or continuous professional development training for them during the year ended 31 December 2017.

ATTENDANCE RECORDS OF DIRECTORS

The attendance of the Directors at the general meetings of the Company, meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee, the Corporate Governance Committee and independent board committee (the "Independent Board Committee") during the year ended 31 December 2017 is set out below:

INDEPENDENT NON-EXECUTIVE DIRECTORS

Rules 3.10(1) and 3.10A of the Listing Rules require a listed issuer to appoint at least three independent non-executive directors and the number of independent non-executive directors shall represent at least one-third of the board. In addition, Rules 3.21 and 3.25 of the Listing Rules require that the audit committee must comprise a minimum of three members, the majority of whom should be independent non-executive directors and the remuneration committee must comprise a majority of independent non-executive directors and be chaired by an independent non-executive director, respectively. Further, code provision A.5.1 of the CG Code stipulates that the nomination committee shall comprise a majority of independent non-executive directors.

Mr. Mak and Mr. Chan (who was also the Chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee) resigned as independent non-executive Directors with effect from 7 November 2017 and 29 November 2017, respectively. Following the resignation of Mr. Mak, the number of independent non-executive Directors fell below one-third of the Board. Further, following the resignation of Mr. Chan, i) the Audit Committee comprised only two independent non-executive Directors; ii) the Remuneration Committee comprised only two members, one of whom was an executive Director and no Chairman was appointed thereto; and iii) the Nomination Committee comprised only two members, one of whom was an executive Director. As a remedial action, the Company appointed Mrs. Fu Kwong Wing Ting, Francine, Mr. Pak Wai Keung, Martin and Mr. Yan Tat Wah as independent non-executive Directors all with effect from 8 December 2017. By so doing, the number of independent non-executive Directors was increased to more than three and made up of at least one- third of the Board and the Company was in compliance with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. Further, to comply with Rules 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code, the Company, on 12 December 2017, appointed sufficient number of independent non-executive Directors to the respective Audit Committee, Nomination Committee and Remuneration Committee.

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

	Notes	AGM	EGM	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Corporate Governance Committee meeting	Independent Board Committee meeting
		Meetings attended/Meetings eligible to attend (Note xvi)							
Executive Directors									
Mr. Johnny Chen	(i)	0/0	1/1	2/2	–	–	–	–	–
Mr. Ng Wing Fai		1/1	1/1	11/12	–	–	–	–	–
Dr. Cho Kwai Chee	(ii)	0/1	0/1	7/12	–	–	–	–	–
Mr. Yap E Hock	(iii)	0/0	1/1	2/2	–	–	–	–	–
Mr. Wong Lee Man	(iv)	1/1	0/0	9/9	–	2/2	2/2	2/2	–
Ms. Fong Sut Sam	(iv)	1/1	0/0	8/8	–	–	–	1/2	–
Ms. Chan Lai Yee	(iv)	1/1	0/0	8/8	–	–	–	–	–
Mr. Tan Ye Kai, Byron	(v)	1/1	0/1	11/12	–	–	–	2/2	–
Ms. Ip Yee Kwan	(vi)	0/0	1/1	2/2	–	–	–	–	–
Non-executive Directors									
Mr. Chen Shih-pin	(vii)	0/0	0/0	0/0	–	–	–	–	–
Mr. Wang John Hong-chiun	(viii)	0/1	0/1	8/12	–	–	–	–	–
Independent Non-executive Directors									
Mr. Pun Tit Shan	(ix)	1/1	1/1	11/12	2/2	2/2	2/2	–	1/1
Mr. Pak Wai Keung, Martin	(x)	0/0	1/1	2/3	–	–	–	–	–
Mrs. Fu Kwong Wing Ting, Francine	(xi)	0/0	1/1	3/3	–	–	–	–	–
Mr. Yan Tat Wah	(xii)	0/0	0/1	2/3	–	–	–	–	–
Mr. Mak Ka Wing, Patrick	(xiii)	0/1	0/0	6/7	–	–	–	–	1/1
Mr. Chan Ngai Sang, Kenny	(xiv)	1/1	0/0	8/8	2/2	1/2	2/2	–	1/1
Mr. Ma Yiu Ho, Peter	(xv)	1/1	0/1	11/12	2/2	–	–	–	1/1

Notes

(i) Mr. Johnny Chen was appointed as an executive Director and the interim Chairman of the Board with effect from 9 December 2017, and a member each of the Nomination Committee and the Remuneration Committee both with effect from 12 December 2017. He was further appointed as the Chairman of the Board on 21 December 2017 and Chairman of the Corporate Governance Committee on 15 January 2018;

(ii) Dr. Cho was appointed as an executive Director with effect from 9 March 2017 and was removed as an executive Director with effect from 17 August 2018;

(iii) Mr. Yap E Hock was appointed as an executive Director with effect from 9 December 2017;

(iv) The duties of Mr. Wong Lee Man, Ms. Fong Sut Sam and Ms. Chan Lai Yee as Directors were suspended with effect from 8 December 2017. Further, Mr. Wong Lee Man ceased as the Chairman of the Nomination Committee and a member of the Remuneration Committee both with effect from 12 December 2017, and was removed as the Chairman of the Board with effect from 21 December 2017;

(v) Mr. Tan Ye Kai Byron resigned as an executive Director with effect from 6 January 2018;

(vi) Ms. Ip Yee Kwan was appointed as an executive Director with effect from 9 December 2017 and resigned as such with effect from 23 January 2018;

(vii) Mr. Chen Shih-pin was appointed as a non-executive Director with effect from 29 December 2017;

(viii) Mr. Wang John Hong-chiun resigned as a non-executive Director with effect from 25 January 2018;

(ix) Mr. Pun Tit Shan was appointed as a member of the Independent Board Committee on 7 August 2017 and resigned as such with effect from 18 April 2019. He ceased as a member each of the Remuneration Committee and the Audit Committee both with effect from 12 December 2017, and was appointed as the Chairman of the Nomination Committee on the same date;

(x) Mr. Pak Wai Keung, Martin was appointed as an independent non-executive Director and the Chairman of the Audit Committee with effect from 8 December 2017 and 12 December 2017, respectively. He was also appointed as a member each of the Corporate Governance Committee and Independent Board Committee on 15 January 2018 and 23 July 2018, respectively;

(xi) Mrs. Fu Kwong Wing Ting, Francine was appointed as an independent non-executive Director with effect from 8 December 2017 and was appointed as the Chairlady of the Remuneration Committee and a member each of the Nomination Committee and the Audit Committee all with effect from 12 December 2017. She was also appointed as a member each of the Corporate Governance Committee and Independent Board Committee on 15 January 2018 and 23 July 2018, respectively;

(xii) Mr. Yan Tat Wah was appointed as an independent non-executive Director with effect from 8 December 2017 and was appointed as a member each of the Remuneration Committee and the Audit Committee both with effect from 12 December 2017. He was also appointed as a member each of the Independent Board Committee and Corporate Governance Committee on 23 July 2018 and 12 October 2018, respectively;

(xiii) Mr. Mak Ka Wing, Patrick was appointed as an independent non-executive Director with effect from 9 March 2017 and a member of the Independent Board Committee on 7 August 2017. He resigned as an independent non-executive Director with effect from 7 November 2017;

(xiv) Mr. Chan was appointed as a member of the Independent Board Committee on 7 August 2017 and resigned as an independent non-executive Director with effect from 29 November 2017;

(xv) Mr. Ma Yiu Ho, Peter was appointed as a member of the Independent Board Committee on 7 August 2017. He ceased as the Chairman of the Audit Committee but remained as a member thereof with effect from 12 December 2017 and eventually resigned as an independent non-executive Director with effect from 5 July 2018; and

(xvi) Attendances of the Directors during the year ended 31 December 2017 were made by reference to the number of meetings held during their respective tenures.

DIRECTORS’ AND OFFICERS’ LIABILITY

Appropriate insurance cover on directors’ and officers’ liabilities in respect of any legal actions taken against the Directors and senior management of the Group has been arranged to protect the Directors and senior management of the Group from their risk exposure arising from the businesses of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

During the year ended 31 December 2017, Mr. Wong Lee Man was the Chairman of the Board until he was removed and replaced by Mr. Johnny Chen as the Chairman of the Board on 21 December 2017. The Company did not have an official position of chief executive officer during the year ended 31 December 2017.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's duties. All committees have their own terms of reference.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the CG Code, with the latest version adopted with effect from 1 January 2016. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; to review the financial statements and give material advice in respect of financial reporting; to oversee risk management and internal control system of the Company; and to review arrangements that the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The full terms of reference is available on the Company's website and Stock Exchange's website.

During the year ended 31 December 2017, two meetings of the Audit Committee were held and attended by the three former committee members, namely Mr. Ma Yiu Ho, Peter (Chairman), Mr. Chan and Mr. Pun Tit Shan for, amongst other things:

- reviewing the final results of the Group for the year ended 31 December 2016 and interim results of the Group for the six months ended 30 June 2017;
- reviewing the Group's financial information;
- reviewing the continuing connected transactions;
- reviewing the effectiveness of the Group's financial controls, risk management and internal control system;
- reviewing arrangements that the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;
- reviewing the status of all business; and
- recommending to the Board for the re-appointment of Ernst & Young ("EY") as auditor of the Company.

The Previous Board, mainly comprising former management members, namely Mr. Wong Lee Man, Ms. Fong Sut Sam, Ms. Chan Lai Yee, Dr. Cho, Mr. Tan Ye Kai, Byron, Mr. Ng Wing Fai, Mr. Wang John Hong-chiun, Mr. Ma Yiu Ho, Peter, Mr. Chan, Mr. Pun Tit Shan and Mr. Mak Ka Wing, Patrick, had no disagreement with the former Audit Committee's view on the recommendation of re-appointment of EY as the auditor of the Company at the annual general meeting held on 29 June 2017.

Subsequent to the year ended 31 December 2017, EY resigned as the auditor of the Company with effect from 31 January 2018 as the Company and EY could not reach a consensus on the audit fee for the financial year ended 31 December 2017. EY has confirmed in writing that there are no circumstances connected to its resignation as the Company's auditor that need to be brought to the attention of the shareholders or creditors of the Company. The New Board subsequently appointed Messrs. PricewaterhouseCoopers ("PwC") as the new auditor of the Company with effect from 1 February 2018 to fill the casual vacancy occasioned by the resignation of EY. PwC subsequently resigned as the Company's auditors with effect from 12 August 2020. In PwC's letter of resignation, they set out certain matters they considered should be brought to the attention of the Company's shareholders and creditors (the "Matters"). For details of the Matters, please refer to the Company's announcement dated 18 August 2020. ZHONGHUI ANDA CPA Limited was appointed as the auditor of the Company with effect from 31 August 2020 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

As at the date of this CG Report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Pak Wai Keung, Martin (Chairman), Mr. Yan Tat Wah and Mrs. Fu Kwong Wing Ting, Francine who were all appointed to the committee with effect from 12 December 2017. In an Audit Committee meeting held in 2018, the Audit Committee recommended the engagement of an independent advisor to assist the committee members to review the audit plan of the Group for the purpose of enhancing the value of internal control to be conducted by the Company.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 23 June 2010 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to consider and recommend to the Board, and to review at least annually the structure, size and composition (including skills, knowledge and experience) required of the Board to discharge its duties; to make recommendations to the Board regarding candidates to fill vacancies on the Board; and to consider, propose and recommend to the Board succession planning for both executive and non-executive Directors. The full terms of reference is available on the Company's website and Stock Exchange's website.

BOARD DIVERSITY

The Board adopted a board diversity policy on 28 August 2013 ("Board Diversity Policy") in compliance with the CG Code. In assessing the Board's composition, the diversity of members of the Board is considered from a number of aspects including but not limited to gender, age, educational background, professional qualifications and experience, relevant industry experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered and selected based on a range of diversity perspectives including but not limited to the aforesaid aspects.

During the year ended 31 December 2017, two meetings of the Nomination Committee were held and attended by the then committee members, namely the two former committee members, Mr. Wong Lee Man (Chairman) and Mr. Chan, and the current committee Chairman Mr. Pun Tit Shan for, amongst other things:

- reviewing the structure, size and composition of the Board;
- assessing the independence of the independent non-executive Directors;
- reviewing the Board Diversity Policy; and
- making recommendation to the Board on matters relating to the appointment of Directors.

As at the date of this CG Report, the Nomination Committee comprises one executive Director (who has been re-designated as a non-executive Director since 1 January 2021) and two independent non-executive Directors, namely Mr. Pun Tit Shan (Chairman), Mrs. Fu Kwong Wing Ting, Francine and Mr. Johnny Chen who were all appointed to the committee with effect from 12 December 2017.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference in compliance with the CG Code. The Company has adopted the model whereby the Remuneration Committee determines, with delegated responsibility, the remuneration packages of individual executive Directors and senior management. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; to review performance-based remuneration; and to ensure that none of the Directors or any of his/her associates determine their own remuneration. The full terms of reference is available on the Company's website and Stock Exchange's website.

During the year ended 31 December 2017, two meetings of the Remuneration Committee were held and attended by the three former committee members, namely Mr. Chan (Chairman), Mr. Wong Lee Man and Mr. Pun Tit Shan, for, amongst other things:

- reviewing the remuneration and terms of service contracts of the executive Directors;
- determining the bonuses of the executive Directors for the financial year of 2017;
- making recommendations to the Board on the directors' fee of the independent non-executive Directors for the financial year of 2017;
- reviewing the remuneration of the senior management and the performance bonus for 2016; and
- reviewing the proposals put forward by Human Resources Department in relation to the remuneration package of the senior management and Directors' fee for 2017.

As at the date of this CG Report, the Remuneration Committee comprises two independent non-executive Directors and one executive Director (who has been re-designated as a non-executive Director since 1 January 2021), namely Mrs. Fu Kwong Wing Ting, Francine (Chairlady), Mr. Johnny Chen and Mr. Yan Tat Wah who were all appointed to the committee with effect from 12 December 2017.

Details of the Company's remuneration policies are set out in the Management Discussion and Analysis on page 11 of this annual report and Directors' emoluments are disclosed in note 13 to the consolidated financial statements in this annual report.

CORPORATE GOVERNANCE COMMITTEE

The Company established the Corporate Governance Committee in place of the compliance committee on 1 January 2012.The Corporate Governance Committee was established for the purpose of developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board, and reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

During the year ended 31 December 2017, two meetings of the Corporate Governance Committee were held and attended by the former committee members, namely Mr. Tan Ye Kai, Byron (Chairman), Ms. Fong Sut Sam and Mr. Wong Lee Man for reviewing the corporate governance practices of the Group.

As at the date of this CG report, the Corporate Governance Committee comprises four Directors, namely Mr. Johnny Chen (Chairman), Mrs. Fu Kwong Wing Ting, Francine and Mr. Pak Wai Keung, Martin who were all appointed to the committee with effect from 15 January 2018 and Mr. Yan Tat Wah who was appointed to the committee with effect from 12 October 2018. The New Board is committed to maintaining sound and well-established corporate governance practices. Recognizing the deficiencies in the Group's corporate governance practices, the Company has been putting strenuous efforts on enhancing the Group's corporate governance system and has appointed external professional advisors to review the Group's internal control system.

Prior to the publication of this CG Report, two meetings of the Corporate Governance Committee were held in 2018 and attended by the current committee members with a view to recommend to the Board measures for enhancing the corporate governance practices of the Company and for reviewing this CG Report. It was concluded in the first meeting that representative(s) from the Legal and Compliance Department be invited to sit in all Corporate Governance Committee meetings to address the legal and compliance issues of the Group. In between the two meetings, several informal meetings were held amongst the committee members to have preliminary discussions on the mechanism for enhancing the corporate governance practices of the Company before formally proposed to the committee members at the second committee meeting.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2017 (the "2017 Financial Statements") in compliance with relevant laws and disclosure provisions of the Listing Rules. Due to the suspension of duties of Mr. Wong Lee Man, Ms. Fong Sut Sam and Ms. Chan Lai Yee as executive Directors, they were not involved in the preparation of the 2017 Financial Statements. In preparing the 2017 Financial Statements, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and prepared the financial statements on a going concern basis.

Due to the changes of auditor of the Company in January 2018 from EY to PwC and in August 2020 from PwC to ZHONGHUI ANDA CPA Limited, the Company required additional time to gather sufficient information for the new auditor to perform and complete their audit procedures. As a result, the publication of the Company's 2017, 2018 and 2019 financial results and 2017, 2018 and 2019 annual reports and as well as 2018, 2019 and 2020 interim financial results and interim reports were delayed, which constitute non-compliance with Rules 13.49 (1) and 13.46(1) of the Listing Rules respectively.

Reference is also made to the announcements of the Company dated 1 February 2018, 19 March 2018, 31 August 2018, 29 March 2019, 23 August 2019, 18 August 2020, 31 August 2020 and 4 January 2021 in relation to the change of auditors and delay in publication of the relevant financial statements.

The statement of the auditor of the Company, ZHONGHUI ANDA CPA Limited, about its reporting responsibilities on the 2017 Financial Statements of the Group is set out in the Independent Auditor's Report on pages 71 to 77 of this annual report.

AUDITOR'S REMUNERATION

During the year, the remuneration paid and payable to the Company's auditor, ZHONGHUI ANDA CPA Limited, are approximately HK$3,500,000 for audit services and nil for non-audit services.

COMPANY SECRETARY

Mr. Chow Kim Hang ("Mr. Chow"), was appointed as the Company Secretary and the authorised representative of the Company on 16 March 2010. Mr. Chow is a Partner of Ma Tang & Co., Solicitors, a corporate and commercial law firm in Hong Kong. He is a practicing solicitor in Hong Kong and a member of The Law Society of Hong Kong. Mr. Chow's primary contact person at the Company was Ms. Chan Lai Yee, the executive Director (whose duty has been suspended since 8 December 2017). Mr. Chow resigned as the Company Secretary and the authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 8 December 2017.

Following the resignation of Mr. Chow, Mr. Chung Wai Kwong Anthony ("Mr. Chung") was appointed as the Company Secretary, authorised representative and Group General Counsel — Legal and Compliance of the Company with effect from 8 December 2017 until his resignation as such with effect from 30 June 2018.

Mr. Lau Hok Yuk was appointed as the Company Secretary and authorized representative of the Company with effect from 30 June 2018 to fill the vacancies. Mr. Kong Siu Keung was appointed as the Company Secretary and authorized representative of the Company with effect from 1 April 2020 in place of Mr. Lau Hok Yuk.

During the year ended 31 December 2017, Mr. Chung has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

All Directors have access to the advice and services of the Company Secretary on corporate governance and board practices and matters.

RISK MANAGEMENT AND INTERNAL CONTROL

The New Board acknowledges its responsibility for maintaining an adequate and effective risk management and internal control system and reviewing their effectiveness. Such system is designed to manage rather than eliminate the risk of failure in attaining business objectives, and can only provide reasonable, rather than absolute assurance against material misstatement or loss.

Throughout most of the time in 2017, the Audit Committee was formed with the former members of the previous Board, and the Company did not have staff to undertake the internal audit functions. Hence, the New Board members are not in an appropriate position to comment and confirm the effectiveness of the risk management and internal control system of the Group in 2017 based on the limited information available.

An independent consultant was engaged to conduct internal control review of the Group for the year ended 31 December 2017. While the internal control review report was circulated to the Audit Committee by end of 2018, the report was not satisfactory to help management to assess the result and effectiveness of the internal control and risk management of the Company.

Until the appointment of the new Audit Committee members on 12 December 2017, the New Board had recommended the engagement of FTI Consulting (Hong Kong) Limited ("FTI Consulting") as an independent internal control advisor on 24 January 2018 to review the internal audit functions of the Group for the year ended 31 December 2017. FTI Consulting had conducted a review of the Company's then existing Compliance programme between 29 January 2018 to 27 February 2018, with the overall aim of identifying areas of the programme that required updating or remediation, covering:

- asset management
- proprietary investment
- securities dealing
- money lending
- finance and accounts department
- administration (procurement process)
- information technology department (system access control)

To the best knowledge and information provided to the New Board, certain subsidiaries which are regulated entities had prepared an individual internal audit and control report for submission to the regulators. This included the securities and insurance advisory business.

For the reasons mentioned above, and based on the limited information available and the significant change in the Board composition, the New Board (including the current Audit Committee members) is not in an appropriate position to review the need for an internal audit function, but has assigned additional resources to strengthen the internal control and corporate governance since January 2018, as part of its commitment to improve the internal control practices of the Group.

PROCESS OF RISK MANAGEMENT

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

MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

REVIEW OF THE EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board acknowledges its responsibility for reviewing the effectiveness of the Group's internal control and risk management systems and communicates regularly with the Audit Committee and the independent advisor on the implementation and monitoring of the risk management and internal control systems. The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems for the financial year ended 31 December 2017. The annual review of the Group's internal control systems was supported by an internal certification process performed by the management. However, due to the significant change of board composition and lack of sufficient information, the management cannot assess the result and effectiveness of the internal control and risk management of the Company for the year ended 31 December 2017.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the SFO and the Listing Rules. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include access of inside information is restricted to a limited number of employees on a need-to-know basis; prohibit employees to discuss inside information in public area; officers and employees other than the designated representative are prohibited to speak externally on behalf of the Company when communicating with external parties such as the media, analysts or investors. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public.

COMMUNICATION WITH SHAREHOLDERS

The Company considers effective communication with shareholders is essential to enable them to have a clear assessment of the Group's performance as well as accountability of the Board. As mentioned above, as at the date of this CG report, no formal shareholders' communication policy has been put in place. Moving forward, the New Board intends to adopt such policy to reflect the current practices as soon as possible.

In practice, major means of communication with shareholders of the Company include the following:

INFORMATION ON COMPANY'S WEBSITE

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

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

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting (the "AGM") provides an effective forum for shareholders to exchange views with the Board. The Chairman of the Board and the Directors are available at the AGMs to answer questions from shareholders about the business and performance of the Group. In addition, the Company's auditor is also invited to attend the AGMs to answer questions about the conduct and the preparation of the audit, and contents of the independent auditor's report. Separate resolutions are proposed at general meetings for each substantial issue. All votes of shareholders at general meetings are taken by poll except where the Chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Explanation of the detailed procedures of conducting poll is provided to shareholders at the general meetings to ensure that shareholders are familiar with the procedures.

The Company's last AGM was held on 29 June 2017. The poll results were posted on the websites of the Company and Stock Exchange on the day of the AGM.

As the 2017 Financial Statements were only published on the date of this CG Report, the Company proposes to hold its next AGM on Thursday, 18 March 2021. A notice of annual general meeting and a circular containing further details of the matters to be considered at the meeting, together with this annual report, will be sent to the Shareholders in due course.

During the year ended 31 December 2017, the Board, on the requisition of a shareholder, convened and held an extraordinary general meeting (the "EGM") on 29 December 2017. The poll results of the EGM were posted on the websites of the Company and Stock Exchange on the day of the EGM.

INVESTOR RELATIONS

Information of the Group is delivered to shareholders and investors through a number of channels including but not limited to annual reports, interim reports and announcements. The latest information of the Group together with the published documents are also available on the Company's website at www.convoy.com.hk.

The Company recognises its responsibility to explain its activities to shareholders and investors (including potential investors) and to respond to their enquiries. The Chairman of the Board, the Company's Chief Financial Officer and other senior management may also make presentations and hold meetings with investors and analysts to keep them abreast of the Company's development, subject to compliance with the applicable laws and regulations, as and when required. In addition, questions received from the public and shareholders are answered promptly.

During the year ended 31 December 2017, the Company has not made any changes to its Articles. An up to date version of the Articles as amended at the 2012 AGM is available on the websites of the Company and Stock Exchange.

SHAREHOLDERS' RIGHTS

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue. Besides, pursuant to the Articles, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. The Company will not normally deal with verbal or anonymous enquiries. Contact details of the Company are as follows:

Address : Trust Tower, 68 Johnston Road, Wan Chai, Hong Kong
Email : IR_Info@convoy.com.hk

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

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

There is no provision in the Articles or the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by shareholders at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the paragraph "Convening of Extraordinary General Meeting on Requisition by Shareholders" in this CG Report to consider the business specified in the requisition.

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

The Board is pleased to present the annual 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 Group is principally engaged in IFA business, money lending business, proprietary investment business, asset management business, corporate finance business and securities dealing business. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements in this annual report.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance including a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Group's business can be found in the "Management Discussion and Analysis" section set out on pages 6 to 13 of this annual report. The discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Other than financial performance, environmental conservation remains a key focus of the Group. The Board believes that a sound environmental, social and governance structure is vital for the continued sustainability and development of the Group's business. The Group encourages environmental protection and complies with environmental legislation and promotes awareness towards environmental protection to the employees.

In the course of its daily operations, the Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, promoting the use of recycled paper and reducing energy consumption by switching off idle lightings, air-conditioning and electrical appliances. The management of the Group is responsible for monitoring and managing environmental-related issues and the effectiveness of the monitoring system.

The Group reviews its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to enhance environmental sustainability. Further details of the Group's performance by reference to environmental and social responsibility related policies can be found in the Environmental, Social and Governance Report on pages 54 to 70 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of regulatory compliance.

To the best of the Directors' knowledge, information and belief, the Group had obtained all licences and permits necessary for its business in the jurisdictions in which the Group operates. As far as the Group is aware, and save as elsewhere disclosed in this annual report, there was no material breach or violation of relevant laws and regulations and the Listing Rules that have a significant impact on the business and operation of the Group during the year ended 31 December 2017.

KEY RELATIONSHIPS WITH STAKEHOLDERS

(I) EMPLOYEES

Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success. The Group is committed to providing our employees with a safe, pleasant and healthy working environment. The Group rewards and recognizes employees by competitive remuneration package and appropriate incentives, and promotes career development by providing opportunities for career advancement to employees. In addition, applicable training courses are either arranged internally or by external service providers. Knowledge, skills and capacities of employees are vital to continuous improvement, business growth and success of the Group. The Company strives to ensure that all employees can fulfill as well as enhance the relevant job qualifications in terms of education, training, technical and work experience.

(II) SUPPLIERS AND CUSTOMERS

The Group has good reputation for offering high quality and reliable products and services to our customers. The Group communicates with its customers from time to time in order to collect feedback from them as a tool to measure and improve the quality of products and services as well as customer's satisfaction. Sales staff are encouraged to maintain regular contact with the customers to provide personalised updates about the Group's products.

The Group has developed long term relationships with various product providers which are selected with reference to, among other things, product quality, reliability, financial strength and pricing, and we ensure that they share our value and commitment to quality and ethics.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 78 to 180 of this annual report.

In order to maintain adequate cashflow of the Group to encounter the uncertainties brought by the substantial impairment on investments in associate, write-off of certain loans, continued losses of the IFA business caused by substantial cost incurred in the retention program to stabilize the consultancy force and losses incurred in the settlement for the alleged mis-selling of certain financial products in China that were approved by previous management of the Group, the Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (31 December 2016: Nil).

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 42 to the consolidated financial statements in this annual report and in the consolidated statement of changes in equity in this annual report, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands, amounted to HK$2,729.5 million (2016: HK$4,087.2 million). The amount of HK$2,729.5 million includes the Company's share premium account as well as the nominal share capital and share premium from the 2015 Placing which has been transferred to the 2015 Placing Shares Reserve. The reserve may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due.

As a result, for the preparation of the Audited Accounts of the Company for the financial year ended 31 December 2017 and taking into consideration the accounting treatment of the wrongly allotted shares (see Note 4 to the consolidated financial statements), the Company has used HK$4,177.3 million as the reserves of the Company as at 31 December 2016, being the amount of HK$3,461.3 million (see above) plus HK$716 million (being the nominal share capital of the wrongfully allotted shares, which has been transferred to the 2015 Placing Reserve).

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands, amounted to HK$2,742.0 million (2016: HK$4,177.3 million). The amount of HK$2,742.0 million (2016: HK$4,177.3 million) includes the Company's share premium account and the nominal share capital and share premium from the 2015 Placing which has been transferred to the 2015 Placing Shares Reserve which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to approximately HK$0.6 million (2016: HK$2.2 million).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 41 to the consolidated financial statements in this annual report.

MAJOR PRODUCT ISSUERS/CUSTOMERS AND SUPPLIERS

In the year under review, revenue from the Group's five largest product issuers/customers accounted for 43.9% (2016: 38.2%) of the total revenue for the year and revenue from the largest product issuer/customer included therein amounted to 18.7% (2016: 13.6%). For the purpose of identifying major product issuers/customers of the Group, revenue derived from the proprietary investment segment, including fair value changes on financial investments at fair value through profit or loss, net; gains on disposals of available-for-sale investments; interest income from debt investments; and dividend income from financial investments at fair value through profit or loss, are excluded from the calculation.

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

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out on page 182 of this annual report. The summary does not form part of the audited financial statements.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

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

PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by assets of the Group, are set out in note 35 to the consolidated financial statements in this annual report.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

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

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

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

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

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 1,493,889,600, which represents 10% of the total issued share capital of the Company as at the date of approval of the refreshment of the 10% mandate of the Share Option Scheme by the shareholders of the Company in the extraordinary general meeting held on 22 December 2016.

The total number of share options granted of 448,164,000, representing 3.0% of the total number of issued shares of the Company, lapsed on 23 December 2019.

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

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

Details of movements of the share options under the Share Option Scheme during the year ended 31 December 2017 were as follows:

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

The share options granted on 24 December 2016 are subject to a vesting period of six-month after the last outstanding condition to which the grant of options are subject having been satisfied.

No share options were granted, exercised, cancelled or lapsed during the year ended 31 December 2017.

SHARE AWARD SCHEME

The Company's share award scheme (the "Award Scheme") was adopted pursuant to a resolution passed by the Board on 25 January 2011 ("Adoption Date") for the primary purpose of recognising the contributions made by certain selected participants, giving incentives to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. Subject to any early termination as may be determined by the Board pursuant to the rules of the Award Scheme, the Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date and ending on 24 January 2021.

Details of the Award Scheme are disclosed in note 43 to the consolidated financial statements in this annual report.

DIRECTORS

The Directors during the year and up to the date of this directors' report are:

EXECUTIVE DIRECTORS

Mr. Ng Wing Fai
Mr. Yap E Hock (appointed on 9 December 2017)
Mr. Shin Kin Man (appointed on 15 January 2018)
Ms. Wong Suet Fai (appointed on 15 January 2018, resigned on 22 October 2018 and re-appointed on 1 January 2021)
Mr. Lee Jin Yi (appointed on 19 November 2020)
Mr. Chung Kwok Wai, Kelvin (appointed on 1 January 2021
Mr. Wong Lee Man (duty suspended since 8 December 2017 and removed on 7 January 2021)
Ms. Fong Sut Sam (duty suspended since 8 December 2017 and resigned on 16 November 2020)
Ms. Chan Lai Yee (appointed on 15 February 2017, duty suspended since 8 December 2017 and removed on 7 January 2021)
Dr. Cho Kwai Chee (appointed on 9 March 2017 and removed on 17 August 2018)
Ms. Ip Yee Kwan (appointed on 9 December 2017 and resigned on 23 January 2018)
Mr. Tan Ye Kai, Byron (resigned on 6 January 2018)

NON-EXECUTIVE DIRECTORS

Mr. Johnny Chen *(Chairman)*
(appointed as Executive Director on 9 December 2017 and redesignated as Non-Executive Director on 1 January 2021)
Mr. Chen Shih-pin (appointed on 29 December 2017)
Mr. Wang John Hong-chiun (resigned on 25 January 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pun Tit Shan
Mr. Pak Wai Keung, Martin (appointed on 8 December 2017)
Mr. Yan Tat Wah (appointed on 8 December 2017)
Mrs. Fu Kwong Wing Ting, Francine (appointed on 8 December 2017)
Mr. Lam Kwok Cheong (appointed on 19 November 2020)
Ms. Carrie Bernadette Ho (appointed on 1 January 2021)
Dr. Huan Guocang (appointed on 15 January 2018 and resigned on 22 October 2018)
Mr. Ma Yiu Ho, Peter (resigned on 5 July 2018)
Mr. Chan Ngai Sang, Kenny (resigned on 29 November 2017)
Mr. Mak Ka Wing, Patrick (appointed on 9 March 2017 and resigned on 7 November 2017)

Following the arrest by the Independent Commission Against Corruption, the duties of Messrs. Wong Lee Man, Fong Sut Sam and Chan Lai Yee as Directors have been suspended since 8 December 2017 until further notice.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors are set out in note 13 to the consolidated financial statements in this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed elsewhere in the annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during or at the end of the year.

EQUITY-LINKED AGREEMENTS

Save for the "Share Option Scheme" and "Share Award Scheme" disclosed above, no equity-linked agreements were entered into by the Company nor existed during the year.

CONTRACT OF SIGNIFICANCE

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

MANAGEMENT CONTRACT

Other than the service contracts of the Directors as disclosed elsewhere in the annual report, the Company has not entered into any contracts with any individuals, firms or body corporates to manage or administer the whole or any substantial part of any business of the Company during the year.

INTERESTS IN COMPETITORS

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

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, so far as the Directors are aware, the interests and short positions of the Directors and chief executives in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

Name of Director/ Chief Executive	Capacity	Long/Short position	Class of Shares	Number of shares held	Approximate percentage of issued share capital
Wong Lee Man (removed)	Beneficial owner	Long position	Share options	149,388,000	1.00%
Cho Kwai Chee (removed)	Interests of a controlled corporation (Note)	Long position	Ordinary shares	30,000,000	0.20%
Johnny Chen	Beneficial owner	Long position	Ordinary shares	1,002,000	0.01%

Note: These shares are held by Wonderful Bright Limited in which Dr. Cho Kwai Chee holds 100% interests. By virtue of the SFO, Dr. Cho Kwai Chee is deemed to be interested in these shares.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed in the section headed "INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS", as at 31 December 2017, so far as the Directors are aware, the following individuals and corporations had interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and the disclosure of interest forms filed at the Stock Exchange's website:

Name of substantial shareholder	Capacity	Long/Short position	Number of shares held	Approximate percentage of issued share capital
Kwok Hiu Kwan (Note)	Beneficial owner (disputed by the Company)	Long position (disputed by the Company)	4,468,182,000 (disputed by the Company)	29.91% (disputed by the Company)
Eagle Legacy Limited	Beneficial owner	Long position	2,240,000,000	14.99%
Oceana Glory Limited	Beneficial owner	Long position	2,240,000,000	14.99%
Chen Pei Xiong (Note)	Beneficial owner (disputed by the Company)	Long position (disputed by the Company)	1,085,280,000 (disputed by the Company)	7.26% (disputed by the Company)

Note: The Company together with two of its subsidiaries have commenced legal proceedings in High Court Action Number 2922 of 2017 against Mr. Kwok Hiu Kwan, Mr. Chen Pei Xiong and others. The Company claims that the purported shareholdings registered in the name of Mr. Kwok Hiu Kwan and Mr. Chen Pei Xiong (or their respective nominees) are null and void, or has been rescinded and set aside. The Company further claims an injunction to restrain Mr. Kwok Hiu Kwan and Mr. Chen Pei Xiong from exercising the voting rights of, or transferring or otherwise dealing with their interest in their purported shareholdings.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraphs headed "SHARE OPTION SCHEME" and "SHARE AWARD SCHEME" in this section, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(I) SERVICE FEES PAID TO CONNECTED PERSONS

Reference is made to the announcement of the Company dated 18 March 2016, in which it was disclosed that Convoy Financial Services Limited ("CFS") had entered into contracts for services (the "New Shin Family CFS Service Contracts") with three associates (as defined under the Listing Rules) of Mr. Shin Kin Man (the "Shin Family") pursuant to which CFS agreed to pay commission to the Shin Family for their acting as consultants of CFS to provide insurance and MPF scheme brokerage services in Hong Kong for a term of three years commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive).

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

At the time when the service contracts were entered into, Mr. Shin Kin Man, current executive Director, was (and he still is) the executive director of CFS (an indirect wholly-owned subsidiary of the Company) and thus the Shin Family, being the three associates (as defined under the Listing Rules) of Mr. Shin Kin Man, are connected persons of the Company under Chapter 14A of the Listing Rules.

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

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

The New Shin Family CFS Service Contracts are for a term of three years commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive), with the proposed annual caps of HK$12,000,000, HK$14,000,000 and HK$16,000,000 for each of the three financial years ending 31 December 2016, 2017 and 2018 respectively. Details of the transactions were disclosed in the Company's announcements dated 18 and 23 March 2016.

During the year, commission expenses paid to the Shin Family for New Shin Family CFS Service Contracts amounted to approximately HK$8,246,000 (2016: HK$9,282,000).

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

The New Shin Family CAM Service Contracts are for a term of three years commencing from 1 January 2016 and ending on 31 December 2018 (both days inclusive), with the proposed annual caps of HK$2,000,000, HK$3,000,000 and HK$4,000,000 for each of the three financial years ending 31 December 2016, 2017 and 2018 respectively. Details of the transactions were disclosed in the Company's announcements dated 18 and 26 March 2016.

During the year, commission expenses paid to the Shin Family for the New Shin Family CAM Service Contracts amounted to approximately HK$964,000 (2016: HK$807,000).

During the year, one of the said three associates resigned from CFS and CAM with effect from 8 September 2017. Thus, the contracts for services between the said associate with CFS and CAM respectively terminated on 8 September 2017 and the continuing connected transactions with the said associate terminated automatically with effect from the same date.

(II) RENTAL FEES PAID TO A CONNECTED PERSON

Reference is made to the announcement of the Company dated 3 December 2015, in which it was disclosed that CFS as tenant entered into the tenancy agreement with Great Felicity Limited ("GFL") as landlord (the "Tenancy (Office) Agreement"), in respect of the leasing of 16th, 17th, 18th and 19th Floors, Cubus, No.1 Hoi Ping Road, Causeway Bay, Hong Kong ("Property I"), for a term of three years commencing from 1 January 2016 to 31 December 2018 (both days inclusive).

Reference is also made to the announcement of the Company dated 25 July 2016, in which it was disclosed that (i) Convoy Lifestyle Limited ("CLL") as tenant entered into the tenancy agreement with GFL as landlord (the "Tenancy (Shop) Agreement"), in respect of the leasing of Ground Floor Shop, Cubus, No. 1 Hoi Ping Road, Causeway Bay, Hong Kong ("Property II"), for a term of two years commencing from 1 August 2016 to 31 July 2018 (both days inclusive); and (ii) CLL as licensee entered into the licence agreement with GFL as licensor (the "Licence Agreement"), in respect of the granting of the non-exclusive right to use the advertising banner space situated at the external wall of Cubus, No. 1 Hoi Ping Road, Causeway Bay, Hong Kong, for a term of two years commencing from 1 August 2016 to 31 July 2018 (both days inclusive).

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

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

Pursuant to the Tenancy (Shop) Agreement, CLL shall pay (i) the rent of HK$393,816.00 per month exclusive of the Management Charges, gas, electricity and water charges and all other outgoings to be paid in advance on the first day of each month; (ii) Government rates of HK$74,250.00 per quarter (subject to the Government's periodic review); and (iii) the Management Charges of HK$15,107.04 per month (subject to periodic review by GFL and/or its agent and/or the management body of Property II) to be paid in advance on the first day of each month. The monthly rent and the Management Charges were determined by reference to recent market rates of comparable premises in nearby location after arm's length negotiation between the parties to the Tenancy (Shop) Agreement. CLL shall also be responsible for paying gas, electricity and water charges, meter rents and all necessary deposits for such supplies and all outgoings in respect of Property II. Pursuant to the Licence Agreement, CLL shall pay the licence fee of HK$1.00 which shall be payable on signing of the Licence Agreement. The licence fee was determined between the parties to the Licence Agreement after having considered, among others, the business needs of the Group and the use of the advertising banner space. CLL shall also be responsible for (i) paying any Government rates; (ii) the removal of the existing advertising banner; (iii) the production and installation and removal of its own advertising banner; and (iv) the repair and maintenance of the advertising banner space at its own cost.

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

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

During the year, rental fees paid to GFL for the Tenancy (Office) Agreement, the Tenancy (Shop) Agreement and the Licence Agreement amounted to approximately HK$7,157,000 (2016: HK$7,129,000).

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

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

Zhonghui Anda CPA Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants.

Details of related party transactions entered into by the Group are set out in note 49 to the consolidated financial statements in this annual report. Except for those described above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, none of those related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

AUDIT COMMITTEE

The Company established an audit committee on 23 June 2010 (the "Audit Committee") with written terms of reference in compliance with the Listing Rules. As at the date of this directors' report, the Audit Committee comprised of three independent non-executive Directors, namely Mr. Pak Wai Keung, Martin (Chairman), Mr. Yan Tat Wah and Mrs. Fu Kwong Wing Ting, Francine.

The Audit Committee has reviewed a near final draft of the consolidated results of the Group for the year ended 31 December 2017 and has submitted its comments and recommendations to the board. Having received the comments and recommendations of the Audit Committee, management has revised certain disclosures in the financial results and the final version was submitted to the Board for approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, not less than 25% of the Company's issued share capital were held by members of the public as at the date of this directors' report as required under the Listing Rules.

EVENTS AFTER THE REPORTING YEAR

(i) On 8 June 2018, an indirect wholly-owned subsidiary of the Company entered into the sale and purchase agreement to sell an aggregate of 1,070,400,000 shares in First Credit Finance Group Limited ("First Credit"), representing 29.5% of the total issued share capital of First Credit on the date of announcement, for an aggregate consideration of HK$61,012,800 as disclosed in the announcement dated 13 June 2018 made by the Company.

(ii) In addition to the investment into Nutmeg Saving and Investment Limited ("Nutmeg") in 2016, on 2 January 2019, Convoy Technologies Limited (now known as TAG Technologies Limited ("Convoy Tech")), an indirect wholly-owned subsidiary of the Company, entered into a new investment agreement with Nutmeg, Goldman Sachs PSI Global Holdings, LLC and other independent parties pursuant to which Convoy Tech agrees to make a further investment (the "Further Investment") of up to 1,949,865 E1 preferred ordinary shares in Nutmeg for a consideration of up to £25,000,000.00. Details of the Further Investment is set out in the announcement dated 23 January 2019.

(iii) On 20 November 2018, Convoy Tech entered into the subscription agreement with Tandem Money Limited ("Tandem Money"), pursuant to which Convoy Tech agrees to subscribe and Tandem Money agrees to issue a certain number of ordinary B shares in Tandem Money for a consideration of £15 million (the "Previous Subscription"). In addition, on 2 April 2020, Convoy Tech entered into a further subscription agreement with Tandem Money, pursuant to which Convoy Tech agrees to subscribe and Tandem Money agrees to issue a certain number of ordinary B shares in Tandem Money for a consideration of £10 million (the "Further Subscription"). Details of the Previous Subscription is set out in the announcement dated 20 November 2018 and details of the Further Subscription is set out in the announcements dated 3 April 2020 and 8 April 2020.

(iv) On 24 August 2018, the Group has entered into a strategic partnership with CurrencyFair Limited ("CurrencyFair"), a leading provider of international money transfer services. The partnership includes an investment of approximately €6 million (the "Investment") by the Group and the merger (the "Merger") of the Group's existing payment business, Convoy Payments Limited, with CurrencyFair. Details of the Investment and Merger is set out in the announcement dated 24 August 2018.

(v) On 22 June 2020, the Board was approached by National Arts Entertainment and Culture Group Limited ("National Arts"), a company listed on the GEM board of the HKEx (Stock Code:8228), about a conditional voluntary share exchange offer by National Arts to acquire all of the issued shares in the share capital of the Company (the "General Offer"), subject to fulfilment of certain conditions. Details of the General Offer is set out in the announcements dated 29 June 2020, 29 July 2020, 17 August 2020, 24 August 2020, 28 August 2020 and 28 September 2020, 28 October 2020, 27 November 2020, 24 December 2020 and 25 January 2021.

(vi) On 25 November 2020, the Company entered into a non-binding Term Sheet with AGBA Acquisition Limited ("AGBA"), a company listed on NASDAQ, pursuant to which the Company conditionally proposes to dispose of its entire platform business and 30% of its independent financial advisory business to AGBA for a total consideration of US$400,000,000 (HK$3,100,000,000) to be satisfied by the payment of US$100,000,000 (HK$775,000,000) in cash and the issue of US$300,000,000 (HK$2,325,000,000) of new AGBA shares at an issue price of US$10 (HK$77.50) per AGBA share, subject to, among other things, satisfactory due diligence by AGBA. Details of this proposed transaction is set out in the announcement dated 25 November 2020.

(vii) References are made to the announcements of the Company dated 7 December 2017, 8 December 2017 and 21 December 2017 in relation to the enforcement operations conducted by the enforcement authority, involving two former executive Directors. Trading in the shares of the Company on the Stock Exchange was halted from 11:04 a.m. on 7 December 2017 (automatically converted to "being suspended" thereafter), and remains suspended as at the date of this annual report.

On 22 March 2018, the Company received a letter the Stock Exchange setting out the resumption guidance for the Company. On 29 May 2020, the Company received a letter from the Stock Exchange stating the decision of the Listing Committee of the Stock Exchange made on 28 May 2020 to cancel the Company's listing under Rule 6.01A of the Listing Rules (the "Delisting Decision").

Reference is also made to the announcement of the Company dated 1 November 2020 on update regarding resumption conditions. The Company has submitted a written request to the secretary of the Listing Review Committee of the Stock Exchange pursuant to Rule 2B.06(2) of the Listing Rules for a review of the Delisting Decision. In summary, key to the Company's application to resume trading is the fulfilment of the five resumption conditions ("Resumption Conditions"), being:

1. disclosure of details of the irregularities by the previous management and assessment of the impact of such irregularities on the Company's financial and operation position;

2. demonstrating to the Stock Exchange that the Company has put in place adequate internal control systems to meet the obligations under the Listing Rules;

3. demonstrating to the Stock Exchange that there is no reasonable regulatory concern about management integrity;

4. publication of all outstanding financial results and address any audit qualifications; and

5. informing the market of all material information for the shareholders and the investors to appraise the Company's position.

Of the above five Resumption Conditions, as of 1 November 2020 (being the date of the announcement), the Board was of the view that only Resumption Condition 4 — the publication of the financial results for the three years ended 31 December 2017, 2018 and 2019 remained outstanding, and this condition will be fulfilled once the annual results for the three years ended 31 December 2017, 2018 and 2019 are published.

The Company understands that the date of the review hearing with the Listing Review Committee of the Stock Exchange has not yet been fixed as at the date of this annual report.

For the update on the Company's resumption of trading of the shares, please refer to the quarterly update announcements of the Company on the status of resumption.

(viii) Details of other significant events occurred after the reporting year are set out in note 51 to the consolidated financial statements in this annual report.

AUDITORS

Messrs. Ernst & Young ("EY"), the former auditors of the Company, resigned as the auditors of the Company with effect from 31 January 2018. EY has confirmed in writing that there are no circumstances connected to its resignation as the Company's auditors that need to be brought to the attention of the shareholders or creditors of the Company. The Company appointed Messrs. PricewaterhouseCoopers ("PwC") as the auditors of the Company with effect from 1 February 2018 who resigned as such with effect from 12 August 2020. In PwC's letter of resignation, they set out certain matters they considered should be brought to the attention of the Company's shareholders and creditors (the "Matters"). For details of the Matters, please refer to the Company's announcement dated 18 August 2020. Zhonghui Anda CPA Limited was appointed as the auditor of the Company with effect from 31 August 2020 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2017 has been audited by Zhonghui Anda CPA Limited.

On behalf of the Board

Johnny Chen
Chairman

Hong Kong, 17 February 2021

Environmental, Social and Governance Report

I. PREAMBLE

This is the environmental, social and governance (the "ESG") report for Convoy Global Holdings Limited (the "Company", together with its subsidiaries, the "Convoy", "Group" or "We"). This report is designed to allow the shareholders, investors (including potential investors) of the Company and the public to have a more comprehensive and profound understanding of the work done on the ESG issues of the Group for its financial year ended 31 December 2017 ("the Year"). Unless otherwise stated, the qualitative and quantitative information disclosed herein cover all subsidiaries and operations of Convoy. This report elaborates the philosophy and practice in respect of social responsibility and the achievements it has made in economic, environment and social aspects. The Group primarily adopts the principles and basis of Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as its standards, with an aim to establish a sound environmental, social and governance structure. For information on the Group's corporate governance, please refer to the "Corporate Governance Report" in the Company's Annual Report 2017.

II. THE BOARD'S COMMITMENT AND ESG APPROACH

The board of directors (the "Board") of the Company is responsible for monitoring and managing ESG-related risks and the effectiveness of the ESG management system. During the Year, the Company has complied with the "comply or explain" provisions set out in the ESG Guide.

The Board of the Company believes that a sound environmental, social and governance structure is vital for continued sustainability and development of the Group's activities. The Group is willing to take more responsibilities for the society but with a view to balancing the shareholders' interests and the society's benefits.

We will continue to strengthen our efforts in information collection for better performance in the ESG areas and broader disclosure of related information in sustainable development. We welcome any comments and suggestions on this report as well as the Group's performance in sustainability development.

III. STAKEHOLDERS COMMUNICATION AND ENGAGEMENT

For the Group, the stakeholders refer to groups and individuals who have significant impact on the Group's business, or those who are affected by the Group's business. The participation of stakeholders is an important part of the business management of the Group for it to examine potential risks and business opportunities. Communicating with stakeholders enables the Group to understand their views, and it brings business practices of the Group closer to their needs and expectations, so as to properly manage the views of different stakeholders.

The Group constantly communicates with key stakeholders within and outside the Group through various channels. This ensures that they are given an opportunity to understand the development and operating directions of the Group, as well as the opportunities for the Group to listen to their opinions in order to evaluate, prioritize and manage different issues (including risks to Convoy's businesses), and to develop corresponding policies.

Our key stakeholders include shareholders and investors, customers, employees, partners and suppliers, government, regulators, society, natural environment and public media. In accordance with the assessment result regarding significance to the influence from and on the Group, we made a list of key stakeholders and determined the degree and range for their participation in corporate governance, management and decision-making.

Key stakeholders	Expectations	Communication methods	Responses
Shareholders and investors	Sound corporate governance; Improve shareholder returns; Enhance the Company's value; Maintain sustainable development.	Shareholders' general meeting; Regular reports and company announcements; Media release channel; Internal publications of corporate.	Integration of ESG within group strategy and governance; Customer satisfaction; Product suitability, diversity; Training and retention.
Customers	Diversified insurance products; All-round financial services and products; Convenient and high-quality services; Protection of customer rights and interests; Protection of customer privacy.	Official website, public number and other media channels; Customer hotline communication; Customer demand research; Customer feedback; Communicating at business outlets.	Provide convenient, fast financial services; Improve the complaint handling process; Understand customer comments and suggestions; Timely release products and marketing announcements; Provide a wide range of products; Set up convenient business outlets.
Employees	Rights of democratic participation; Occupational health and safety; Favorable career development platform; Harmonious working atmosphere.	Employee representative meeting and internal meeting; Internal network; Email and forum; Internal publications of corporate updates.	Face-to-face and online training; Mutual help and care activities; Family day in work.
Partners and suppliers	Promote health development of the industry; Comply with business ethics; Mutual benefit and win-win and common development.	Cooperation, communication and research between peer companies, industry association, official website, public number and other media communications.	Participate in promoting industry standards and norms; Establish and improve an internal management mechanism; Establish a stable communication and cooperation mechanism.
Government	Responsible business; Role in financial stability; Provide employment opportunity; Drive local and surrounding industrial development; Abide by local laws, regulations and industry standards.	Laws and regulations, policy guidelines, normative documents; On-site investigation, off-site supervision; Visit the government bodies where the operation is located; Government meeting; Official website; Recruitment announcements released by media.	Observe laws and regulations, support government strategies and development of local undertakings by financial instruments, compliance operations, to resolve social and financial risks; Provide employment positions; Pay taxes by law; Regular or irregular recruitment.

Key stakeholders	Expectations	Communication methods	Responses
Regulators	Healthy business operations; Publicly transparent information disclosure; Improved internal control system and risk management system.	Report at regular communication meetings, regular reports, company announcements, and regulatory notifications.	Improve operation efficiency of corporate; Timely and accurately disclose information; Establish a comprehensive internal control system to enhance corporate governance standard.
Society	Support social development; Environmental protection; To carry out charitable activities; Popularize financial knowledge.	On-site visit; Charitable activities; Feedback investigation of beneficiary groups; Investor education activities; Laws and regulations, policy guidelines, normative documents.	Undertaking volunteer activities; Charitable donation and targeted poverty alleviation.
Natural environment	To realize green operation; To protect the environment.	Communication with social ventures or associations.	Energy saving and emission reduction; Green public-service activities.
Public media	Financial performance; Business strength; Commentary on insurance, investment and wealth management topics.	Interviews; Regular meetings; Public articles.	Releases the financial performance; Promptly promote innovative product and services to market; comments on insurance, investment and wealth management topics.

MATERIAL SUSTAINABILITY ISSUES

1 Employee Communication	11 Diversity and equal opportunity
2 Human right protection	12 Occupational health and safety
3 Product quality and safety	13 Energy consumption
4 Customer satisfactory	14 Use of renewable material
5 Customer privacy protection	15 Green products
6 Community relations	16 Compliance with environmental laws and regulations
7 Anti-discrimination	17 Expenditure on environmental protections
8 Development and training	18 Anti-corruption
9 Supplier management	19 Cartel and monopoly
10 Talent management	20 Compliance with local laws and regulations

We believe the most pertinent sustainability issues include customer privacy, customer satisfaction, community relations, supplier management, employee communication and compliance with local laws and regulations. Additional material sustainability issues include development and training, talent management, anti-corruption, anti-discrimination and occupational health and safety, etc.

IV. ENVIRONMENTAL SUSTAINABILITY

Climate change and the series of impacts it brings are a topic of universal concern today. For the insurance industry, the dangers brought by climate change to the insurance industry include the uncontrollable loss caused by the frequent occurrence of extreme weather events resulted from climate change, which in turn creates a wide range of economic and social pressures, thus reducing the insurability of the insurance subject. We believe that collective action to address climate change will produce positive economic and health-related outcomes. Overall, Asia is becoming more efficient in its use of resources, is increasingly utilizing low carbon technology, and is transitioning towards cleaner and less polluting forms of energy. In the long term, Convoy has an instrumental role to play through our insurance solutions, which are helping our communities achieve resilience against adverse health or weather-related climate outcomes.

Our approach to reducing our own environmental impact is laid out in the energy and emissions sections of this chapter. The impact of climate change continues to be discussed internally at Convoy, and is an area of growing interest and concern to our stakeholders.

A. ENVIRONMENTAL ASPECTS

A1. EMISSIONS

The biggest contributor to the Group's carbon footprint is the indirect greenhouse gas ("GHG") emission from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment.

The Group has established a comprehensive waste management system and plan with policies and guidelines to achieve waste reduction in our operations. The key principles of our waste management are "reduce, reuse, recycle and replace". Our management maintains and reviews our recycling practices and assists in raising the staff awareness of best practices for resource conservation. Recycling programs were designed to reduce paper, clothes, cans and others wastes and implemented paperless systems in our business activities to minimize the disposal of waste to the landfills.

During the year, the Group produced 1,237g of nitrogen oxide, 28g of sulphur oxide and 91g particulate matter. These air emissions were mainly produced from the Group vehicles, which were private cars. GHG including carbon dioxide, nitrous oxide and methane were mainly produced from the group vehicles, consumed papers, purchased electricity and travelling of staffs.

During the year, the Group was not aware of any material non-compliance with relevant environmental laws and regulations.

Greenhouse Gas Emissions

Scope of Greenhouse Gas Emissions	Emission Sources	Total Greenhouse gases (CO_2 and CO_2 equivalent) emissions	Intensity (per employee)
Direct emission	Combustion of fuel in mobile sources	5.2 tonnes	0.010 tonnes
Indirect emission	Purchased electricity	105.00 tonnes	0.209 tonnes
Other indirect emission	Paper waste disposed at landfills	102.29 tonnes	0.203 tonnes
	Travelling	55.50 tonnes	0.110 tonnes
Total		267.99 tonnes	0.532 tonnes

Hazardous/Non-Hazardous Wastes

During the year, there was no hazardous waste produced. The non-hazardous wastes which were construction wastes produced by decoration and renovation were approximately 55 tonnes. The intensity for non-hazardous wastes per employee was 0.11 tonnes.

During decoration and renovation, several types of waste were generated. We strive to save the resources and increase the reuse and recycling of materials, which helps in reducing waste disposal at landfills. We keep track of the amount of our waste generation and recycling regularly and review the situation to enable continuous improvement.

A2. USE OF RESOURCES

The Group is committed to promoting environmental protection, in order to improve resources utilization and advocating commercial acts accountability to the environment arising from business development.

The Group encourages employees to save energy and improve efficient utilization of resources through the use of energy saving lightings and recycled papers, minimizing the use of papers, reducing energy consumption by switching off idle lightings, computers and electrical appliances. Moreover, teleconference and internet-meeting practices are also encouraged by the Group to avoid unnecessary travel.

Petrol

A total of 1,920 litres of petrol, with an intensity of 3.82 litres per employee, was used for private cars for employees' travelling.

Electricity

The Group is committed to improving the energy efficiency of operations by supporting the "Indoor Temperature Energy Saving Charter" and the "No Incandescent Light Bulbs ("ILB") Energy Saving Charter". The indoor air temperature of our office is set at a comfortable range, and all incandescent light bulbs have been fully deactivated.

Signs are placed in the Group's office area to remind our staff to save energy continuously. Also, energy-efficient lighting system is installed in office area and electronic lighting sensors are installed in most of the meeting rooms. Contributed by the lighting systems, temperature control and reminding notice, the wasted power is maintained at minimal level.

For equipment purchasing, employees are encouraged to take energy efficiency into consideration when purchasing office equipment such as considering the energy cost of the equipment and its useful life.

The electricity consumption by the Group was 132,503kWh with an energy intensity of 263kWh per employee.

Office Paper

The Group practices paper saving initiatives, such as encouraging employees to use duplex printing for internal documents and adopt environmentally friendly photocopy habit. We also designed a "Follow-you Printing Systems" to reduce paper wastes. The system requires users to come to the printer to activate the printing in order to prevent the issues that printed paper never be collected. Apart from reducing paper waste at source, paper recycling also contributes to conserving resources such as forests, energy and water.

A total of 21.31 tonnes of paper with an intensity of 0.04 tonnes per employee has been used for daily office operations. Paper recycling practice is engaged and promoted regularly to raise employees' awareness on conserving paper.

Water

We educate employees on the importance of water conservation and reduce unnecessary water waste. When any leaks occur on any equipment, we perform maintenance procedures immediately to avoid waste.

Our offices operate in leased office premises for which both the water supply and discharge are solely controlled by the building management, therefore, the provision of water withdrawal and discharge data or sub-meter for individual occupants are not feasible.

Corporate Dining Activities

Shark populations around the world are in rapid decline due to the enormous demand for shark fins from Asia with Hong Kong being the centre of this trade. Convoy believes business corporations can play a major role in conserving this species at risk by formulating a responsible corporate consumption policy to stop eating shark fins. Shark fins shall not be consumed at all company activities or business dining which are either organized or paid by Convoy.

Packaging Material

For the Year, the packaging material used in the Group's business operation is immaterial.

A3. ENVIRONMENT AND NATURAL RESOURCES

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

As the Group is principally engaged in businesses including IFA business, money lending business, proprietary investment business, asset management business, corporate finance advisory business and securities dealing business, there is no direct emission of exhaust gas and greenhouse gas, discharge of wastewater and discharges into land, production of hazardous and non-hazardous waste, etc..

Taking into account the nature of the Group's businesses, the Board believes that its business operations have minimal direct impact on the environment and natural resources.

The Group constantly assesses and monitors the environmental risks in its daily operation, and formulates corresponding mitigation measures promptly when discovering any potential risk to the environment, so as to ensure such risk can be controlled and reduced to an acceptable level. The Group is committed to making the most efficient use of natural resources and reducing waste.

The Group will continue to put more effort on resources saving and strive for better protection of our environment.

Promotion of Environmental Protection — "Convoy Totem Run"

On 8 October 2017, Convoy presented the "Convoy Totem Run" for the fourth consecutive year with RunOurCity as organizer. The Group's management, including Mr. Henry Shin, CEO of Convoy Financial Services Limited, joined the event as runners. Mr. John Tsang, former Financial Secretary, was also invited as Guest of Honor together with other hiking Key Opinion Leaders and athletes to officiate at the "Convoy Totem Run" that increased popularity of the event. The event featured the concept of environmental protection in the Year and also educated people to respect and co-exist with nature rather than over-consume our valuable environmental resources.

The Group successfully held the "Convoy Totem Run" with over 1,800 "wild runners". The event donated its proceeds to two organizations, "Youth.ROC" and "The Green Earth". "Youth.ROC" is an advocate of utilizing sports to change lives and cultivate resilience of young people. The Green Earth aims at publicizing information about climate change, environmental measurements and forest protection in the community.

"Convoy Totem Run" introduced environmental protection measures in the Year, including waste sorting and recycling, using no disposable paper cups, and no plastic bags for luggage storage, with the help of The Green Earth. All these arrangements greatly reduced the amount of waste generated by the event.

B. SOCIAL

B1. EMPLOYMENT

We believe that each staff contributes directly to the success of this mission. The continued success of Convoy depends to a large extent on the dedication and initiatives of staff. We take staff relations seriously. We want our staff's entire career to be filled with personal and professional growth. For this reason, we have an open-door policy. We hope our staff find working at Convoy challenging and an enjoyable experience. During the year, the Group was not aware of any material non-compliance with relevant employment laws and regulations.

Communication

Corporate culture of open communication is one of the keys to ensure effective operation. The Group encourages employee at all levels to express their views and make suggestions to management. Also, the Group has set up an intranet allowing employees to communicate with each department within the Group and keeping them update with our business development.

Diversity of Recruitment

The recruitment of the Group is fair and open for all candidates, and not prejudiced by age, sex, physical or mental health status, marital status, family status, race, skin color, nationality, religion, political affiliation and sexual orientation and other factors.

To meet our goal in expansion of team member, we target to recruit local college graduate, non-local graduate by government policy — "Immigration Arrangements for Non-local Graduates" and industry practitioner. We believe that the status of Hong Kong as an international financial centre is an advantage to attract overseas graduate to join our family as we are one of the biggest insurance agents with comprehensive financial solution.

As of 31 December 2017, the Group had a total of 503 employees. The proportion of male to female is 40%:60%. The distribution of employees in Hong Kong and China were 60% and 40% respectively. 63% of employees aged 30–50, 30% of employees were below 30 and 7% were over 50. The turnover rates for aged below 30, 30–50 and over 50 were 48%, 23% and 30% respectively, for male and female were 27% and 33%, and for Hong Kong and China were 26% and 38%. Approximately 54% of the Group's employees were general staff, 38% were in mid-level and 8% were senior management.

Equal Opportunities Policy

We comply with all relevant employment and equal opportunities legislation wherever it works and seeks to employ or engage a workforce which reflects the diverse community at large. We comply with equal opportunities legislation and seeks to promote fair employment policies, within the framework of local culture and laws. We seek at all times to engage the best candidate for the job — consideration of gender, marital status, sexual orientation, religious belief, colour, race, nationality or ethnic or national origin, has no place in this decision.

All levels of management are responsible for applying these policies and avoiding any form of discrimination.

All remuneration, benefits, career opportunities, and retirement arrangements must comply with this policy. Staff will be selected and treated on the basis of their abilities according to the requirements of the job, and have equal opportunity to show their ability and to progress within the organization. We aim to promote on merit and ensure that all staff are afforded equal opportunity when consideration is given to learning and development programs. We are committed to maintenance of a neutral working environment, in which no current or prospective staff feels under threat because of their origins, beliefs, gender or marital status.

Any acts of unlawful discrimination will be viewed as gross misconduct. All advertisements and advertising material must be reviewed to ensure they do not imply any intention to discriminate.

Diversified Welfare

Employees are one of the most important assets to Convoy. In order to attract, engage and reward high caliber talents, we offer competitive package, benefits and good career development opportunities for employees. We also adhere to the philosophy of happy working and happy life. We are committed to improving and focusing on the following areas:

- *Paid Leave*
  All permanent employees are entitled to annual leave, marriage leave, examination leave, maternity leave, baby care leave, charity leave, paternity leave, sick leave and birthday leave.

- *Healthcare Benefits*
  We aim at providing comprehensive primary protection to our employees. Our healthcare benefits include medical insurance, group life insurance and accidental death and disablement protection for employees and their family.

- *Career Development*
  Our career development policy is designed to encourage personal growth. Various forms of sponsorship, such as study leave, education allowance and professional membership sponsorship are available to all permanent staff members.

- *Work-life Balance*
  The Group recognizes the importance of work-life balance. We have regularly organized a wide range of wellness programmes for employees.

Dismissal

In situations which an employee has violated the Group's regulation, or his/her performance is below acceptable level continuously, a set of procedures will be followed to terminate their employment contract. The terms and conditions for dismissal are outlined in the Group policy and procedure.

B2. HEALTH AND SAFETY

Employees' Safety

Safety in work is a must and it is our policy to make our place of work as safe as possible. To achieve this, employees observe all safety regulations and become thoroughly conversant with the safety requirements in work site. Any occurrence of accident at work within Convoy premises must be promptly reported to immediate manager. During the year, the Group was not aware of any material non-compliance with relevant health and safety-related laws and regulations.

Office Security

All doors should always be kept closed during office hours. Employees leaving the office should make sure that all entrances are properly locked or otherwise secured, and that lighting and non-essential office machinery (e.g. typewriters, printers, desktop computers, photocopiers etc.) are switched off.

Model Office

To enhance the working environment for front line financial advisors, we launched "Convoy Model Office" project in the Year by investing around $2 million in renovating our office at 15th Floor of Lee & Man Commercial Center. The new office features include open space, contemporary design, and breaks the stereotype of traditional office setting.

B3. DEVELOPMENT AND TRAINING

Performance Management and How We Achieve Careers Development

We have a performance management system that fosters and rewards excellent performance.

Features of the system	Areas focused for employee competencies
— Align Company goals, immediate management expectation to employee performance goals	— Achievement and quality orientation
— Assist employees to make continuous contribution	— Problem solving and organizing
— Receive feedback from immediate manager	— Planning
— Ensure employees are on the track with development plans	— Business acumen
— Identify areas for employees' performance improvement	— Customer focus
— Link up employees' reward with their contributions	— Communication
— Create a continuous learning culture and environment	— Change agility
	— Leadership
	— Teamwork

Shared Responsibility of Personal Development

Development is a shared responsibility of our employees, managers and Convoy. Shared Responsibility:

- Our employees should identify their needs and take lead to strengthen their skills and enrich their knowledge.
- Our managers should ensure the subordinate are properly coached and developed.
- Convoy should create a continuous learning culture and provide support for employee development; ensure the allocation of Convoy's resources to employee development fairly and effectively; and encourage employees to upgrade their knowledge and skills to meet current and long-term job requirements for improving performance and productivity.

Continuous Learning

During the Year, we organized 26 training courses and a seminar covering various job-related skills such as communication, leadership, management and investment. There are compulsory training programs for new hires such as anti-money laundering, anti-terrorists fundraising and internet security online, etc.

The analysis of training programs is as follow:

Average training hours per employee	3.14 hours
Number of employees attended training courses	259
Total training courses provided during the Year	15 Face-to-face courses 11 Online courses
Type of training courses	Communication skills, leadership skill and marketing skills
Compulsory training for new hires	General new hire training, Anti-money laundering, Terrorists fundraising and Internet security online course.

B4. LABOUR STANDARDS

Prohibiting Child and Forced Labour

The Group's employment policies in regard to prohibiting child and forced labour are implemented to respond to the local employment laws and regulations. The recruitment process of the Group is strictly abided by the guidelines of the Human Resources Department. There were no child nor forced labor in the Company's operation, and the Group was not aware of laws and regulations relating to preventing child and forced labor during the year.

During the employment process, at least two rounds of interview are organised for applicants. All certified application documents are properly kept. The employment process is arranged and monitored by our Human Resources Department in order to ensure full compliance of relevant laws and regulations that prohibit child and forced labour.

B5. SUPPLY CHAIN MANAGEMENT

Our supply chain includes:

- Business that provide specialist professional and advisory services and that support our staff and their work environment.
- Financial product providers including insurance, MPF funds, investment funds and other financial products.
- Third-party partners and contractors.

Principle in Selection of Suppliers

Sustainability is a key element of our supply chain management. Observing international conventions and addressing environmental, social and governance risks, we take great importance to sound ESG practices among our suppliers and a general culture of integrity in all matters. We work with those suppliers that demonstrate best practice. Dedicated due diligence processes are also part of our existing supply chain management and monitoring system. This includes conducting supplier and third-party assessments where necessary, as well as requesting information on employment and environmental practices from selected material suppliers. Supplier relationships are also actively managed, with ongoing due diligence and review meetings.

Business Partner and Product Due Diligence

Our business partners include life insurers, general insurers, MPF providers, investment funds and bank services. We scrupulously identify a corporation if our business unit would like to establish a business relationship with them. In order to meet with this purpose, a Due Diligence Questionnaire ("DDQ") is required to be completed and subject to Legal and Compliance Department's (the "LCD") approval. The procedures are expected to reduce the risk derived from our supply chain.

In selecting products from our business partners, we take into account suitability of the products for our consultants and their potential customers. This is done by considering risk in the underlying product, whether it meets needs and the ability of our consultants to advise their customers appropriately.

Contractor Due Diligence

In our contractor selection process, Procurement Department is responsible to conduct procurement activities based on the Procurement Policy before engaging any contractor.

B6. PRODUCT RESPONSIBILITY

Brand Manifesto

When we think twice about making even the smallest daily decisions, our life planning deserves to be considered even more seriously. Every decision lead to a far-reaching impact. It's important to make a wise judgment. But with the large variety of financial products on the market, it's difficult for us to analyze and compare among them.

At Convoy, we value each of customer's financial decisions. Since introducing the concept of 'Financial Adviser' years ago, we have strived to analyze the merits of every product. By providing the best financial solutions, we help our clients make right choices.

We do not represent any financial product providers. All we represent is our client. From our client's perspective, we select the best financial products, to support our client in realizing our client's goals at different stages of life.

As the industry leader we set a benchmark by upholding Passion, Integrity and Professionalism:

- Our passion is to always ready to offer a wide range of product choices.

- Our integrity promises that we only represent our clients.

- Our professionalism is to ensure the excellence of our financial products.

During the year, the Group was not aware of any material non-compliance with the laws and regulations relating to health and safety, advertising, labelling, privacy matters relating to the products and services provided and method of redress.

Communication with Customers

We establish customer satisfaction goals and use a broad range of communication channels and surveys to gauge customer needs and expectations, aiming to use these feedbacks to improve the quality of our products, services and processes.

Promotion of Customer Education by Various Channels

During the Year, we launched several customers and market education campaigns. We staged publicity focusing on market issues and relevant knowledge.

Fintech Development

Convoy has been actively developing our fintech initiatives over the past few years. By securing a series of strategic fintech investments, we are equipped to achieve our business vision to provide innovative services and experience to both existing and prospective customers.

Responsible and Value-added Advertising

We attach great importance to our advertising activities in order to ensure its compliance and provide value to the customers. All advertising and marketing materials shall be reviewed by our Corporate Communications Department (the "CCD") and the LCD prior to issuance. If applicable, the CCD and LCD will place additional conditions or request further information for approval of the marketing materials.

Complaints Handling Procedure

We have procedures in place to manage complaints from our customers in a timely, robust and professional manner, while at all times doing so in a regulatorily compliant way. Customer can make their complaints through telephone, email or by website.

Our complaints handling procedure aims to:

- Resolve customers' complaints in a fair, timely, transparent and effective manner and to balance the interests of customers, consultants and the Group.

- Align the complaint handling process with our commitments to quality service as well as the corporate image.

Regulated Business

There is comprehensive written policy to guide the employees, control and safeguard the operation flow. Also, we have regular trainings and notifications to employees and management regarding the update of rules and regulations.

Data Privacy and Protection

Trust and confidence are place in Convoy to properly handle personal information of our customers, employees and business partners. As such, comprehensive data privacy policy and guidelines ("the Privacy Policies") are in place. These policies are communicated to all employees when they join the Group and are regularly reinforced.

Our employees are required to comply with the Privacy Policies in addition to all applicable data privacy laws and regulations. Employees are required to safeguard customers' data and are prohibited from disclosing customers' information to unauthorized parties.

Data Handling Procedures

Regarding the handling of data of employees, customers, suppliers and other relevant parties, we have comprehensive policies and procedures which include (i) explanation of definition of data, (ii) procedures in data processing/transferring, (iii) recording and filing policy, (iv) data retention policy, (v) department responsibilities and (vi) handling of incident. These policies and procedures are binding on all employees of the Group.

For information security, we classified the data into four types namely Restricted, Confidential, Internal and Public. Our Chief Digital Officer is responsible for ensuring Convoy at all time complies with the requirements and legislations, both external and internal.

B7. ANTI-CORRUPTION

Except for the circumstances mentioned in our General Compliance Manual, employees must not accept or solicit any gift or inducement for the benefit of themselves or any of their family members from a customer or counterparty which might be expected to compromise their independence. All employees should actively discourage any customer of the Group or any individual or entity doing or seeking to do business with the Group from offering personal benefits of all kinds. However, provided that (i) there is no reasonable likelihood of improper influence on the performance by them of their duties on behalf of the Group; (ii) the personal benefit concerned is not accepted in connection with a function referred to in the Securities and Futures Commission's Code of Conduct.

Gifts offered to clients should be discouraged. In the event staff members wish to offer a gift to their clients, they must comply with the following conditions:

- gifts in the form of cash or cash equivalents shall not be given regardless of amount unless the gift is offered in the capacity of the entity of the Group.
- the value of the gift must commensurate with the circumstances.
- the gift must not be given with an intent to influence or reward any individual or entity regarding any business or transaction involving any entity of the Group.
- the staff must seek approval from their department head and notify the LCD.

Anti-Money Laundering ("AML") and Counter Terrorist Financing ("CTF")

The Group has implemented risk-based AML procedures to help ensure compliance with the applicable AML regulations. Each employee is accountable for ensuring compliance with all laws, regulations, guidelines, and ethical standards impacting his or her role.

AML is an obligation on organizations to prevent "dirty" money from being "laundered" through financial systems in order to take on the appearance of legitimate funds.

CTF is the strategy to cut off the wilful provision or collection of funds with the intention of using the funds to facilitate or carry out terrorist acts.

The online course "AML and CTF Compliance Programme" has been designed for all employees to learn to detect and prevent the types of suspicious activities that might indicate criminal intent to launder money and finance terrorism. All staff and consultants (new and existing) are required to complete this course on the eLearning platform. New joiners are required to complete the program upon joining. Failing to complete may result in disciplinary consequences.

Convoy Initiates Legal Actions to Recover potential Improperly Diverted Funds

Please refer to Note 54: Litigation to the Consolidated Financial Statements.

B8. COMMUNITY INVESTMENT

Being a corporate citizen, we are committed to cultivate good corporate social responsibility and contribute to the society through different initiatives and programs. In our social activities, there are full participation of our Convoy Social Fund, Convoy Life Investment Centre, Convoy Volunteers, Convoy Runner and management. ConvoySR is the culture, practice and philosophy of Convoy for every management and employees.

Convoy Social Fund

We established Convoy Social Fund (the "CSF"). It aims to contribute the society and environment by donation, sponsorship and holding various activities. The CSF cooperates with external parties and our established internal charity teams such as Convoy Runner and our Convoy Volunteer Team to provide the society and environment with the best value.

Convoy Life Investment Centre — Business 2.0

Convoy Life Investment Centre ("the CLIC") is founded by Convoy, Social Venture Hong Kong and Playtao Dreamland. It aims to provide financial consultation, education, medical and legal consultation services to grassroots in the district.

The CLIC is different from traditional charity sponsorship or volunteer activities. We encourage Convoy's professionals to serve the society. It is not only a brand-new concept of "Business 2.0", but also an important milestone for Convoy in fulfilling its social responsibilities.

Convoy Volunteer Team

Everyone Volunteers

Before the Mid-Autumn Festival in the Year, the Convoy volunteer team mobilized nearly 80 enthusiastic Convoy employees to conduct a visit to the elderly in Wong Tai Sin District. On the day of the event, the volunteer team specially prepared blessing bags that full of mooncakes, daily necessities and food for the elderly to celebrate the Mid-Autumn Festival.

In addition to the annual visits, in view of a large number of mooncakes are discarded every year after the festival, Convoy Social Investment Charity Fund cooperated with non-profit organizations to set up collection boxes in Convoy office to collect redundant mooncakes from employees. The mooncakes were delivered to those in need before the Mid-Autumn Festival to avoid being expired and discarded.

Environmental Cleaning

20 Convoy volunteers trekked Stages 6 and 7 of MacLehose Trail on 28 February 2017, clearing large garbage including unwanted washing machine.

Lunar New Year Caring

On 22 January 2017, 60 Convoy volunteers visited the elderly at Shatin Lek Yuen Estate, bringing Lunar New Year food and daily necessities to them.

Convoy Guangxi Volunteering Tour

Convoy Guangxi Volunteering Tour has come to the 4th year. In the Year, Convoy volunteers paid home visits with the primary students.

Convoy Runner

Convoy Runner successfully challenged the Guinness World Record for "At least 100 people who ran a total of 100 miles in a 12-hour relay race". With the efforts of everyone, 104 runners completed the pioneering work by one mile per person by relay in the final 12 hours. The activity was to raise funds for the "The Samaritan Befrienders Hong Kong" to support their life education work for the society.

Donation

During the Year, we had donated to the following charitable institutions/activities:

- Public
  - Guinness World Record — "RUN to Free: Create our World Record"
  - Egive Crowdfunding Charity Challenge 2017-18
  - Convoy Totem Run 2017
  - Pink Dot 2017
- Social Enterprises
  - Social Ventures Hong Kong
- Students and Youth
  - The Dragon Foundation's 9th Golf Tournament at Mission Hills Golf Club
  - Y.L. Yang Education Foundation
  - Po Leung Kuk Charity Run 2017
- Employees
  - Convoy Staff Football Club Jersey
- Environmental Protection
  - Lively Life Company Limited — The Plastic Ocean Documentary Screenplay
  - Green Monday 5th Anniversary Forum & Gala Dinner
- Other Charity Institutions
  - Fair Trade Hong Kong Foundation Limited
  - The Hong Kong Guide Dogs Association Limited
  - Vibram® Hong Kong 100™ 2017

Awards for our Social Responsibility

15 years Plus Caring Company

We have been honored the "15 years Plus Caring Company Logo" by Hong Kong Council of Social Service. The award is an indication that Convoy recognizes the concept of corporate social responsibility, and that more of them have been putting efforts towards developing a sustainable society.

The "Caring Company Scheme" encourages companies to combine the elements of social care and environmental protection in the business process to enhance corporate competitiveness, while also alleviating social problems and creating shared value ("CSV"). CSV model is getting more and more attention across the globe and is also the future development trend.

Hong Kong Corporate Citizenship Award

We have been awarded the 7th "Hong Kong Corporate Citizenship Award Merit (Enterprise)" and "Hong Kong Corporate Citizenship Award Merit (Volunteer)".

The award is to recognize companies that integrate corporate citizenship concept into management strategies and operations and achieve outstanding results in fulfilling social responsibilities. Also, the award recognizes Convoy effort in organizing and implementing corporate volunteer activities.

ZHONGHUI

TO THE SHAREHOLDERS OF
Convoy Global Holdings Limited
康宏環球控股有限公司
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Convoy Global Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 180, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

(I) LOANS RECEIVABLE

Included in loans receivable on the consolidated statement of financial position as at 31 December 2017 and 2016 were loans receivable of approximately HK$528,017,000 and HK$786,642,000 respectively which were granted to certain borrowers. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions and the relationship between the Group and these borrowers.

Included in revenue on the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2017 and 2016 amounted to HK$71,483,000 and HK$79,214,000 respectively, representing interest income from loan financing and margin financing, in relation to the abovementioned loans receivable. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the nature of the relevant transactions between the Group and these borrowers.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of loans receivable of approximately HK$16,460,000 as at 31 December 2017. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements for the year ended 31 December 2017.

BASIS FOR QUALIFIED OPINION (CONTINUED)

(II) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Included in financial assets at fair value through profit or loss on the consolidated statement of financial position as at 31 December 2017 and 2016 were investment in a convertible note receivable (the "Note") of approximately HK$Nil and HK$233,060,000 respectively. Such Note arose from a restructuring (the "Loan Restructuring") of an unsecured loan (the "Unsecured Loan") during the year ended 31 December 2016. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the grant of the Unsecured Loan and the subsequent Loan Restructuring during the year ended 31 December 2016.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the financial assets at fair value through profit or loss of approximately HK$87,048,000 and HK$320,108,000 respectively as at 31 December 2017 and 2016 and whether the fair value loss of approximately HK$233,060,000 and HK$72,210,000 respectively for the years ended 31 December 2017 and 2016 were appropriately recorded.

(III) ACQUISITION OF A SUBSIDIARY IN 2016

The Group acquired a subsidiary in 2016 with net book value of approximately HK$89,338,000 at a consideration of approximately HK$89,338,000. No purchase price allocation had been performed on the date of acquisition of the said subsidiary and we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and valuation of recognising and measuring goodwill or a gain from a bargain purchase in relation to the acquisition of a subsidiary in 2016 in accordance with HKFRS 3 "*Business Combinations*" .

(IV) AVAILABLE-FOR-SALE INVESTMENTS

Included in available-for-sale investments on the consolidated statement of financial position as at 31 December 2017 and 2016 were investment in unlisted fund investments of approximately HK$79,824,000 and HK$140,491,000 respectively. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions.

Included in available-for-sale investments on the consolidated statement of financial position as at 31 December 2017 and 2016 were investment in unlisted fund investments of approximately HK$79,824,000 and HK$140,491,000 respectively. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of investment in unlisted fund investments of approximately HK$79,824,000 and HK$140,491,000 respectively as at 31 December 2017 and 2016, and whether the change in fair value of available-for-sale investments of approximately HK$73,259,000 and HK$Nil respectively for the years ended 31 December 2017 and 2016 were appropriately recorded.

(V) INVESTMENT IN AN ASSOCIATE

Included in investments in associates on the consolidated statement of financial position as at 31 December 2017 and 2016 were investment in an associate of approximately HK$80,108,000 and HK$190,268,000 respectively. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions and the relationship between the Group and the vendor.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the abovementioned investment of approximately HK$80,108,000 and HK$190,268,000 respectively as at 31 December 2017 and 2016, and as to the share of losses of associates of approximately HK$110,160,000 and HK$4,613,000 respectively in relation to the abovementioned investment for the years ended 31 December 2017 and 2016.

BASIS FOR QUALIFIED OPINION (CONTINUED)

(VI) COMPENSATION PAYABLE

Included in other payables and accruals on the consolidated statement of financial position as at 31 December 2017 was a compensation in relation to an investment of HK$20,000,000. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions and the relationship between the Group and the payee.

(VII) 2015 PLACING SHARES RESERVE

Included in reserves on the consolidated statement of financial position as at 31 December 2017 and 2016 was a reserve in relation to one placement of the Company's shares which took place on 29 October 2015 (the ''Placements") of approximately HK$2,415,623,000. We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the outcome of the litigation as stipulated in note 54(a) to the notes to consolidated financial statements, as well as the accounting treatment on the Placements.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy on the calculation of loss per share attributable to owners of the company for the years ended 31 December 2017 and 2016.

(VIII) FUND TRANSFER TRANSACTIONS BETWEEN SUBSIDIARIES AND A TRUSTEE OF A SUBSIDIARY (THE "TRUSTEE")

As at 31 December 2016, the Group had set-off other receivable and other payable of the Trustee amounted to approximately HK$228,139,000 and HK$189,108,000 respectively, with the difference amounted to approximately HK$39,031,000 was recognised as an exchange loss in consolidated statement of comprehensive income for the year ended 31 December 2016. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the set-off of other receivable and other payable of the Trustee of approximately HK$228,139,000 and HK$189,108,000 respectively were properly accounted for in the consolidated statement of financial position as at 31 December 2016 and the exchange loss of approximately HK$39,031,000 were properly accounted for in the consolidated statement of other comprehensive income for the year ended 31 December 2016.

Included in prepayments, deposits and other receivables on the consolidated statement of financial position as at 31 December 2017 was other receivable of the Trustee of approximately HK$Nil, against which an impairment loss of approximately HK$262,084,000 had been made for the year ended 31 December 2017. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the other receivable of the Trustee of approximately HK$Nil as at 31 December 2017, and whether the impairment loss related to the other receivable of the Trustee of approximately HK$262,084,000 for the year ended 31 December 2017 were appropriately recorded.

Included in other payables and accruals on the consolidated statement of financial position as at 31 December 2017 was other payable of the Trustee of approximately HK$239,498,000. We were unable to obtain sufficient appropriate audit evidence to assess the accuracy and completeness of the above liability. There are no other satisfactory alternative procedures that we could perform to satisfy ourselves that this balance as at 31 December 2017 was free from material misstatement and the related disclosures have been properly recorded and reflected in the consolidated financial statements of the Company.

Included in exchange differences on translating foreign operations on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 was an exchange gain of approximately HK$39,031,000. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the exchange gain of approximately HK$39,031,000 were properly accounted for in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

BASIS FOR QUALIFIED OPINION (CONTINUED)

Any adjustments to the figures as described above might have a consequential effect on the Group's result and cashflows for the years ended 31 December 2017 and 2016, and the financial positions of the Group as at 31 December 2017 and 2016, and the related disclosures thereof in the consolidated financial statements.

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 qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

(I) IMPAIRMENT OF LOANS RECEIVABLE

Refer to note 26 to the consolidated financial statements

The Group tested the amount of loans receivable for impairment. This impairment test is significant to our audit because the balance of loans receivable of approximately HK$764,111,000 as at 31 December 2017 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Selecting samples based on the significance of the outstanding loan amount and examined their financial performance by reviewing the credit assessment performed by the Group, including recoverable cash flows, repayment history and compared the current market value of collateral;

— Obtaining direct confirmation of selected accounts; and

— Examining the ageing analysis, checked subsequent settlement and considered the credit standing and historical repayment pattern of the counterparties and loss experience for assets with similar credit risk characteristics.

We consider that the Group's impairment test for loans receivable is supported by the available evidence.

(II) VALUATION OF FINANCIAL INSTRUMENTS UNDER LEVEL 3

Refer to note 7 to the consolidated financial statements

The Group has a portfolio of financial instruments, which consisted of available-for-sale investments and financial assets at fair value through profit or loss, which are measured at fair value. As at 31 December 2017, financial instruments amounting to approximately HK$686,702,000 were categorised as Level 3 within the fair value hierarchy without qualification, representing 13% of the Group's total assets. For Level 3 valuation, the Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particular those that included significant unobservable inputs, involved subjective judgements and assumptions. The sensitivity of the assumptions used may have material impact on the valuation of these financial instruments.

Our audit procedures included, among others:

— Assessing the competence, independence and integrity of the external valuer engaged by client and our own engaged valuer;

— Obtaining the external valuation reports and meeting with the external valuer, with the assistance of our own engaged valuer, to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

— Obtaining an understanding of the Group's valuation policy, valuation approach and selection consideration for unobservable inputs in determining the fair value of financial instruments;

— Focusing on valuation methodologies and assumptions used for the valuation of financial instruments that were categorised as Level 3 within the fair value hierarchy; and

— Evaluating the valuation techniques, inputs and assumptions, such as market comparables, credit spread, liquidity spread, through comparison with the valuation methodologies that are commonly used in the market and checking unobservable inputs used against available market information.

We consider that the Group's fair value measurement of financial instruments under level 3 is supported by the available evidence.

(III) IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS

Refer to note 25 to the consolidated financial statements

The Group tested the amount of available-for-sale investments for impairment. This impairment test is significant to our audit because the balance of available-for-sale investments of approximately HK$847,993,000 as at 31 December 2017 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Obtaining an understanding of the Group's investment strategies for its available-for-sale investments and the background, business plan and other information about the available-for-sale investments;

— Reviewing the Group's available-for-sale investments portfolio to determine whether impairment indicators exist, taking into consideration of market information;

— Evaluating the Group's impairment assessment; and

— Assessing, on a sample basis, the recoverable amount estimated by management, taking into consideration the latest financial performance, financial position and cash flows of the underlying investments and comparable industry information.

We consider that the Group's impairment test for available-for-sale investments is supported by the available evidence.

OTHER INFORMATION

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the loans receivable, financial assets at fair value through profit or loss, acquisition of a subsidiary in 2016, available-for-sale investments, investment in an associate, compensation payable, 2015 placing shares reserve and fund transfer transactions between subsidiaries and a trustee of a subsidiary. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

RESPONSIBILITIES OF 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, 17 February 2021

Consolidated Statement of
Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
REVENUE	9	**863,885**	1,205,145
Other income and gains, net	9	**41,534**	7,830
Commission and advisory expenses		**(631,423)**	(577,541)
Staff costs	12	**(297,099)**	(236,390)
Depreciation	17	**(37,996)**	(33,658)
Loss attributable to non-controlling investors of investment funds	39	**13,919**	1,596
Other expenses	12	**(525,332)**	(299,922)
Finance costs	10	**(50,821)**	(49,278)
Impairment of financial assets	12	**(377,483)**	(77,564)
Impairment of investment in an associate	21	**(321,242)**	–
Share of losses of associates	21	**(95,993)**	(3,648)
Share of loss of a joint venture	22	**(4,157)**	(1,578)
LOSS BEFORE TAX		**(1,422,208)**	(65,008)
Income tax expenses	11	**(29,623)**	(39,202)
LOSS FOR THE YEAR	12	**(1,451,831)**	(104,210)
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale investments		**15,206**	2,035
Reclassification adjustment to profit or loss on impairment of available-for-sale investments		**66,443**	16,018
Reclassification adjustment to profit or loss on disposal of available-for-sale investments		**(21,916)**	–
Exchange differences on translating foreign operations		**33,868**	(5,562)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**93,601**	12,491
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,358,230)**	(91,719)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(1,435,341)**	(95,522)
Non-controlling interests		**(16,490)**	(8,688)
		(1,451,831)	(104,210)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(1,340,310)**	(83,918)
Non-controlling interests		**(17,920)**	(7,801)
		(1,358,230)	(91,719)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	16		
Basic (HK cents)		**(18.45)**	(1.23)
Diluted (HK cents)		**(18.45)**	(1.23)

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	At 31 December 2017 HK$'000	At 31 December 2016 HK$'000 (Restated)	At 1 January 2016 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	17	**64,021**	77,839	53,010
Investment properties	18	**65,600**	176,200	63,922
Goodwill	19	**–**	23,541	12,820
Intangible assets	20	**–**	–	438
Investments in associates	21	**166,409**	582,156	20,293
Investment in a joint venture	22	**1,857**	5,776	7,459
Deferred tax assets	23	**231**	28,927	27,169
Held-to-maturity investments	24	**7,985**	126,326	229,324
Available-for-sale investments	25	**927,817**	761,755	367,005
Loans receivable	26	**417,360**	509,984	638,287
Prepayments, deposits and other receivables	27	**21,464**	23,337	57,541
Restricted cash	28	**15,688**	1,116	331
		1,688,432	2,316,957	1,477,599
Current assets				
Held-to-maturity investments	24	**10,200**	15,489	30,000
Financial assets at fair value through profit or loss	29	**624,815**	1,105,957	644,722
Accounts receivable	30	**101,645**	93,241	86,855
Loans receivable	26	**363,211**	1,304,677	1,550,239
Prepayments, deposits and other receivables	27	**38,015**	79,475	67,142
Due from a joint venture	31	**644**	–	–
Due from an associate	32	**2,834**	–	–
Due from a related party	33	**723**	–	–
Tax recoverable		**43,314**	32,540	21,200
Restricted cash	28	**–**	1,176	644
Cash held on behalf of clients	34	**409,231**	620,036	228,761
Pledged bank deposit	35	**10,169**	10,103	10,035
Cash and cash equivalents	35	**2,021,552**	967,073	2,113,521
		3,626,353	4,229,767	4,753,119
Current liabilities				
Accounts payable	36	**554,963**	740,042	397,349
Other payables and accruals	37	**488,055**	146,803	147,334
Issued bonds	38	**–**	–	6,389
Net assets attributable to redeemable participation rights	39	**7,001**	5,533	34,598
Financial liabilities at fair value through profit or loss	29	**167**	35,122	25,586
Interest-bearing bank and other borrowings	40	**–**	59,854	13,495
Tax payable		**7,898**	61,075	35,743
		1,058,084	1,048,429	660,494
Net current assets		**2,568,269**	3,181,338	4,092,625
Total assets less current liabilities		**4,256,701**	5,498,295	5,570,224

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	At 31 December 2017 HK$'000	At 31 December 2016 HK$'000 (Restated)	At 1 January 2016 HK$'000 (Restated)
Non-current liabilities				
Other payables and accruals	37	**106,915**	9,362	8,605
Issued bonds	38	**595,508**	616,449	601,023
Deferred tax liabilities	23	**1,404**	1,278	–
		703,827	627,089	609,628
NET ASSETS		**3,552,874**	4,871,206	4,960,596
Equity attributable to owners of the Company				
Share capital	41	**777,860**	777,860	777,860
Reserves	42	**2,814,957**	4,115,369	4,197,033
		3,592,817	4,893,229	4,974,893
Non-controlling interests		**(39,943)**	(22,023)	(14,297)
TOTAL EQUITY		**3,552,874**	4,871,206	4,960,596

Ng Wing Fai
Director

Yap E Hock
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company																
	Issued capital HK$'000	Share premium account HK$'000	2015 placing shares reserve (Note 4) HK$'000	Capital reserve HK$'000	Merger reserve HK$'000	Warrant reserve HK$'000	Shares held for share award scheme HK$'000	Share option reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Legal reserve HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016, as previous reported	1,493,890	3,616,046	–	(64,379)	(1,920)	776	(723)	–	(4,853)	(1,367)	660	49	(4,149)	(59,137)	4,974,893	(14,297)	4,960,596
Prior year adjustments (Note 4)	(716,030)	(1,699,593)	2,415,623	–	–	–	–	–	–	–	–	–	–	–	–	–	–
At 1 January 2016, as restated	777,860	1,916,453	2,415,623	(64,379)	(1,920)	776	(723)	–	(4,853)	(1,367)	660	49	(4,149)	(59,137)	4,974,893	(14,297)	4,960,596
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	(95,522)	(95,522)	(8,688)	(104,210)
Other comprehensive income/(loss) for the year																	
Change in fair value of available-for-sale investments	–	–	–	–	–	–	–	–	2,035	–	–	–	–	–	2,035	–	2,035
Reclassification adjustment to profit or loss on impairment of available-for-sale investments	–	–	–	–	–	–	–	–	16,018	–	–	–	–	–	16,018	–	16,018
Reclassification adjustment to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	–	(6,449)	–	–	–	–	(6,449)	887	(5,562)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	–	18,053	(6,449)	–	–	–	(95,522)	(83,918)	(7,801)	(91,719)
Equity-settled share option arrangements	–	–	–	–	–	–	–	2,327	–	–	–	–	–	–	2,327	–	2,327
Transfer to reserve funds	–	–	–	–	–	–	–	–	–	–	90	–	–	(90)	–	–	–
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(73)	–	(73)	75	2
At 31 December 2016, as restated	777,860	1,916,453	2,415,623	(64,379)	(1,920)	776	(723)	2,327	13,200	(7,816)	750	49	(4,222)	(154,749)	4,893,229	(22,023)	4,871,206
At 31 December 2016, as previously reported	1,493,890	3,616,046	–	(64,379)	(1,920)	776	(723)	2,327	13,200	(7,816)	750	49	(4,222)	(154,749)	4,893,229	(22,023)	4,871,206
Prior year adjustments (Note 4)	(716,030)	(1,699,593)	2,415,623	–	–	–	–	–	–	–	–	–	–	–	–	–	–
At 31 December 2016, as restated	777,860	1,916,453	2,415,623	(64,379)	(1,920)	776	(723)	2,327	13,200	(7,816)	750	49	(4,222)	(154,749)	4,893,229	(22,023)	4,871,206

Consolidated Statement of
Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company																
	Issued capital HK$'000	Share premium account HK$'000	2015 placing shares reserve HK$'000	Capital reserve HK$'000	Merger reserve HK$'000	Warrant reserve HK$'000	Shares held for share award scheme HK$'000	Share option reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Legal reserve HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	777,860	1,916,453	2,415,623	(64,379)	(1,920)	776	(723)	2,327	13,200	(7,816)	750	49	(4,222)	(154,749)	4,893,229	(22,023)	4,871,206
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,435,341)	(1,435,341)	(16,490)	(1,451,831)
Other comprehensive income/(loss) for the year																	
Change in fair value of available-for-sale investments	–	–	–	–	–	–	–	–	15,206	–	–	–	–	–	15,206	–	15,206
Reclassification adjustment to profit or loss on impairment of available-for-sale investments	–	–	–	–	–	–	–	–	66,443	–	–	–	–	–	66,443	–	66,443
Reclassification adjustment to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	(21,916)	–	–	–	–	–	(21,916)	–	(21,916)
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	–	35,298	–	–	–	–	35,298	(1,430)	33,868
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	–	–	59,733	35,298	–	–	–	(1,435,341)	(1,340,310)	(17,920)	(1,358,230)
Equity-settled share option arrangements	–	–	–	–	–	–	–	40,697	–	–	–	–	–	–	40,697	–	40,697
Disposal of an associate	–	–	–	–	–	–	–	–	–	(799)	(64)	–	–	64	(799)	–	(799)
At 31 December 2017	777,860	1,916,453	2,415,623	(64,379)	(1,920)	776	(723)	43,024	72,933	26,683	686	49	(4,222)	(1,590,026)	3,592,817	(39,943)	3,552,874

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Loss before tax	**(1,422,208)**	(65,008)
Adjustments for:		
Interest income	**(674)**	(635)
Dividend and distribution income	**(2,762)**	–
Change in fair value of investment properties	**(4,500)**	8,494
Loss on disposal of items of property, plant and equipment	**2,050**	367
Gain on disposal of a subsidiary	**(28,789)**	–
Loss on disposal of an associate	**2,300**	–
Write off property, plant and equipment	**2,057**	–
Depreciation	**37,996**	33,658
Amortisation of intangible assets	**–**	438
Impairment of loans receivable	**30,084**	40,736
Impairment of prepayments, deposits and other receivables	**279,213**	3,923
(Gain)/Loss on disposal of an available-for-sale investments	**(21,916)**	320
Impairment of available-for-sale investments	**66,443**	32,905
Impairment of goodwill	**23,541**	3,853
Impairment of accounts receivable	**1,743**	–
Impairment of investment in an associate	**321,242**	–
Impairment of property, plant and equipment	**2,597**	–
Impairment of investment in a joint venture	**162**	–
Equity-settled share option arrangement	**40,697**	2,327
Reversal of provision for commission clawback	**–**	(2,893)
Provision for compensation payable	**20,000**	–
Provision for buying back of investment brokerage products and in private equity funds	**214,362**	–
Share of loss of a joint venture	**4,157**	1,578
Share of losses of associates	**95,993**	3,648
Finance costs	**50,821**	49,278
Operating cash flows before working capital changes	**(285,391)**	112,989
Change in accounts receivable	**(10,147)**	(6,386)
Change in loans receivable	**1,004,006**	145,824
Change in prepayment, other receivables and other assets	**(237,242)**	27,833
Change in financial assets and liabilities at fair value through profit and loss	**446,187**	(261,699)
Change in held-to-maturity investments	**123,630**	117,509
Change in balance with related party	**(723)**	–
Change in amount due from a joint venture	**(644)**	–
Change in amount due from an associate	**(2,834)**	–
Change in cash held on behalf of clients	**210,805**	(391,275)
Change in accounts payable	**(185,079)**	342,693
Change in other payables and accruals	**204,852**	1,811
Change in net assets attributable to redeemable participation rights	**1,468**	(29,065)
Cash generated from operations	**1,268,888**	60,234
Hong Kong profit tax paid	**(64,539)**	(26,538)
PRC taxes paid	**(213)**	(456)
Net cash generated from operating activities	**1,204,136**	33,240

Consolidated Statement of
Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from investing activities		
Interest received	**674**	635
Dividend received from an associate	**2,142**	45,172
Dividend received from a joint venture	**–**	30
Dividend and distribution income	**2,762**	–
Purchase of available-for-sale investments	**(220,759)**	(649,756)
Purchases of property, plant and equipment	**(31,426)**	(33,709)
Redemption of available-for-sale investments	**69,903**	180
Proceeds from disposal of property, plant and equipment	**3,900**	782
Proceeds from disposal of subsidiaries	**5,353**	–
Proceeds from disposal of an associate	**21,035**	–
Acquisition of subsidiaries	**–**	(37,167)
Acquisition of an investment property	**–**	(120,772)
Investment in associates	**(25,500)**	(372,473)
Deposits paid for purchases of items of property, plant and equipment	**(1,974)**	(3,289)
Increase in restricted cash	**(13,396)**	(1,317)
Increase in pledged bank deposit	**(66)**	(68)
Net cash used in investing activities	**(187,352)**	(1,171,752)
Cash flows from financing activities		
Proceeds from issue of bonds, net of issue expenses	**–**	9,189
Redemption of bonds	**(21,000)**	(6,400)
Bank loans and other borrowings raised	**153,000**	43,017
Repayment of interest-bearing other borrowings	**(15,387)**	–
Repayment of bank loans	**(60,143)**	(1,664)
Interest paid	**(49,934)**	(48,392)
Net cash generated from/(used in) financing activities	**6,536**	(4,250)
Net increase/(decrease) in cash and cash equivalents	**1,023,320**	(1,142,762)
Cash and cash equivalents at 1 January	**967,073**	2,113,521
Effect of foreign exchange rate changes, net	**31,159**	(3,686)
Cash and cash equivalents at 31 December	**2,021,552**	967,073
Analysis of cash and cash equivalents		
Cash and bank balances	**2,021,552**	966,664
Non-pledged time deposits with original maturity of less than three months when acquired	**–**	409
	2,021,552	967,073

1. CORPORATE AND GROUP INFORMATION

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

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

INFORMATION ABOUT SUBSIDIARIES

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

Name of subsidiary	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company 2017	2016	Principal activities
CFSH (Macau) Limited		Hong Kong	HK$100	**100%**	100%	Investment holding
Convoy Insurance Brokers (Macau) Limited ("CIBM")	(a)	Macau	MOP100,000	**100%**	100%	Provision of insurance brokerage services
TAG Financial Holdings Limited (formerly known as "Convoy Financial Holdings Limited")		Hong Kong	HK$1	**100%**	100%	Management of business
Clever Path Holdings Limited		BVI	US$1	**100%**	100%	Investment holding
TAG Asia Capital Limited (formerly known as "Convoy Capital Limited")		Hong Kong	HK$5,000,000	**100%**	100%	Proprietary investment
TAG Asia Capital Holdings Limited (formerly known as "Convoy Capital Holdings Limited")		BVI	US$1	**100%**	100%	Investment holding
TAG Investment Limited (formerly known as "Convoy Investments Limited")		BVI	US$1	**100%**	100%	Investment holding
TAG Asia Limited (formerly known as "Convoy Finance Limited")		BVI	US$1	**100%**	100%	Investment holding
TAG Technologies Limited (formerly known as "Convoy Technologies Limited")		BVI	US$1	**100%**	100%	Proprietary investment
Convoy Ventures Limited ("CVL")		BVI	US$1	**100%**	100%	Investment holding
Simply Vitality Holdings Limited (formerly known as "Door 2 China Capital Limited")		BVI	US$100	**100%**	100%	Investment holding
Forthwise International Limited ("FIL")		BVI	US$1	**100%**	100%	Proprietary investment
N22 Holdings Limited (formerly known as "D2C Capital Hong Kong Limited")		Hong Kong	HK$1	**100%**	100%	Investment Fund
Maxthree Limited		BVI	US$1	**100%**	100%	Investment Fund
Artley Finance (HK) Limited		Hong Kong	HK$100,000	**100%**	100%	Provision of money lending services
Hong Kong Credit Corporation Limited ("HKCC")		Hong Kong	HK$2	**100%**	100%	Provision of money lending services
Guardian Limited		Bermuda	US$1	**100%**	100%	Dormant
Guardian Quaker Limited		BVI	US$1	**100%**	100%	Dormant
Perform Financial Planning Services Limited (formerly known as "Convoy Resources Limited")		Hong Kong	HK$1	**100%**	100%	Provision of talent sourcing services
CurrencyFair Asia Limited (formerly known as Convoy Payments Limited)		Hong Kong	HK$10,000	**80%**	80%	Provision of services of set up and maintenance of online payment platform and solutions
OnePlatform Holdings Limited (formerly known as "Nutmeg Asia Limited")		Hong Kong	HK$100	**65%**	65%	Dormant
Convoy Financial Services Limited ("CFS")		Hong Kong	HK$1,000,000	**100%**	100%	Provision of insurance and MPF scheme brokerage services
Convoy Collateral Limited ("CCL")		Hong Kong	HK$100,000	**100%**	100%	Provision of money lending services and proprietary investment
Hero Castle Holdings Limited		Hong Kong	HK$1	**100%**	100%	Investment holding
康宏匯(深圳)股權投資基金管理有限公司	(b)	PRC	US$2,000,000	**100%**	100%	Provision of equity investment management services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Name of subsidiary	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company 2017	2016	Principal activities
深圳市康宏匯健股權投資企業(有限合夥)	(d)	PRC	RMB92,000,000	**100%**	100%	Equity investment
OnePlatform Asset Management Limited (formerly known as "Convoy Asset Management Limited")		Hong Kong	HK$272,000,000	**100%**	100%	Provision of investment advisory, funds dealing, bond placing, introducing broker and asset management services
Kerberos (Nominee) Limited ("Kerberos")		Hong Kong	HK$1	**100%**	100%	Provision of nominee services
Triton Consulting Company Limited		Hong Kong	HK$1	**100%**	100%	Dormant
OnePlatform International Property Limited (formerly known as "Convoy International Property Consulting Company Limited")		Hong Kong	HK$1,200	**77%**	77%	Provision of overseas real estate brokerage services
Wonderful Job Limited		BVI	US$10	**100%**	100%	Investment holding
Convoy Capital Hong Kong Limited ("CCHK")	(h)	Hong Kong	HK$25,000,000	**100%**	100%	Provision of corporate finance advisory services
True Surplus International Investment Limited ("True Surplus")		BVI	US$100	**100%**	100%	Holding of an investment fund
Convoy (BVI) Limited		BVI	HK$10,000	**100%**	100%	Investment holding
Capital Dragon Holdings Limited		BVI	US$1	**100%**	100%	Investment holding
Convoy International Holdings Limited		BVI	US$1	**100%**	100%	Investment holding
Investor Choice Holdings Limited		BVI/Hong Kong	US$1	**100%**	100%	Proprietary investment
Favour Sino Holdings Limited		BVI	US$1	**100%**	100%	Investment holding
Convoy Financial Solutions Limited ("Convoy Solutions")		Hong Kong	HK$500,000	**100%**	100%	Provision of insurance brokerage services
Convoy Wealth Management Limited ("CWM")		Hong Kong	HK$500,000	**100%**	100%	Provision of insurance brokerage services
Tandem Asia Group Limited (formerly known as "Focused Developments Limited")		BVI/Hong Kong	US$1	**100%**	100%	Investment holding
Whole Profit Limited		Hong Kong	HK$1	**100%**	100%	Investment holding
Great Reap Holdings Limited		BVI	US$1	**100%**	100%	Investment holding
Convoy Platform Limited		Hong Kong	HK$1	**100%**	100%	Provision of insurance brokerage services
Wonderful Platform Limited		Macau	MOP25,000	**100%**	100%	Dormant
OnePlatform Securities Limited (formerly known as "CSL Securities Limited")		Hong Kong	HK$763,000,000	**100%**	100%	Provision of securities dealing services
Convoy Group Limited		BVI	US$80	**100%**	100%	Dormant
Star Advance Holdings Limited		BVI	US$1	**100%**	100%	Investment Fund
TAG Creative and Art Limited (formerly known as "Convoy Creative And Art Limited")		Hong Kong	HK$1	**100%**	100%	Dormant
Zeed Asia Technology Limited		Hong Kong	HK$100	**100%**	80%	Provision of internet financial platform and solutions
Treasure Chance Investments Limited		BVI	US$1	**100%**	100%	Dormant
Convoy Lifestyle Limited		Hong Kong	HK$1	**100%**	100%	Dormant
Convoy Fund Management Limited ("CFM")		Cayman Islands	US$1	**100%**	100%	Provision of capital investment and advisory services
Convoy Opportunities Fund ("COF")	(g)	Cayman Islands	US$100	**100%**	100%	Investment Fund
DRL Capital ("DRL")	(g)	Cayman Islands	US$100	**100%**	100%	Investment Fund

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Name of subsidiary	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company		Principal activities
				2017	2016	
ESI Property Fund	(g)	Cayman Islands	US$100	**100%**	100%	Investment Fund
NSD Capital ("NSD")	(g)	Cayman Islands	US$100	**56%**	56%	Investment Fund
Trendy Reach Holdings Limited		BVI	US$1	**100%**	100%	Investment Fund
Profit Vision Limited		Hong Kong	HK$1	**100%**	100%	Property investment
IES Capital	(g)	Cayman Islands	US$100	**100%**	100%	Investment Fund
Triton Investment Services Proprietary Limited		Australia	AUD700,000	**100%**	100%	Proprietary investment
Convoy Private Equity Limited		Hong Kong	US$1	**100%**	100%	Dormant
Vindex Global Limited		BVI	N/A	**100%**	100%	Dormant
深圳康宏信息諮詢有限公司	(b)	PRC	RMB150,500,000	**100%**	100%	Provision of administrative services
Convoy China Limited		BVI	US$1	**100%**	100%	Investment holding
深圳前海康宏匯資產管理有限公司 ("康宏前海")	(c)/(f)	PRC	RMB20,000,000	**100%**	100%	Provision of asset management services
Convoy China Group Limited		BVI	US$100	**100%**	100%	Investment holding
CIB Holdings Limited		Hong Kong	HK$1	**100%**	100%	Provision of referral services
CCIA Holdings Limited		BVI	US$13,647	**91%**	91%	Investment holding
Convoy China Insurance Agency Co., Limited		Hong Kong	HK$2	**91%**	91%	Investment holding and management of business development
Convoy China Financial Services Holdings Limited		Hong Kong	HK$10	**91%**	91%	Investment holding
康宏碧升保險代理有限公司 ("康宏碧升")	(d)/(e)	PRC	RMB50,000,000	**69%**	69%	Provision of insurance brokerage services
康宏碧升保險代理有限公司 四川分公司	(d)/(e)	PRC	RMB50,000,000	**69%**	69%	Provision of insurance brokerage services
江西康宏泛誠保險代理有限公司 ("康宏江西")	(c)	PRC	RMB20,000,000	**69%**	69%	Provision of insurance brokerage services
正好網絡諮詢(深圳)有限公司 (formerly known as "康宏保險銷售服務(深圳)有限公司") ("SSZ")_	(b)	PRC	RMB10,000,000	**91%**	91%	Provision of insurance brokerage services
康宏財富投資管理(北京)有限公司 ("CBJ")	(b)	PRC	RMB10,000,000	**91%**	91%	Provision of investment advisory and corporate marketing services
康宏財富投資管理(北京)有限公司 一深圳分公司	(c)	PRC	N/A	**91%**	91%	Provision of investment advisory and corporate marketing services
康宏財富投資管理(北京)有限公司 一廣州分公司	(c)	PRC	N/A	**91%**	91%	Provision of investment advisory and corporate marketing services
Convoy China Holdings Limited		Hong Kong	HK$1	**100%**	100%	Dormant
康宏財富投資管理(北京)有限公司 一上海分公司	(c)	PRC	N/A	**91%**	91%	Provision of investment advisory and corporate marketing services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Name of subsidiary	Notes	Place of incorporation/ registration and business	Issued ordinary/ paid-up share capital	Percentage of equity interest attributable to the Company		Principal activities
				2017	2016	
康宏財富投資管理(北京)有限公司 一江西分公司	(c)	PRC	N/A	**91%**	91%	Provision of investment advisory and corporate marketing services
康宏財富投資管理(北京)有限公司 一四川分公司	(c)	PRC	N/A	**91%**	91%	Provision of investment advisory and corporate marketing services
康宏保險經紀有限公司 (“深圳康宏”)	(c)	PRC	RMB50,000,000	**100%**	91%	Provision of insurance brokerage services
康宏保險經紀有限公司 一成都分公司	(c)	PRC	N/A	**100%**	100%	Provision of insurance brokerage services
Convoy Beijing Holdings Limited		Hong Kong	HK$1	**100%**	100%	Investment holding
Prosper Ocean Investments Limited		BVI	US$1	**100%**	100%	Investment holding

Notes:

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

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

(c) Registered as domestic enterprises under PRC law.

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

(e) Share capital of RMB38,000,000 (2016: RMB38,000,000), representing 76% of the equity interest, is held in trust by a member of senior management of the subsidiary.

(f) Share capital of RMB20,000,000 (2016: RMB20,000,000), representing the entire equity interest, is held in trust by a business partner of the Company.

(g) The Group considers that it has ability to control through its representatives on the board of these investment funds and acting as a fund manager. In each of these cases, the Group controls and consolidates 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. The “paid-up share capital” disclosed above represents the net asset value of each of the respective investment funds at the end of the reporting period. During the year, there were no contractual arrangements between the Group to provide financial support to these consolidated structured entities and the Group did not provide financial or other support to these consolidated structured entities and has no intention of providing financial or other support.

(h) On 28 November 2017, 5,000,000 new shares of HK$1.00 each in the capital of CCHK was allotted and issued. Upon completion of this allotment, the issued share capital of CCHK increased from HK$20,000,000 to HK$25,000,000.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, are the major subsidiaries engaged in the principal activities of the Group as described above and include all the licensed corporations that operate in Hong Kong, Macau and PRC. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale investments and financial assets/liabilities at fair value through profit or loss which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATION (CONTINUED)

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

BUSINESS COMBINATION AND GOODWILL

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investments), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of "impairment of assets" as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSOCIATES

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement where by the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT ARRANGEMENTS (CONTINUED)

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group' s share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSLATION

(a) *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.

(b) *Transactions and balances in financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives and residual values are as follows:

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

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

INVESTMENT PROPERTIES

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

INVESTMENTS

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the investments' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

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

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair value cannot be reliably measured, or on derivative assets that are linked to and must be settled by delivery of such unquoted equity instruments are not reversed.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

EQUITY INSTRUMENTS

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

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

Commission income from securities brokerage is recognised on the transaction dates when the relevant contract notes are exchanged.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Referral and commission income from the provision of relevant services are recognised on an accrual basis in accordance with the terms of the underlying agreements.

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

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

Corporate finance fee income from placing and underwriting of securities and bonds is recognised on execution of each significant act based on the terms and conditions of the relevant agreement or deal mandate.

Performance fees are recognised on the day of the investment funds and managed accounts when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Advisory income is recognised on an accrual basis when services have been rendered.

Rental income is recognised on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(ii) *Termination benefits*

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

SHARE-BASED PAYMENTS

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At the end of each reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

The Group also provides employees with the ability to purchase the Company's ordinary shares at a discount to the current market value. The Group records an expense, based on the fair value of the discount related to shares expected to vest (taking in account the post vesting transfer restrictions), on a straight-line basis over the vesting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

TAXATION

Income tax represents the sum of the current tax and deferred tax.

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

RELATED PARTIES

A related party is a person or entity that is related to the Group.

(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 Company or of a parent of the Company.

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

- (i) The entity and the entities comprising the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 to a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF ASSETS

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets, except goodwill, investment properties, deferred tax assets, investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 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 is remote.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period that provide additional information about the Group 's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. RESTATEMENT AND RECLASSIFICATION DUE TO PRIOR YEAR CORRECTION

In preparing the Group's consolidated financial statements for the year ended 31 December 2017, the Group has identified certain errors in the comparative financial information presented. The Group has reclassified some prior year amounts. These reclassifications had no effect on the reported results of operations. A detailed description of the nature of these reclassifications is shown as below.

PRIOR YEAR ADJUSTMENTS WITH IMPACT ON PRESENTATION AND RECLASSIFICATION

(a) Reclassification of certain placing proceed in 2015 previously reported under issued capital and share premium account to 2015 placing shares reserve in consolidated statement of changes in equity in relation to High Court Action No. 2922 of 2017 ("HCA 2922/2017"). Details of HCA 2922/2017 are disclosed in note 54(a).

EFFECT OF CORRECTION OF THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 1 JANUARY 2016

	As previously reported HK$'000	Note 4(a) HK$'000	Restated HK$'000
Issued capital	1,493,890	(716,030)	777,860
Share premium account	3,616,046	(1,699,593)	1,916,453
2015 placing shares reserve	–	2,415,623	2,415,623
Capital reserve	(64,379)	–	(64,379)
Merger reserve	(1,920)	–	(1,920)
Warrant reserve	776	–	776
Shares held for share award scheme	(723)	–	(723)
Share option reserve	–	–	–
Available-for-sale investments revaluation reserve	(4,853)	–	(4,853)
Exchange fluctuation reserve	(1,367)	–	(1,367)
Reserve funds	660	–	660
Legal reserve	49	–	49
Other reserves	(4,149)	–	(4,149)
Accumulated losses	(59,137)	–	(59,137)
Total	4,974,893		4,974,893
Non-controlling interests	(14,297)	–	(14,297)
Total equity	4,960,596		4,960,596

4. RESTATEMENT AND RECLASSIFICATION DUE TO PRIOR YEAR CORRECTION (CONTINUED)

EFFECT OF CORRECTION OF THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2016

	As previously reported HK$'000	Note 4(a) HK$'000	Restated HK$'000
Issued capital	1,493,890	(716,030)	777,860
Share premium account	3,616,046	(1,699,593)	1,916,453
2015 placing shares reserve	–	2,415,623	2,415,623
Capital reserve	(64,379)	–	(64,379)
Merger reserve	(1,920)	–	(1,920)
Warrant reserve	776	–	776
Shares held for share award scheme	(723)	–	(723)
Share option reserve	2,327	–	2,327
Available-for-sale investments revaluation reserve	13,200	–	13,200
Exchange fluctuation reserve	(7,816)	–	(7,816)
Reserve funds	750	–	750
Legal reserve	49	–	49
Other reserves	(4,222)	–	(4,222)
Accumulated losses	(154,749)	–	(154,749)
Total	4,893,229		4,893,229
Non-controlling interests	(22,023)	–	(22,023)
Total equity	4,871,206		4,871,206

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(A) INCOME TAX PROVISIONS

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

(B) ASSESSMENT OF FUND INVESTMENTS AS STRUCTURED ENTITIES

Management has assessed whether the funds in which it invests should be classified as structured entities. Management has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. Judgement is made on an individual investment in each fund where the Group has ownership interest or acts as fund manager or both. Management has evaluated whether these rights of investors are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. As at 31 December 2017, having considered the fact patterns surrounding each of investment funds in which the Group has interest or acts as a fund manager, the Group considers that it controls five (2016: five) investment funds.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(A) IMPAIRMENT OF LOANS AND RECEIVABLES

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

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, debtors creditworthiness, past repayment history and historical write-off experience and value of collateral held. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

(B) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

(C) IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The determination of whether available-for-sale financial assets are impaired requires significant judgement. For available-for-sale investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the investment has been below its original cost. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the investment on initial recognition.

The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economies or the law, as well as industry and sector performance and the financial information regarding the investee that provide evidence that the cost of the equity securities may not be recoverable. For available-for-sale investments measured at cost less impairment, the Group makes the judgement as to whether there is objective evidence of impairment exists based on the investee's financial performance and business prospects, industry environment as well as general market conditions. The evaluation involves significant judgement which would affect the amount of these investments.

(D) IMPAIRMENT OF GOODWILL

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(E) IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)

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

(F) ESTIMATION OF FAIR VALUE OF INVESTMENT PROPERTIES

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

(G) DEFERRED TAX ASSETS

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

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(A) FOREIGN CURRENCY RISK

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) PRICE RISK

The Group is exposed to equity price risk because of some of the investments held by the Group are classified as available-for-sale investments, and financial assets/liabilities at fair value through profit or loss in the consolidated statement of financial position. The directors of the Company manage the exposure by closely monitoring the portfolio of investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10% (2016: 30%) change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

As at 31 December 2017

		When the carrying amount of investments increases 10%		When the carrying amount of investments decreases 10%	
	Carrying amount of investments HK$'000	Decrease in loss after tax HK$'000	Increase in equity HK$'000	Increase in loss after tax HK$'000	Decrease in equity HK$'000
Financial assets					
Available-for-sale investments at fair value					
Listed equity investments — Hong Kong	120,256	–	12,026	–	12,026
Unlisted equity investments	435,571	–	43,557	–	43,557
Unlisted fund investments	358,290	–	35,829	–	35,829
Club debentures	13,700	–	1,370	–	1,370
	927,817	–	92,782	–	92,782
Financial assets at fair value through profit or loss — held for trading					
Listed equity investments — Hong Kong	386,344	38,634	–	38,634	–
Listed equity investments — Overseas	58,293	5,829	–	5,829	–
Unlisted fund investments	67,558	6,756	–	6,756	–
	512,195	51,219	–	51,219	–
Financial assets at fair value through profit or loss — designated at fair value					
Private equity investments	8,106	811	–	811	–
Convertible note receivables	104,514	10,451	–	10,451	–
	112,620	11,262	–	11,262	–
Financial liabilities					
Financial liabilities at fair value through profit or loss — held for trading					
Listed equity investments — Hong Kong	54	(5)	–	(5)	–
Listed equity investments — Overseas	113	(11)	–	(11)	–
	167	(16)	–	(16)	–

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) PRICE RISK (CONTINUED)

As at 31 December 2016

		When the carrying amount of investments increases 30%		When the carrying amount of investments decreases 30%	
	Carrying amount of investments HK$'000	Decrease in loss after tax HK$'000	Increase in equity HK$'000	Increase in loss after tax HK$'000	Decrease in equity HK$'000
Financial assets					
Available-for-sale investments at fair value					
Listed equity investments — Hong Kong	88,550	–	26,565	–	26,565
Unlisted equity investments	399,048	–	119,714	–	119,714
Unlisted fund investments	160,350	–	48,105	–	48,105
Club debentures	12,120	–	3,636	–	3,636
	660,068	–	198,020	–	198,020
Financial assets at fair value through profit or loss — held for trading					
Listed equity investments — Hong Kong	548,047	164,414	–	164,414	–
Listed equity investments — Overseas	106,556	31,967	–	31,967	–
Listed debt investments	29,211	8,763	–	8,763	–
Unlisted debt investments	7,080	2,124	–	2,124	–
Unlisted fund investments	53,319	15,996	–	15,996	–
	744,213	223,264	–	223,264	–
Financial assets at fair value through profit or loss — designated at fair value					
Private equity investments	5,114	1,534	–	1,534	–
Convertible note receivables	339,518	101,855	–	101,855	–
Equity with option	17,112	5,134	–	5,134	–
	361,744	108,523	–	108,523	–
Financial liabilities					
Financial liabilities at fair value through profit or loss — held for trading					
Listed equity investments — Hong Kong	19,967	(5,990)	–	(5,990)	–
Listed equity investments — Overseas	15,155	(4,547)	–	(4,547)	–
	35,122	(10,537)	–	(10,537)	–

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) CREDIT RISK

The Group conducts business with and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise loans receivable, accounts receivable, deposits and other receivables, held-to-maturity investments, cash held on behalf of clients, restricted cash, pledged bank deposits and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk of accounts receivable as 9% (2016: 15%) and 24% (2016: 43%) of the Group's accounts receivable were due from the Group's largest product issuer and the five largest product issuers, respectively. In addition, 22% (2016: 14%) and 54% (2016: 38%) of the Group's revenue from IFA business were derived from the Group's largest product issuer and the five largest product issuers, respectively.

At the end of the reporting period, the Group had certain concentrations of credit risk of loans receivable as 9% (2016: 9%) and 27% (2016: 27%) of the Group's loans receivable were due from the Group's largest loan borrower and the five largest loan borrowers, respectively. The Group minimises risk exposure by performing credit analysis and overseeing and monitoring of the performance regularly.

All cash held on behalf of clients are located in Hong Kong and deposited with a financial institution. Since the corporate finance team regularly reviews the cash position and the financial institution is financially solid, in the opinion of the Directors, the concentration risk of cash held on behalf of clients is manageable.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable, deposits and other receivables and accounts receivable are disclosed in notes 26, 27 and 30 to the consolidated financial statements, respectively.

(D) LIQUIDITY RISK

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

As at 31 December 2017

	Less than 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Accounts payable	554,963	–	–	554,963
Financial liabilities included in other payables and accruals	467,385	76,914	–	544,299
Financial liabilities at fair value through profit or loss	167	–	–	167
Issued bonds	38,131	741,371	10,031	789,533
	1,060,646	818,285	10,031	1,888,962

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) LIQUIDITY RISK (CONTINUED)

As at 31 December 2016

	Less than 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Accounts payable	740,042	–	–	740,042
Financial liabilities included in other payables and accruals	120,220	–	–	120,220
Interest-bearing bank and other borrowings	59,860	–	–	59,860
Financial liabilities at fair value through profit or loss	35,122	–	–	35,122
Issued bonds	40,020	439,529	381,115	860,664
	995,264	439,529	381,115	1,815,908

(E) INTEREST RATE RISK

The Group's interest rate risk arises from its loans receivable carried at amortised costs, interest-bearing bank and other borrowings with floating interest rates, held to maturity investments, restricted cash, cash held on behalf of clients, pledged bank deposit and cash and cash equivalents. Except for, bank and other borrowings and loans receivable with floating rates, which are entitled to interest at variable rates, and expose the Group to cash flow interest rate risk, cash and cash equivalents, loan receivables at fixed rate, held to maturity investment, restricted cash, cash held on behalf of clients, pledged bank deposits, bond payables and interest-bearing bank and other borrowings are at fixed rates.

As at 31 December 2017, if market interest rates had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been HK$1,489,000 lower/higher (2016: HK$592,000).

(F) CATEGORIES OF FINANCIAL INSTRUMENTS AT 31 DECEMBER

	2017 HK$'000	2016 HK$'000
Financial assets		
Financial assets at fair value through profit or loss:		
Held for trading	**512,195**	744,213
Designated as such upon initial recognition	**112,620**	361,744
Held-to-maturity investments	**18,185**	141,815
Loans and receivables (including cash and cash equivalents)	**3,392,382**	3,556,898
Available-for-sale financial assets	**927,817**	761,755
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Held for trading	**167**	35,122
Financial liabilities at amortised cost	**1,694,770**	1,529,251

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(G) CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed capital requirements except for (i) a subsidiary registered under the Insurance Companies Ordinance of Hong Kong which is subject to the relevant minimum capital and net asset requirements; and (ii) three subsidiaries, namely CAM, CCHK and CSL, which are regulated entities under the SFO of Hong Kong and subject to the relevant minimum capital and minimum liquid capital requirements. Liquid capital requirement is defined as the amounts by which liquid assets exceed ranking liabilities as stated in the Hong Kong Securities and Futures (Financial Resources) Rules.

During the year, all subsidiaries at all times complied with the externally imposed capital requirement, including (i) maintaining both minimum paid-up share capital and minimum net assets of HK$100,000 by CFS, Convoy Solutions and CWM; and (ii) maintaining minimum paid-up share capital amounts of CAM, CCHK and CSL of HK$5,000,000, HK$10,000,000 and HK$10,000,000 respectively and reviewing the excess of liquid assets over ranking liabilities against its required liquid capital on a daily basis.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 an d 2016.

Capital of the Group comprises all components of shareholders' equity.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy at 31 December 2017:

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed equity investments — Hong Kong	**386,344**	**–**	**–**	**386,344**
Listed equity investments — Overseas	**58,293**	**–**	**–**	**58,293**
Unlisted fund investments	**–**	**49,614**	**17,944**	**67,558**
Private equity investments	**–**	**–**	**8,106**	**8,106**
Unlisted convertible note receivables	**–**	**–**	**104,514**	**104,514**
Available-for-sale financial assets				
Listed equity investments — Hong Kong	**120,256**	**–**	**–**	**120,256**
Unlisted equity investments	**–**	**–**	**435,571**	**435,571**
Unlisted fund investments	**–**	**70,851**	**287,439**	**358,290**
Club debentures	**13,700**	**–**	**–**	**13,700**
Investment properties				
Commercial — Hong Kong	**–**	**65,600**	**–**	**65,600**
Financial liabilities at fair value through profit or loss				
Listed equity investments — Hong Kong	**(54)**	**–**	**–**	**(54)**
Listed equity investments — Overseas	**(113)**	**–**	**–**	**(113)**
Total recurring fair value measurements	**578,426**	**186,065**	**853,574**	**1,618,065**

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) (Continued)

Disclosures of level in fair value hierarchy at 31 December 2016:

	Fair value measurements using:			
Description	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed equity investments — Hong Kong	548,047	–	–	548,047
Listed equity investments — Overseas	106,556	–	–	106,556
Listed debt investments	29,211	–	–	29,211
Unlisted debt investments	–	7,080	–	7,080
Unlisted fund investments	–	39,717	13,602	53,319
Private equity investments	–	–	5,114	5,114
Unlisted convertible note receivables	–	–	339,518	339,518
Equity with options	–	–	17,112	17,112
Available-for-sale financial assets				
Listed equity investments — Hong Kong	88,550	–	–	88,550
Unlisted equity investments	–	–	399,048	399,048
Unlisted fund investments	–	4,375	155,975	160,350
Club debentures	12,120	–	–	12,120
Investment properties				
Commercial — Hong Kong	–	172,400	–	172,400
Car parking spaces — Hong Kong	–	3,800	–	3,800
Financial liabilities at fair value through profit or loss				
Listed equity investments — Hong Kong	(19,967)	–	–	(19,967)
Listed equity investments — Overseas	(15,155)	–	–	(15,155)
Total recurring fair value measurements	749,362	227,372	930,369	1,907,103

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Financial assets at fair value through profit or loss *Equity investments* HK$'000	Available-for-sale financial assets *Equity investments* HK$'000	Total HK$'000
At 1 January 2017	**375,346**	**555,023**	**930,369**
Addition	**5,700**	**127,751**	**133,451**
Total gains or losses recognised			
in profit or loss*	**(248,436)**	**(38,551)**	**(286,987)**
in other comprehensive income	**–**	**15,909**	**15,909**
Transfer from cost to level 3 during the year	**–**	**101,687**	**101,687**
Transfer from level 2 to level 3 during the year	**–**	**4,375**	**4,375**
Transfer from level 3 to level 2 during the year	**–**	**(2,016)**	**(2,016)**
Redemption during the year	**(2,046)**	**(41,168)**	**(43,214)**
At 31 December 2017	**130,564**	**723,010**	**853,574**
* Include gains or losses for assets held at end of reporting period	**(248,436)**	**(38,551)**	**(286,987)**

Description	Financial assets at fair value through profit or loss *Equity investments* HK$'000	Available-for-sale financial assets *Equity investments* HK$'000	Total HK$'000
At 1 January 2016	63,811	329,552	393,363
Addition	320,582	464,172	784,754
Total gains or losses recognised			
in profit or loss*	37,168	(11,318)	25,850
in other comprehensive income	–	12,771	12,771
Transfer to investment in an associate during the year	–	(239,654)	(239,654)
Transfer from level 3 to level 1 during the year	(46,215)	–	(46,215)
Redemption during the year	–	(500)	(500)
At 31 December 2016	375,346	555,023	930,369
* Include gains or losses for assets held at end of reporting period	37,168	(11,318)	25,850

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's senior management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The senior management reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

LEVEL 2 FAIR VALUE MEASUREMENTS

Description	**Valuation technique**	**Key input**	**Fair value 2017 HK$'000**
Unlisted fund investments classified as financial assets at fair value through profit or loss	Net asset value	N/A	**49,614**
Unlisted fund investments classified as available-for-sale financial assets	Net asset value	N/A	**70,851**
Commercial investment properties — Hong Kong	Current prices in an active market for similar properties	Price per square foot	**65,600**

Description	Valuation technique	Key input	Fair value 2016 HK$'000
Unlisted debt investments classified as financial assets at fair value through profit or loss	Net asset value	N/A	7,080
Unlisted fund investments classified as financial assets at fair value through profit or loss	Net asset value	N/A	39,717
Unlisted fund investments classified as available-for-sale financial assets	Net asset value	N/A	4,375
Commercial investment properties — Hong Kong	Current prices in an active market for similar properties	Price per square foot	176,200

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) (Continued)

LEVEL 3 FAIR VALUE MEASUREMENTS

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017 HK$'000
Unlisted fund investments classified as financial assets at fair value through profit or loss	Net asset value	N/A	N/A	N/A	**17,944**
Private equity investments classified as financial assets at fair value through profit or loss	Net asset value	N/A	N/A	N/A	**8,106**
Unlisted convertible note receivables classified as financial assets at fair value through profit or loss	Binomial pricing model	Volatility	68.93% to 81.70%	Increase	**104,514**
		Discount rate	2.80% to 22.10%	Decrease	
Unlisted equity investments classified as available-for-sale financial assets	Back-solve Method	Probability of IPO	50.00%	Increase	**435,571**
		Probability of liquidation	50.00%	Decrease	
		Discount for Lack of Marketability	20.00%	Decrease	
Unlisted fund investments classified as available-for-sale financial assets	Net asset value	N/A	N/A	N/A	**287,439**

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) (Continued)

LEVEL 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2016 HK$'000
Unlisted fund investments classified as financial assets at fair value through profit or loss	Net asset value	N/A	N/A	N/A	13,602
Private equity investments classified as financial assets at fair value through profit or loss	Net asset value	N/A	N/A	N/A	5,114
Unlisted convertible note receivables classified as financial assets at fair value through profit or loss	Binomial pricing model	Volatility	48.41% to 84.57%	Increase	339,518
Equity with options classified as financial assets at fair value through profit or loss	Binomial pricing model	Volatility	42.73%	Increase	17,112
Unlisted equity investments classified as available-for-sale financial assets	Discounted cash flow	Discount rate	11.5%	Decrease	399,048
		Terminal growth rate	2%	Increase	
Unlisted fund investments classified as available-for-sale financial assets	Net asset value	N/A	N/A	N/A	155,975

8. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

REVENUE AND RESULTS

Year ended 31 December 2017

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Elimination HK$'000	Total HK$'000
Revenue								
External	886,827	79,230	(265,023)	46,371	5,999	110,481	–	863,885
Inter-segment	–	–	–	3,706	4,070	–	(7,776)	–
Segment revenue	886,827	79,230	(265,023)	50,077	10,069	110,481	(7,776)	863,885
Results								
Segment results	(498,973)	(53,824)	(883,920)	3,860	(9,125)	77,680	–	(1,364,302)
Unallocated income								
Other income and gains, net								38,093
Unallocated corporate expenses								
Staff costs								(36,731)
Other expenses								(58,596)
Others								(672)
Loss before tax								(1,422,208)
Income tax								(29,623)
Loss for the year								(1,451,831)

8. OPERATING SEGMENT INFORMATION (CONTINUED)

REVENUE AND RESULTS (CONTINUED)

Year ended 31 December 2016

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Elimination HK$'000	Total HK$'000
Revenue								
External	698,637	144,040	157,473	38,045	39,079	127,871	–	1,205,145
Inter-segment	–	1,439	137	2,376	380	3,129	(7,461)	–
Segment revenue	698,637	145,479	157,610	40,421	39,459	131,000	(7,461)	1,205,145
Results								
Segment results	(216,913)	17,634	99,370	5,829	(1,017)	92,024	–	(3,073)
Unallocated income								
Other income and gains, net								7,830
Unallocated corporate expenses								
Staff costs								(24,371)
Other expenses								(44,617)
Others								(777)
Loss before tax								(65,008)
Income tax								(39,202)
Loss for the year								(104,210)

8. OPERATING SEGMENT INFORMATION (CONTINUED)

SEGMENT ASSETS AND LIABILITIES

As at 31 December

	2017 HK$'000	2016 HK$'000
Segment assets		
IFA segment	165,280	190,287
Money lending segment	713,053	914,526
Proprietary investment segment	1,750,863	2,599,488
Asset management segment	373,269	375,552
Corporate finance segment	1,579	11,959
Securities dealing segment	176,562	1,218,583
Total segment assets	3,180,606	5,310,395
Unallocated assets		
Cash and cash equivalents	2,021,552	967,073
Other receivables	1,485	–
Investment properties	65,600	176,200
Tax recoverable	43,314	32,540
Deferred tax assets	231	28,927
Others	1,997	31,589
Total assets	5,314,785	6,546,724
Segment liabilities		
IFA segment	578,444	227,846
Money lending segment	675,808	624,806
Proprietary investment segment	31,903	64,386
Asset management segment	359,670	359,651
Corporate finance segment	1,039	2,921
Securities dealing segment	63,188	289,276
Total segment liabilities	1,710,052	1,568,886
Unallocated liabilities		
Other payables and accruals	41,256	40,633
Tax payable	7,898	61,075
Deferred tax liabilities	1,404	1,278
Others	1,301	3,646
Total liabilities	1,761,911	1,675,518

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

(a) All assets other than investment properties, cash and cash equivalents, tax recoverable, deferred tax assets and other head office and corporate assets are allocated to operating segments as these assets are managed on a group basis; and

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

8. OPERATING SEGMENT INFORMATION (CONTINUED)

OTHER SEGMENT INFORMATION

Year ended 31 December 2017

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Elimination HK$'000	All other segment HK$'000	Total HK$'000
Capital expenditure (other than goodwill)*	28,941	201	2,514	1,140	178	263	–	1,500	34,737
Depreciation of property, plant and equipment	27,172	1,257	2,621	26	838	151	–	5,931	37,996
Interest revenue	–	79,230	12,933	–	–	86,784	–	674	179,621
Interest expense	1,614	46,375	2,081	–	–	4,968	(4,890)	673	50,821
Impairment loss recognised in profit or loss	285,173	40,805	383,951	2,411	2,898	–	–	9,787	725,025
Share of losses of associates	–	–	95,993	–	–	–	–	–	95,993
Share of loss of a joint venture	–	–	4,157	–	–	–	–	–	4,157
Investments in associates	–	–	166,409	–	–	–	–	–	166,409
Investment in a joint venture	–	–	1,857	–	–	–	–	–	1,857

Year ended 31 December 2016

	IFA segment HK$'000	Money lending segment HK$'000	Proprietary investment segment HK$'000	Asset management segment HK$'000	Corporate finance segment HK$'000	Securities dealing segment HK$'000	Elimination HK$'000	All other segment HK$'000	Total HK$'000
Capital expenditure (other than goodwill)*	28,636	24,072	28,212	2,234	–	239	–	97,370	180,763
Depreciation of property, plant and equipment	30,943	1,174	–	152	841	110	–	438	33,658
Interest revenue	–	145,479	36,989	–	–	68,373	(3,611)	635	247,865
Interest expense	–	46,368	3,532	35	–	–	(1,434)	777	49,278
Amortisation of intangible assets	438	–	–	–	–	–	–	–	438
Impairment loss recognised in profit or loss	3,923	40,736	32,905	3,853	–	–	–	–	81,417
Share of losses of associates	–	–	3,648	–	–	–	–	–	3,648
Share of loss of a joint venture	–	–	1,578	–	–	–	–	–	1,578
Investments in associates	–	–	582,156	–	–	–	–	–	582,156
Investment in a joint venture	–	–	5,776	–	–	–	–	–	5,776

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

8. OPERATING SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

(a) *Revenue from external customers*

	2017 HK$'000	2016 HK$'000
Hong Kong	**1,054,967**	955,380
PRC	**72,107**	83,379
Macau	**1,834**	8,913
	1,128,908	1,047,672

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

(b) *Non-current assets*

	2017 HK$'000	2016 HK$'000
Hong Kong	**148,341**	294,388
PRC	**2,612**	6,278
Macau	**132**	251
	151,085	300,917

The non-current asset information above is based on the locations of the assets and excludes investments in associates, investments in a joint venture, loans receivable, available-for-sale investments, held-to-maturity investments, restricted cash and deferred tax assets.

INFORMATION ABOUT PRODUCT ISSUERS/FUND HOUSES/CUSTOMERS

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

	2017 HK$'000	2016 HK$'000
Product issuer A	**211,273**	142,975
Product issuer B	**130,625**	N/A*

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

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

9. REVENUE, OTHER INCOME AND GAINS, NET

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

	2017 **HK$'000**	2016 HK$'000
Revenue		
IFA segment		
IFA commission income	**779,054**	612,328
Management fee income	**107,773**	86,309
	886,827	698,637
Money lending segment		
Interest income from loan financing	**79,230**	144,040
Proprietary investment segment		
Fair value changes on financial assets at fair value through profit or loss, net	**(58,584)**	30,763
Fair value changes on financial assets designated at fair value through profit or loss, net	**(251,033)**	41,518
Gain/(loss) on disposal of available-for-sale investments	**21,916**	(320)
Interest income from debt investments	**12,933**	29,731
Interest income from financial assets designated at fair value through profit or loss, net	**–**	7,121
Dividend income	**9,745**	48,660
	(265,023)	157,473
Asset management segment		
Asset management service income	**46,371**	38,045
Corporate finance segment		
Bond placing commission income	**–**	28,547
Corporate finance service income	**5,999**	10,532
	5,999	39,079
Securities dealing segment		
Interest income from margin financing	**86,784**	66,338
Share placing commission income	**12,324**	40,922
Securities dealing commission income	**11,373**	20,611
	110,481	127,871
Total revenue	**863,885**	1,205,145

9. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

	Notes	2017 HK$'000	2016 HK$'000
Other income and gains, net			
Bank interest income		**522**	635
Other interest income		**152**	–
Service fee income		**3,555**	3,748
Gain on disposal of a subsidiary	45(c)	**28,789**	–
Gross rental income		**1,999**	1,746
Foreign exchange differences, net		**1,307**	–
Others		**5,210**	1,701
		41,534	7,830

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on:		
Issued bonds	**46,224**	46,316
Bank borrowings	**2,437**	829
Other borrowings	**2,160**	2,133
	50,821	49,278

11. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2017 HK$'000	2016 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**18,599**	40,470
Over-provision in prior years	**(18,295)**	(269)
Current tax — Overseas		
Provision for the year	**479**	825
Under/(Over)-provision in prior years	**18**	(40)
Deferred tax (Note 23)	**28,822**	(1,784)
	29,623	39,202

Reconciliation between tax expense and accounting profit at the applicable tax rate:

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

	2017 HK$'000	2016 HK$'000
Loss before tax	**(1,422,208)**	(65,008)
Tax at the weighted average tax rate	**(254,645)**	(14,832)
Profits and losses attributable to joint ventures and associates	**16,525**	862
Income not subject to tax	**(8,964)**	(16,858)
Tax effect of non-deductible expenses	**154,696**	38,282
Tax losses and temporary difference not recognised	**142,017**	32,057
Over-provision in prior years	**(18,277)**	(309)
Tax losses utilised from previous periods	**(1,729)**	–
Total income tax expenses	**29,623**	39,202

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	Notes	2017 HK$'000	2016 HK$'000
Depreciation charge of property, plant and equipment	17	**37,996**	33,658
Amortisation of intangible assets	20	**–**	438
Auditor's remuneration			
— Audit services		**3,500**	3,839
Loss on disposal of property, plant and equipment		**2,050**	367
Loss on disposal of an associate	21(iii)	**2,300**	–
Gain on disposal of a subsidiary		**(28,789)**	–
(Gain)/loss on disposal of an available-for-sale investment		**(21,916)**	320
Fair value (gain)/loss on investment properties	18	**(4,500)**	8,494
Operating lease charges			
— Land and buildings		**57,815**	81,391
Direct operating expenses of investment properties that generate rental income		**–**	278
Foreign exchange (gain)/loss, net		**(1,307)**	483
Write off of property, plant and equipment	17	**2,057**	–
Provision for buying back of investment brokerage products	37(iii)	**137,448**	–
Provision for buying back of investment in private equity funds	37(iv)	**76,914**	–
Provision for compensation payable	37(v)	**20,000**	–
Impairment of goodwill	19	**23,541**	3,853
Impairment of investment in an associate	21	**321,242**	–
Impairment of investment in a joint venture		**162**	–
Impairment of property, plant and equipment	17	**2,597**	–
Impairment of financial assets			
Impairment of available-for sale investments	25	**66,443**	32,905
Impairment of loans receivable	26	**30,084**	40,736
Impairment of accounts receivable	30	**1,743**	–
Impairment of prepayments, deposits and other receivables	27	**279,213**	3,923
		377,483	77,564
Staff costs including directors' emoluments			
— Salaries, allowances, bonuses and benefits in kind		**238,816**	219,906
— Equity-settled share-based payments		**40,697**	2,327
— Pension scheme contributions		**17,586**	14,157
		297,099	236,390

13. DIRECTORS' REMUNERATION

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

	2017 **HK$'000**	2016 HK$'000
Fee	**1,195**	895
Other emoluments:		
Salaries, allowances and benefits in kind	**20,884**	19,848
Discretionary bonuses	**261**	1,613
Equity-settled share option expense	**13,566**	776
Pension scheme contributions	**1,512**	1,362
	36,223	23,599
Total	**37,418**	24,494

13. DIRECTORS' REMUNERATION (CONTINUED)

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

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total HK$'000
31 December 2017							
Executive directors							
Mr. Johnny Chen	(i), (xxi)	6	–	–	–	–	6
Mr. Ng Wing Fai		75	10,000	–	–	750	10,825
Mr. Yap E Hock	(i)	5	482	–	–	36	523
Mr. Shin Kin Man	(ii)	–	–	–	–	–	–
Mr. Wong Lee Man (suspended)	(iii)	126	2,429	–	13,566	165	16,286
Ms. Fong Sut Sum (suspended)	(xix)	75	2,173	–	–	161	2,409
Ms. Chan Lai Yee (suspended)	(iv)	66	1,281	–	–	96	1,443
Mr. Tan Ye Kai, Byron	(v)	102	3,232	261	–	242	3,837
Ms. Ip Yee Kwan	(vi)	5	130	–	–	2	137
Dr. Cho Kwai Chee (removed)	(vii)	61	1,157	–	–	60	1,278
Ms. Wong Suet Fai	(viii), (xxii)	–	–	–	–	–	–
Mr. Lee Jin Yi	(xx)	–	–	–	–	–	–
Mr. Chung Kwok Wai, Kelvin	(xxii)	–	–	–	–	–	–
		521	20,884	261	13,566	1,512	36,744
Non-executive directors							
Mr. Chen Shih-pin	(x)	1	–	–	–	–	1
Mr. Wang John Hong-Chiun	(xi)	75	–	–	–	–	75
		76	–	–	–	–	76
Independent non-executive directors							
Mr. Pun Tit Shan	(xii)	146	–	–	–	–	146
Mr. Pak Wai Keung, Martin	(xiii)	11	–	–	–	–	11
Mr. Yan Tat Wah	(xiii)	10	–	–	–	–	10
Mrs. Fu Kwong Wing Ting, Francine	(xiii)	11	–	–	–	–	11
Mr. Ma Yiu Ho, Peter	(xiv)	169	–	–	–	–	169
Mr. Chan Ngai Sang, Kenny	(xv)	155	–	–	–	–	155
Mr. Mak Ka Wing, Patrick	(xvi)	96	–	–	–	–	96
Dr. Huan Guocang	(xvii)	–	–	–	–	–	–
Mr. Lam Chi Keung	(xviii)	–	–	–	–	–	–
Mr. Lam Kwok Cheong	(xx)	–	–	–	–	–	–
Ms. Ho Carrie Bernadette	(xxii)	–	–	–	–	–	–
		598	–	–	–	–	598
		1,195	20,884	261	13,566	1,512	37,418

13. DIRECTORS' REMUNERATION (CONTINUED)

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

13. DIRECTORS' REMUNERATION (CONTINUED)

Notes:

(i) Appointed on 9 December 2017.

(ii) Appointed on 15 January 2018.

(iii) Duties suspended with effect from 8 December 2017 and removed on 7 January 2021.

(iv) Appointed on 15 February 2017 and duties suspended with effect from 8 December 2017.

(v) Resigned on 6 January 2018.

(vi) Appointed on 9 December 2017 and resigned on 23 January 2018.

(vii) Appointed on 9 March 2017 and removed on 17 August 2018.

(viii) Appointed on 15 January 2018 and resigned on 22 October 2018.

(ix) Resigned on 31 March 2016.

(x) Appointed on 29 December 2017.

(xi) Appointed on 5 October 2016 and resigned on 25 January 2018.

(xii) Appointed on 9 May 2016.

(xiii) Appointed on 8 December 2017.

(xiv) Resigned on 5 July 2018.

(xv) Resigned on 29 November 2017.

(xvi) Appointed on 9 March 2017 and resigned on 7 November 2017.

(xvii) Appointed on 15 January 2018 and resigned on 22 October 2018.

(xviii) Resigned on 22 June 2016.

(xix) Duties suspended with effect from 8 December 2017 and resigned on 16 November 2020.

(xx) Appointed on 19 November 2020.

(xxi) Redesignated as a non-executive director on 1 January 2021.

(xxii) Appointed on 1 January 2021.

During the year ended 31 December 2016, a director was granted share options in respect of his service rendered to the Group under the share option scheme of the Company, further details of which are set out in note 44 to the consolidated financial statements. The fair value of such share options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures.

13. DIRECTORS' REMUNERATION (CONTINUED)

There were no other emoluments payable to the independent non-executive directors of the Company during the year (2016: Nil).

There was no arrangement under which a director of the Company waived or agreed to waive any remuneration during the year (2016: Nil).

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

14. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose remuneration were the highest in the Group for the year include two (2016: two) directors whose remuneration are reflected in the analysis shown in note 13.

The remuneration payable to the remaining two (2016: two) non-director individuals and the director described in note (i) during the year are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, allowances and benefits in kind	**7,794**	10,911
Discretionary bonuses	**654**	1,515
Equity-settled share option expense	**40,697**	1,551
Pension scheme contributions	**556**	819
	49,701	14,796

Note:

(i) Included in the remuneration of the remaining three (2016: three) highest paid individuals were employee benefit expenses payable to Shin Kin Man, who was an employee of the Group and has become a director of the Company (the director was appointed on 15 January 2018 and was also a director of the Group's major operating subsidiary prior to the appointment).

The emoluments fell within the following band:

	Number of individuals	
	2017	2016
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**–**	1
HK$16,000,001 to HK$16,500,000	**2**	–
HK$17,000,001 to HK$17,500,000	**1**	–

15. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 7,778,596,000 (2016: 7,778,596,000) in issue during the year.

No adjustment had been made to the basic loss per share amount presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the impact of the warrants and share options of the Company outstanding had an anti-dilutive effect on the basic loss per share amount presented.

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

	2017 **HK$'000**	2016 HK$'000
Loss:		
Loss for the year attributable to owners of the Company used in the basic and diluted loss per share calculation	**(1,435,341)**	(95,522)

	Number of shares	
	2017	2016 (Restated)
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**7,778,596,000**	7,778,596,000

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2017	**82,173**	**22,600**	**26,745**	**113,607**	**7,166**	**252,291**
Additions	**11,389**	**–**	**2,064**	**21,284**	**–**	**34,737**
Disposals	**(62,758)**	**–**	**(17,836)**	**(57,671)**	**(819)**	**(139,084)**
Write off	**(2,846)**	**–**	**(824)**	**(456)**	**–**	**(4,126)**
Exchange realignment	**132**	**–**	**58**	**111**	**27**	**328**
At 31 December 2017	**28,090**	**22,600**	**10,207**	**76,875**	**6,374**	**144,146**
Accumulated depreciation and impairment						
At 1 January 2017	**64,446**	**445**	**22,156**	**81,026**	**6,379**	**174,452**
Charge for the year	**10,450**	**472**	**2,233**	**24,640**	**201**	**37,996**
Disposals	**(57,856)**	**–**	**(17,426)**	**(57,033)**	**(819)**	**(133,134)**
Write off	**(1,349)**	**–**	**(414)**	**(306)**	**–**	**(2,069)**
Impairment	**–**	**–**	**–**	**2,597**	**–**	**2,597**
Exchange realignment	**120**	**–**	**48**	**90**	**25**	**283**
At 31 December 2017	**15,811**	**917**	**6,597**	**51,014**	**5,786**	**80,125**
Carrying amount						
At 31 December 2017	**12,279**	**21,683**	**3,610**	**25,861**	**588**	**64,021**

	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2016	74,368	–	25,604	90,400	6,363	196,735
Additions	11,053	–	1,461	23,667	851	37,032
Disposals	(2,571)	–	(223)	(266)	–	(3,060)
Acquisition of subsidiaries (Notes 45(a) and 45(b))	78	22,600	110	171	–	22,959
Exchange realignment	(755)	–	(207)	(365)	(48)	(1,375)
At 31 December 2016	82,173	22,600	26,745	113,607	7,166	252,291
Accumulated depreciation and impairment						
At 1 January 2016	51,261	–	20,563	65,538	6,363	143,725
Charge for the year	15,237	445	1,872	16,040	64	33,658
Disposals	(1,515)	–	(134)	(262)	–	(1,911)
Exchange realignment	(537)	–	(145)	(290)	(48)	(1,020)
At 31 December 2016	64,446	445	22,156	81,026	6,379	174,452
Carrying amount						
At 31 December 2016	17,727	22,155	4,589	32,581	787	77,839

As at 31 December 2017, a building with the carrying amount of approximately HK$Nil (2016: HK$22,155,000) situated in Hong Kong was pledged to secure the banking facilities granted to the Group (note 40).

18. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At 1 January	**176,200**	63,922
Additions	**–**	120,772
Fair value gains/(losses)	**4,500**	(8,494)
Disposal of a subsidiary (Note 45(c))	**(115,100)**	–
At 31 December	**65,600**	176,200

At 31 December 2017, the Group's investment property consists of one commercial property (2016: two commercial properties and two car parking spaces) in Hong Kong. The Directors have determined that the investment property consists of one class (2016: two classes) of asset, i.e. commercial property (2016: commercial properties and car parking spaces), based on the nature, characteristics and risks of each property.

At 31 December 2016, the Group's investment properties with a carrying value of HK$111,300,000 were pledged to secure the banking facilities granted to the Group (note 40). At 31 December 2017, the Group's investment property was not pledged.

Investment properties were revalued at 31 December 2017 and 2016 on the open market value basis by reference to market evidence of recent transactions for similar properties by Ascent Partners Valuation Service Limited, an independent firm of chartered surveyors.

19. GOODWILL

	HK$'000
Cost	
At 1 January 2016	52,660
Acquisition of subsidiaries (Note 45)	14,574
At 31 December 2016, 1 January 2017 and 31 December 2017	67,234
Accumulated impairment	
At 1 January 2016	39,840
Impairment during the year	3,853
At 31 December 2016 and 1 January 2017	43,693
Impairment during the year	23,541
At 31 December 2017	67,234
Net carrying amount	
At 31 December 2017	–
At 31 December 2016	23,541

19. GOODWILL (CONTINUED)

IMPAIRMENT TESTING OF GOODWILL

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

(i) Provision of asset management services;

(ii) Provision of corporate finance and advisory services;

(iii) Provision of securities dealing services; and

(iv) Provision of money lending services.

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

	2017	2016
	HK$'000	HK$'000
Provision of asset management services	**–**	8,530
Provision of corporate finance and advisory services	**–**	1,392
Provision of securities dealing services	**–**	2,898
Provision of money lending services	**–**	10,721
	–	23,541

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 4% (2016: 4%), Nil% (2016: 4%), 4% (2016: 4%) and 4% (2016: 4%) respectively for asset management services, corporate finance and advisory services, securities dealing services and money lending services. These rates do not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's asset management services is 25% (2016: 25%), from the Group's corporate finance and advisory services is 16% (2016: 16%), from the Group's securities dealing services is 25% (2016: 25%), and from the Group's money lending services is 13% (2016: 13%).

As a result of this impairment testing, the Group has recognised impairment loss against goodwill of HK$8,530,000 (2016: HK$3,853,000), HK$1,392,000 (2016: HK$Nil), HK$2,898,000 (2016: HK$Nil) and HK$10,721,000 (2016: HK$Nil) for the CGUs of asset management services, corporate finance and advisory services, securities dealing services and money lending services respectively. The impairment loss was recorded within "Other expenses" in the consolidated statement of profit or loss for the year ended 31 December 2017.

20. INTANGIBLE ASSETS

	Customers' contracts HK$'000	Total HK$'000
Cost		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	2,173	2,173
Amortisation		
At 1 January 2016	1,735	1,735
Amortisation for the year	438	438
At 31 December 2016, 1 January 2017 and 31 December 2017	2,173	2,173
Carrying amount		
At 31 December 2016, 1 January 2017 and 31 December 2017	–	–

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

21. INVESTMENTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Listed investments in Hong Kong:		
Share of net assets	**284,913**	272,972
Goodwill	**99,482**	99,482
	384,395	372,454
Unlisted investments:		
Share of net assets	**103,256**	209,702
Impairment loss (Note (i))	**(321,242)**	–
	166,409	582,156

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group		Principal activities
			2017	2016	
First Credit Finance Group Limited ("First Credit") (i)	Ordinary shares	Cayman Islands/ Hong Kong	**29.5%**	29.5%	Provision and arrangement of credit facilities in Hong Kong
JFA Capital (ii)	Participating shares	Cayman Islands	**60.2%**	60.2%	Investment fund
貴州產業投資基金管理有限公司 ("貴州產投") (iii)	Ordinary shares	PRC	**(iii)**	31.0%	Provision of asset management services
Fubon Convoy Asset Management (HK) Limited ("FCAM") (iv)	Ordinary shares	Hong Kong	**51.0%**	N/A	Inactive

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes:

(i) During the year ended 31 December 2016, the Group acquired 29.5% interest in First Credit from open market for an aggregate consideration of approximately HK$372,473,000. In the opinion of the Directors, the Group was in a position to exercise significant influence over First Credit and its investment in First Credit is then accounted for as an associate of the Group. The shares of First Credit are listed on GEM of the Stock Exchange (stock code: 8215). As at 31 December 2016, the market value of the Group's investment in First Credit was approximately HK$497,736,000.

On 24 November 2017, the Securities and Futures Commission directed the Stock Exchange to suspend all dealings in the shares of First Credit. Subsequent to the end of reporting period, on 8 June 2018, the Group's entire 29.5% interest in First Credit was sold to an independent third party at a consideration of HK$57,800,000. As at 31 December 2017, the Directors of the Group considered all the facts and circumstances for the purpose of determining the value in use and the recoverable amounts and assessed the most appropriate treatment to account for the Group's investment in First Credit be HK$63,153,000, resulting in impairment loss amounting to approximately HK$321,242,000.

(ii) On 22 February 2016, the Group appointed 1 out of 3 directors to the board of directors of JFA Capital. JFA Capital has also appointed an independent party as the fund manager. Pursuant to the memorandum of association of JFA Capital, the participating shares have no voting rights but entitled the holder to dividends declared and residual interests of the investment fund upon winding up. In the opinion of the Directors, the Group does not obtain control but has significant influence over JFA Capital.

(iii) On 3 March 2015, the Group, through its wholly-owned subsidiary, invested RMB15,500,000 (equivalent to approximately HK$17,301,000) in the 31% equity interest in 貴州產投. The transaction resulted in a gain on bargain purchase of approximately HK$1,564,000. On 30 May 2017, the Group disposed of the entire 31% equity interest in 貴州產投 at a consideration of RMB17,515,000 (equivalent to approximately HK$20,265,000) and this resulted in a loss on disposal of approximately HK$2,300,000.

(iv) FCAM was incorporated on 23 February 2017. The Group, through its wholly-owned subsidiary, holds 51% equity interest in FCAM while the remaining equity interest is held by another shareholder (the "Other Shareholder"). Pursuant to the shareholders' agreement of FCAM, each shareholder (as long as each not hold less than 25%) shall have the right to nominate and remove two directors while the Other Shareholder has the right to appoint one of the directors as chairman of the board. All decision making shall be by a simple majority or two-third vote of the directors. The chairman of the board of FCAM (who is not the representative appointed by the Group) has the casting vote in cases when the votes are equally divided. As at the end of the reporting period, the board comprised four directors where two directors were appointed by the Group and the other two directors, including the chairman, were appointed by the Other Shareholder. In the opinion of the Directors, the Group has only significant influence over FCAM.

There was no commitment and contingent liability in respect of associates as at 31 December 2017 and 2016.

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	**First Credit**		**JFA Capital**	
	2017	2016	**2017**	2016
Principal place of business/country of incorporation	Cayman Islands/Hong Kong		Cayman Islands	
Principal activities	Provision and arrangement of credit facilities in Hong Kong		Investment fund	
% of ownership interests	29.5%		60.2%	

	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**358,058**	443,902	**–**	–
Current assets	**782,436**	579,625	**139,393**	319,579
Non-current liabilities	**(269)**	(1)	**–**	–
Current liabilities	**(174,332)**	(98,115)	**(6,399)**	(3,700)
Net assets	**965,893**	925,411	**132,994**	315,879
Group's share of net assets	**284,913**	272,972	**80,108**	190,268
Goodwill	**99,482**	99,482	**–**	–
Impairment of associates	**(321,242)**	–	**–**	–
Group's share of carrying amount of interests	**63,153**	372,454	**80,108**	190,268

Year ended 31 December:	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Revenue	**116,186**	8,107	**–**	–
Profit/(loss) from operations	**64,176**	(90)	**(182,885)**	(9,258)
Profit/(loss) after tax	**52,906**	(65)	**(182,885)**	(9,258)
Other comprehensive income	**–**	–	**–**	1,600
Total comprehensive income/(loss)	**52,906**	(65)	**(182,885)**	(7,658)
Dividends received from associates	**2,142**	–	**–**	45,172

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2017 HK$'000	2016 HK$'000
At 31 December:		
Carrying amount of the Group's investment in associates	**23,148**	19,434
Year ended 31 December:		
Share of associates' profit and total comprehensive income for the year	**84**	585

22. INVESTMENT IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Unlisted investment		
Share of net assets	**1,857**	5,614
Goodwill on acquisition	**162**	162
	2,019	5,776
Impairment loss	**(162)**	–
	1,857	5,776

Particulars of the Group's joint venture at 31 December 2017 and 2016 are as follows:

Name	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group 2017	2016	Principal activities
BLVD Cayman Limited ("BLVD") (i)	Cayman Islands/Singapore	**26%**	26%	Provision of food and catering business

Note:

(i) The Group, through its wholly-owned subsidiary, held 26% (2016: 26%) equity interest in BLVD. Moreover, the Group also held 14.96% (2016: 14.96%) equity interest through a consolidated investment entity. The Group elected to account for its 14.96% (2016: 14.96%) equity investment through a consolidated investment entity at fair value through profit or loss in accordance with HKAS 39 Financial Instruments: Recognition and Measurement. The Group accounted for remaining 26% using the equity method of accounting in accordance with HKAS 28 (2011) Investment in Associates and Joint Ventures. Pursuant to the shareholders' agreement of BLVD, the Group's subsidiary and another shareholder (as long as each not hold less than 25%) shall have the right to each nominate and remove one director. All decision making shall be by a simple majority vote of the directors. The number of directors shall not be more than three. As at the end of the reporting periods, the board comprised two directors. In the opinion of the Directors, the Group, together with the other shareholder, has joint control over BLVD.

There was no commitment and contingent liability in respect of joint venture as at 31 December 2017 and 2016.

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

	2017 HK$'000	2016 HK$'000
At 31 December:		
Carrying amount of the Group's interests in joint venture	**1,857**	5,776
Year ended 31 December:		
Share of joint venture's loss and total comprehensive loss for the year	**(4,157)**	(1,578)

23. DEFERRED TAX

DEFERRED TAX ASSETS

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation in excess of related depreciation allowance/ (depreciation allowance in excess of related depreciation)	Commission clawback	Provision for other receivables	Losses available for offsetting against future taxable profits	Unrealised fair value changes on financial investments at fair value through profit or loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	806	573	5,255	346	20,189	27,169
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	(633)	(573)	(4,612)	23	7,553	1,758
At 31 December 2016 and 1 January 2017	173	–	643	369	27,742	28,927
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	58	–	(643)	(369)	(27,742)	(28,696)
At 31 December 2017	231	–	–	–	–	231

23. DEFERRED TAX (CONTINUED)

DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the years are as follows:

	Fair value adjustment on buildings HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2016	–	–	–
Acquisition of subsidiaries (Note 45(a))	–	1,304	1,304
Deferred tax credited to the consolidated statement of profit or loss during the year	–	(26)	(26)
At 31 December 2016 and 1 January 2017	–	1,278	1,278
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	1,303	(1,177)	126
At 31 December 2017	1,303	101	1,404

The Group has estimated tax losses arising in Hong Kong of approximately HK$583,610,000 (2016: HK$317,793,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The unused tax losses were incurred by certain subsidiaries that are not likely to generate taxable income in the foreseeable future. The losses may be carried forward indefinitely for offsetting against future taxable profits.

The Group also has estimated tax losses arising in PRC of approximately HK$62,836,000 (2016: HK$59,024,000) for which no deferred tax assets has been recognised. The unused tax losses were incurred by certain subsidiaries that are not likely to generate taxable income in the foreseeable future. The losses will expire in one to five years for offsetting against future taxable profits.

24. HELD-TO-MATURITY INVESTMENTS

	2017 HK$'000	2016 HK$'000
Unlisted debt investments	**18,185**	141,815
Analysed as:		
Current assets	**10,200**	15,489
Non-current assets	**7,985**	126,326
	18,185	141,815

Held-to-maturity investments represented the Group's unlisted debt investments with fixed interest rates ranging from 6.3% to 8.3% (2016: 6.3% to 10.9%) measured at amortised cost.

25. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Available-for-sale investments, at cost		
— unlisted equity investments	–	13,304
— unlisted fund investments	–	88,383
	–	101,687
Available-for-sale investments, at fair value		
— listed equity investments	120,256	88,550
— unlisted equity investments	435,571	399,048
— unlisted fund investments	358,290	160,350
— club debentures	13,700	12,120
	927,817	660,068
Total	927,817	761,755

There was significant or prolonged decline in the fair value of certain unlisted fund investments during the year ended 31 December 2017. The Directors consider that such a decline indicated that the unlisted fund investments have been impaired and an impairment loss of HK$66,443,000 (2016: HK$16,018,000), which included a reclassification from other comprehensive income, has been recognised in profit or loss for the year ended 31 December 2017.

The unlisted funds investments of HK$358,290,000 (2016: HK$160,350,000) represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$358,290,000 (2016: HK$160,350,000) which represents the fair value as at 31 December 2017 (2016: fair value as at 31 December 2016). During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

26. LOANS RECEIVABLE

	2017 HK$'000	2016 HK$'000
Loans receivable from:		
Money lending business	770,764	937,878
Securities dealing business — margin financing	90,959	931,488
	861,723	1,869,366
Less: impairment losses	(81,152)	(54,705)
	780,571	1,814,661
Analysed as:		
Current assets	363,211	1,304,677
Non-current assets	417,360	509,984
	780,571	1,814,661

Loans receivable arising from the money lending business of the Group bear interest at rates ranging from 1% to 15% per annum (2016: 1% to 22% per annum). The grants of these loans were approved and monitored by the management of the relevant subsidiaries of the Group. As at 31 December 2017, certain loans receivable with an aggregate carrying amount of HK$216,650,000 (2016: HK$302,591,000) were secured by the pledge of collaterals and unsecured loans of HK$89,000,000 (2016: HK$74,625,000) were provided with personal guarantees by certain independent third parties.

26. LOANS RECEIVABLE (CONTINUED)

Loans receivable arising from the margin financing business in the securities dealing segment are secured by the pledge of customers' securities as collateral. As at 31 December 2017, the total value of securities pledged as collateral in respect of the margin receivables was approximately HK$400,020,000 (2016: HK$3,811,015,000) based on the market value of the securities at the end of the reporting period.

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**742,719**	1,787,964
Past due within 1 month	**14,725**	20,071
1 to 3 months past due	**585**	1,755
Over 3 months past due	**22,542**	4,871
	780,571	1,814,661

The movement in impairment of loans receivable are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**54,705**	46,069
Impairment of loans receivable	**30,084**	40,736
Impairment written off as uncollectible	**(3,637)**	(32,100)
At 31 December	**81,152**	54,705

As at 31 December 2017, loans receivable of HK$229,097,000 (2016: HK$92,114,000) were individually impaired. The amount of the provision was HK$81,152,000 (2016: HK$54,705,000) as at 31 December 2017. These were related to borrowers that were in default and were not expected to be fully recoverable.

Loans receivable of HK$37,852,000 (2016: HK$26,697,000) that were past due but not impaired relate to a number of independent borrowers that have a good track record. Based on past experience, the directors are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2016, included in the Group's loans receivable was an amount due from the Group's joint venture of HK$4,602,000, which is repayable on terms similar to those offered to other borrowers of the Group. As at 31 December 2017, the amount due from the Group's joint venture was settled.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Deposits paid for purchase of items of property, plant and equipment		**1,974**	3,311
Deposit paid for a fund investment		**–**	19,619
Rental and other deposits		**28,739**	36,591
Other receivables		**27,218**	33,065
Receivables from independent financial advisors		**41,663**	16,665
Prepaid expenses		**8,180**	50,009
Other receivable from a trustee of a subsidiary	(iii)	**262,084**	–
		369,858	159,260
Impairment of other receivables	(i)	**(310,379)**	(36,829)
Impairment of a deposit paid for a fund investment	(ii)	**–**	(19,619)
		59,479	102,812
Analysed as:			
Current assets		**38,015**	79,475
Non-current assets		**21,464**	23,337
		59,479	102,812

Notes:

(i) The movement in the impairment of other receivables are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**36,829**	95,483
Impairment losses recognised	**279,213**	3,923
Impairment written off as uncollectible	**(5,663)**	(62,577)
At 31 December	**310,379**	36,829

Included in the above provision for impairment of other receivables is a provision of HK$310,379,000 (2016: HK$36,829,000) for individually impaired other receivables with an aggregate carrying amount before provision of HK$310,379,000 (2016: HK$36,829,000). This provision was determined after taking into account the age of the respective receivable balances, the creditworthiness of the debtors, their repayment history and their historical write-off experience. The Group does not hold any collateral or other credit enhancements over these balances.

(ii) In the prior years, a deposit of HK$19,619,000 was paid to a financial intermediary in PRC for subscription of a Renminbi-denominated investment fund product, which was to be classified as "Available-for-sale investment" upon completion of necessary statutory registration with the relevant authority in PRC. In the opinion of the Directors, the deposit was not expected to be recoverable and an impairment of HK$19,619,000 was made in prior years. The amount was written off during the year ended 31 December 2017.

(iii) As at 31 December 2017, it represents a total sum of several fund transferal transactions of approximately HK$262,084,000 transferred from a wholly owned subsidiary of the Group to a trustee of a PRC wholly owned subsidiary of the Group (the "Trustee"). The Group initiated these transactions by giving instructions without signing any fund transfer agreement with the Trustee.

28. RESTRICTED CASH

At the end of the reporting period, the Group had bank balances of approximately HK$15,688,000 (2016: HK$2,292,000) in relation to the insurance brokerage business which were restricted as to its use. Restricted cash of HK$15,688,000 (2016: HK$1,116,000) was placed in a bank in PRC to comply with the requirements of PRC authority for insurance brokerage operation. The Group expected the insurance brokerage business in PRC to remain as continuing operation and hence the Group expected this restricted cash to be released after more than 12 months from the end of the reporting period. Accordingly, the entire restricted cash was classified under non-current assets.

29. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2017** **HK$'000**	2016 HK$'000
Financial assets at fair value through profit or loss — held for trading			
Listed equity investments — Hong Kong		**386,344**	548,047
Listed equity investments — Overseas		**58,293**	106,556
Listed debt investments		**–**	29,211
Unlisted debt investments		**–**	7,080
Unlisted fund investments	(i)	**67,558**	53,319
		512,195	744,213
Financial assets designated at fair value			
Private equity investments		**8,106**	5,114
Convertible note receivables	(ii)	**104,514**	339,518
Equity with option	(iii)	**–**	17,112
		112,620	361,744
		624,815	1,105,957

29. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Short position — held for trading		
Listed equity investments — Hong Kong	**54**	19,967
Listed equity investments — Overseas	**113**	15,155
	167	35,122

Notes:

(i) The unlisted funds investments of HK$67,558,000 (2016: HK$53,319,000) represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$67,558,000 (2016: HK$53,319,000) which represents the fair value as at 31 December 2017 (2016: fair value as at 31 December 2016). During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support. The above investments were designated upon initial recognition of financial assets at fair value through profit or loss.

(ii) Included in the balance is a convertible note issued by China Green (Holdings) Limited ("China Green"), of which its shares are listed on the Stock Exchange, amounted of HK$Nil in 2017 (2016: HK$233,060,000). On 18 November 2015, the Group advanced a loan of HK$190,000,000 to China Green with original maturity on 18 May 2016, bearing interest of 13.9% ("China Green Loan") and was classified as loans receivable as at 31 December 2015. During the year ended 31 December 2016, China Green issued a convertible loan note of HK$190,000,000 with coupon rate of 12% per annum and matured on 22 August 2017 ("China Green Convertible Note") to the Group. Upon maturity, the Group may subscribe a maximum of 1,418,666,666 shares at HK$0.15 per share, representing 16.97% of enlarged capital of China Green based on the existing capital structure as at 31 December 2016. Accordingly, the Group derecognised the China Green Loan with a carrying value of HK$190,000,000 from loans receivable and recognised the China Green Convertible Note with a fair value of HK$305,270,000 as financial assets designated as at fair value through profit and loss on the issue date of the China Green Convertible Note on 22 August 2016, resulting a gain of HK$115,270,000 which has recognised in the profit or loss for the year ended 31 December 2016.

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

Subsequently, at maturity of the China Green Convertible Note on 22 August 2019, the management of China Green defaulted by failing to repay any of the principal amount of HK$190,000,000. The Management of the Group endeavored to negotiate a resolution to the situation with the management of China Green, but in vain by having constant refusal for communication in any form. The Management of the Group is in the view that neither the principal amount nor any default interest will be recovered and decides to fully impair all outstanding amount of the convertible note. As at 31 December 2017, the fair value of the convertible note amounted HK$Nil, thus an impairment of HK$233,060,000 was made during the year.

(iii) The Group, through its investment entity, invested in 18.27% equity shares of a company (the "Investee"), which provide information technology and smartphone application development services and digital marketing services, with an option to purchase up to 10% issued shares of the Investee at a fixed price. Upon exercise of the option, the Group will own 28.11% of the enlarged capital of the Investee based on its share structure as at 31 December 2016. The equity investment, together with the option, is measured at fair value. The option expired on 30 June 2017 and the directors considered that the investment is of HK$Nil value as at 31 December 2017. The change of the fair value of HK$17,112,000 has been recognised and included in fair value changes on financial assets designated at fair value through profit or loss in the consolidated statement of profit or loss for the year.

30. ACCOUNTS RECEIVABLE

	Notes	2017 HK$'000	2016 HK$'000
Accounts receivable from:			
Product issuers		**65,580**	69,754
Customers		**19,924**	14,990
Cash clients		**2,399**	1,589
Brokers and dealers		**1,143**	1,779
Clearing houses		**14,342**	5,129
		103,388	93,241
Less: Provision for impairment	(i)	**(1,743)**	–
		101,645	93,241

The normal settlement terms of accounts receivable from product issuers arising from provision of brokerage services are within 45 days upon the execution of the insurance policies, investment product subscription agreements and/or receipt of statements from product issuers. Product issuers represent mainly non-bank financial institutions which provide products for the Group's IFA business.

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

The normal settlement terms of accounts receivable arising from the provision of securities dealing business are within 2 days after trade date, which these accounts receivable are from cash clients, brokers and clearing houses.

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

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

	2017 HK$'000	2016 HK$'000
Within 1 month	**93,764**	84,578
1 to 2 months	**1,393**	724
2 to 3 months	**1,667**	716
Over 3 months	**4,821**	7,223
	101,645	93,241

30. ACCOUNTS RECEIVABLE (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	95,308	86,018
Within 1 month	1,064	–
1 to 2 months	1,588	–
2 to 3 months	482	–
Over 3 months past due	3,203	7,223
	101,645	93,241

Accounts receivable that were neither past due nor impaired relate to a number of reputable product issuers, brokers and clients. Based on past experience, there was no recent history of significant losses in respect of these balances.

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

Note:

(i) The movement in the impairment of accounts receivable are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	–	–
Impairment losses recognised	1,743	–
At 31 December	1,743	–

31. DUE FROM A JOINT VENTURE

As at 31 December 2017, the amount due from a joint venture is unsecured, interest-free and has no fixed repayment terms.

32. DUE FROM AN ASSOCIATE

As at 31 December 2017, the amount due from an associate is unsecured, interest-free and has no fixed repayment terms.

33. DUE FROM A RELATED PARTY

Amount due from a related party pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance is as follows:

	Group		
Name	**Balance as at 31 December 2017 HK$'000**	Balance as at 31 December 2016 HK$'000	**Maximum amount outstanding during the year** HK$'000
Mr. Shin Kin Man	**723**	–	723

The amount due from a related party is unsecured, interest-free and has no fixed repayment terms.

Mr. Shin Kin Man has became a director of the Company with effect from 15 January 2018.

34. CASH HELD ON BEHALF OF CLIENTS/ACCOUNTS PAYABLE TO CLIENTS

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

35. PLEDGED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**2,021,552**	966,664
Time deposits	**10,169**	10,512
	2,031,721	977,176
Less: Pledged bank deposit for bank overdraft facilities	**(10,169)**	(10,103)
Cash and cash equivalents	**2,021,552**	967,073

At the end of the reporting period, certain bank deposits with original maturity over three months amounted to HK$10,169,000 (2016: HK$10,103,000) were pledged to secure overdraft facility granted to a subsidiary of the Company.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$10,570,000 (2016: HK$13,163,000). The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

36. ACCOUNTS PAYABLE

	2017 HK$'000	2016 HK$'000
Accounts payable to:		
Consultants	**136,196**	106,466
Brokers	**–**	1,954
Cash held on behalf of clients from securities dealing business	**90,653**	286,363
Cash held on behalf of clients from asset management business	**328,114**	345,259
	554,963	740,042

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

Accounts payable to clearing house, brokers, clients arising from the securities dealing businesses and asset management businesses are repayable on settlement date. The normal settlement terms of the said accounts payable are, in general, within 2 days after the trade date.

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

	2017 HK$'000	2016 HK$'000
Cash held on behalf of clients		
Repayable on demand	**418,767**	631,622
Accounts payable:		
Within 1 month/repayable on demand	**85,342**	82,893
1 to 2 months	**28,732**	20,547
2 to 3 months	**759**	3,372
Over 3 months	**21,363**	1,608
	554,963	740,042

Accounts payable are non-interest-bearing.

Included in the accounts payable were commission payables totaling HK$365,000 (2016: HK$618,000) to the spouse, a brother and a cousin of a director of the Company (the director was appointed on 15 January 2018 and prior to the appointment, the director is also a director of the Group's major operating subsidiary) who are consultants of the Group, which are payable on terms similar to those offered to other consultants of the Group.

37. OTHER PAYABLES AND ACCRUALS

	Notes	2017 HK$'000	2016 HK$'000
Other payables	(i)	**54,597**	65,564
Accruals		**57,175**	78,784
Deferred revenue		**–**	844
Commission clawback		**89**	1,047
Provision for reinstatement cost	(ii)	**9,249**	9,926
Payables in relation to the buy-back of investment brokerage products	(iii)	**137,448**	–
Payables in relation to the buy-back of investment in private equity funds	(iv)	**76,914**	–
Compensation payable	(v)	**20,000**	–
Other payables of a trustee of a subsidiary	(vi)	**239,498**	–
		594,970	156,165
Analysed as:			
Current liabilities		**488,055**	146,803
Non-current liabilities		**106,915**	9,362
		594,970	156,165

Notes:

(i) Other payables are unsecured and non-interest bearing.

(ii) A subsidiary of the Group is required to remove any leasehold improvements and restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(iii) In prior years, the Group's IFA business introduced certain investment brokerage products issued by other third party companies in the PRC. Due to various reasons, the Group committed to buy back certain investment brokerage products subsequent to introduction of sales. The consideration was mutually agreed with individual customers in accordance to the terms of the underlying agreements.

The directors assessed that these products are issued by third party companies which are either liquidated or under significant risk of being liquidated. Hence, the directors determined that these investment products are of no value as at 31 December 2017.

As at 31 December 2017, other payable of approximately HK$137,448,000 were recognised for unsettled amounts due to individual customers in relation to the buy-back of investment brokerage products for which the transfer contracts were signed subsequently.

(iv) In 2015, the Ex-Management of the Group effected the subscription of the shares of Promising Social Media Private Equity Fund ("Promising Fund"), whose voting rights were wholly-owned by a subsidiary of the Group, by the Group itself and certain external investors ("External Investors"). In early 2018, the Management of the Group noted that there were potential wrong doings from the Ex-Management and such incident was exposed to potential litigation from the External Investors. After public exposure of this incident and subsequent internal investigations to the quality of the assets managed by the Fund, the Management of the Group was advised by legal counsels that the best solution was to arrange compensation to the External Investors of Promising Fund. The total amount of such compensation was of approximately HK$76,914,000, based on Promising Fund's audited net asset value as at 31 December 2017. Compensation agreements were agreed and confirmed by the External Investors in 2019. The Management of the Group is in the view that the aforesaid amount shall be made payable in 2017, due to the fact that the wrong doings were mostly conducted by the Ex-Management in 2017 and the amount of compensation was based on the audited net asset value of Promising Fund as at 31 December 2017.

37. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes: (continued)

(v) In 2015, Promising Fund acquired from Centurion Investment Agency Limited ("Centurion"), whose shares were wholly-owned by Mr. Wee Ho, 55% shares in Metro News Multi Media Limited ("Metro HoldCo"), whose shares were wholly-owned by Centurion at the time of acquisition. Due to ambiguity in the arrangements of the investment, disputes arose between the Group and Mr. Wee Ho. Eventually the two parties signed a deed of settlement in February 2018 ("Deed of Settlement") to settle the disputes by having the Group paying a settlement sum of HK$20,000,000 (the "Settlement Sum") to Mr. Wee Ho. The Settlement Sum was transferred to Mr. Wee Ho by two equal payments in February and March 2018 respectively. The Management of the Group is in the view that the Settlement Sum to Mr. Wee Ho is deemed to be probable in year 2017, despite the Deed of Settlement was signed in 2018, thus shall be made payable as at 31 December 2017.

(vi) As at 31 December 2017, it represents a total sum of several fund transferal transactions of approximately HK$239,498,000 transferred from a trustee of a PRC wholly-owned subsidiary of the Group (the "Trustee") to a PRC wholly-owned subsidiary of the Group. The Group initiated these transactions by giving instructions without signing any fund transfer agreement with the Trustee.

38. ISSUED BONDS

	2017 HK$'000	2016 HK$'000
Unsecured unlisted bonds, at nominal value		
Repayable after one year but within five years	**625,500**	–
Repayable after five years	**10,000**	656,500
	635,500	656,500
Discount and issue costs	**(39,992)**	(40,051)
	595,508	616,449
Analysed as:		
Current liabilities	**–**	–
Non-current liabilities	**595,508**	616,449
	595,508	616,449

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

Straight bond	**Placing period**	**Maturity from issue date**	**Coupon rate**	**Effective interest rate**	**Principal outstanding**	
					2017 HK$'000	2016 HK$'000
A	8 July 2014–7 July 2015	7th anniversary	6%	7.53%	**50,000**	50,000
B	16 September 2014–15 September 2015	7th anniversary	6%	7.53%	**300,000**	300,000
C	14 November 2014–2 July 2015	7th anniversary	9%	9.02%	**–**	16,000
D	14 January 2015–13 January 2016	7th anniversary	9%	9.02%	**–**	5,000
E	21 January 2015–20 January 2016	7th anniversary	6%	7.53%	**285,500**	285,500
					635,500	656,500

All bonds are unsecured and contain no conversion feature.

39. NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATION RIGHTS

	2017 HK$'000	2016 HK$'000
At 1 January	**5,533**	34,598
Acquisition of additional interests in investment funds by the Group	**–**	(12,054)
Acquisition of additional interests in investments funds by non-controlling investors	**15,387**	–
Redemption by non-controlling investors of investment funds	**–**	(15,415)
Loss attributable to non-controlling investors of investment funds	**(13,919)**	(1,596)
At 31 December	**7,001**	5,533

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

40. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank loans — secured	**–**	45,295
Other borrowing — unsecured	**–**	14,559
	–	59,854

The borrowings are repayable as follows:

	2017 HK$'000	2016 HK$'000
On demand or within one year	**–**	59,854
	–	59,854
Less: Amount due for settlement within 12 months (shown under current liabilities)	**–**	(59,854)
Amount due for settlement after 12 months	**–**	–

The range of effective interest rates and maturity year at 31 December were as follows:

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

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

All borrowings are in denominated in Hong Kong dollars.

All bank loans were fully repaid during the year ended 31 December 2017. At 31 December 2016, the Group's bank loans were secured by:

(a) mortgage over the Group's investment properties situated in Hong Kong, which had a carrying value at 31 December 2016 of HK$111,300,000;

(b) mortgage over the Group's building, which had a carrying value at 31 December 2016 of HK$22,155,000;

(c) unlimited personal guarantee given by a director of the Company (appointed on 9 December 2017, prior to the appointment, the director is also a director of certain subsidiaries) and the spouse of that director; and

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

41. SHARE CAPITAL

SHARES

	At 31 December 2017 HK$'000	At 31 December 2016 HK$'000 (Restated)	At 1 January 2016 HK$'000 (Restated)
Authorised:			
20,000,000,000 (2016: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000	2,000,000
Issued and fully paid:			
7,778,596,000 (2016: 7,778,596,000) ordinary shares of HK$0.10 each	**777,860**	777,860	777,860

During the years ended 31 December 2017 and 2016, no movement in the Company's authorised and issued share capital was noted.

According to the audited financial statements of the Company for the year ended 31 December 2016 as contained in the 2016 Annual Report, the issued and fully paid share capital of the Company as at 31 December 2016 was stated to be 14,938,896,000 ordinary shares ("Original Share Capital"). For the purpose of these financial statements, a total of 7,160,300,000 ordinary shares (representing approximately 47.93% of the Original Share Capital) shall be null and void and/or invalid and/or rescinded, and such ordinary shares shall be recognised and stated as reserve (rather than share capital) as a matter of financial reporting.

Out of the Original Share Capital, an aggregate of 7,508,300,000 ordinary shares ("Amended Specific Mandate Placing Shares") (representing approximately 50.26% of the Original Share Capital) were issued by the Company under the Amended Specific Mandate Placing Agreement (as referred to in the Company's announcement dated 29 October 2015), the completion of which took place on 29 October 2015. According to the Company's announcement dated 29 October 2015, it was said that the Amended Specific Mandate Placing Shares had been placed to not less than six Amended Specific Mandate Placees (as referred to in the Company's announcement dated 29 October 2015).

41. SHARE CAPITAL (CONTINUED)

SHARES (CONTINUED)

On 18 December 2017, the Company together with two of its subsidiaries commenced legal proceedings in the High Court of Hong Kong in High Court Action No. 2922 of 2017 ("the Principal Action"). The Company's case in the Principal Action is that, out of the Amended Specific Mandate Placing Shares, 7,160,300,000 shares (representing approximately 47.93% of the Original Share Capital) were actually wrongfully allotted ("Wrongfully Allotted Shares") which had been issued to non-independent placees ("Alleged Independent Placees") who held the Wrongfully Allotted Shares subject to the control, influence and/or interest of one Cho Kwai Chee Roy, and that the share subscription of many of the Alleged Independent Placees were enabled and/or assisted by circular financing arrangement.

Between July and October 2017, in order to disguise the wrongful nature of the initial allotment and subscription, a large number of the Wrongfully Allotted Shares allotted to the Alleged Independent Placees were transferred by the Alleged Independent Placees directly or indirectly to Mr. Kwok Hiu Kwan ("Mr. Kwok"), Mr. Chen Peixiong ("Mr. Chen") and Madam Wang Pengying ("Madam Wang") respectively. During the relevant period, Mr. Kwok, Mr. Chen and Madam Wang acquired about respectively 29.91%, 7.47% and 2.3% of the Company's shareholding (or in total about 39.68% of the Company's shareholding) through a premeditated scheme and series of coordinated transactions avoiding the detection of the regulators.

Under the laws of Cayman Islands as per the expert evidence filed by the Company, improper allotment of shares by a company render those shares void ab initio. The Company is seeking in the Principal Action, among other things, (1) a declaration and order as against the Alleged Independent Placees that the allotment of the Wrongfully Allotted Shares is null and void, or has been rescinded and set aside; and (2) a declaration and order as against Mr. Kwok, Mr. Chen and Madam Wang that the transfer of the Wrongfully Allotted Shares to Mr. Kwok, Mr. Chen, and Madam Wang is null and void and/or invalid and/or rescinded. Please refer to the Company's announcement dated 3 January 2021.

In making a judgement on the accounting treatment for the Wrongfully Allotted Shares, the Company is conscious that financial information must faithfully represent the substance of the economic phenomena, rather than merely representing the legal form. Representing a legal form that differs from the economic substance of the underlying economic phenomenon could not result in a faithful representation.

The Company is also conscious that financial statements portray the financial effects of transactions and other events by grouping them into broad classes according to their economic characteristics. Elements of financial statements should be classified by their nature and function in the business of the entity in order to display information in the manner most useful to users for purposes of making economic decisions.

By nature, the Wrongfully Allotted Shares, being null and void and/or invalid and/or rescinded, are not shares (ordinary or otherwise) of the Company and therefore the share capital represented by the Wrongfully Allotted Shares ("Wrongful Share Capital") is not share capital.

The Wrongful Share Capital on one hand and the remainder of the Original Share Capital ("Non-Wrongful Share Capital") on the other hand do not share similar economic characteristics, with the former being null and void and/or invalid and/or rescinded and the latter being ordinary shares of the Company. The two should not be grouped into the same broad class because of their different economic characteristics.

In the premises, it is the judgement of the Company that the recognition of the Wrongful Share Capital as share capital is a material error and it should correct the error retrospectively by restating the Wrongful Share Capital as reserve, with a view to displaying information in the manner most useful to users for purposes of making economic decisions.

41. SHARE CAPITAL (CONTINUED)

WARRANTS

During the year ended 31 December 2013, the Company entered into a warrant placing agreement in connection with the warrant placing, pursuant to which the placing agents conditionally agreed to place, on a best effort basis, up to 80,000,000 warrants conferring rights to subscribe for 80,000,000 warrant shares at the exercise price of HK$1.41 per warrant to not less than six warrant placees who, and their respective ultimate beneficial owners are independent third parties. The warrants were to be placed at a warrant placing price of HK$0.01 each. The proceeds from warrant placing of HK$776,000, net of warrant placing expenses of HK$24,000, were recorded as a component of shareholders' equity in warrant reserve.

On 11 May 2015, the Company completed the allotment and issuance of 1,844,172,000 ordinary shares by way of an open offer and the exercise price of 80,000,000 warrant shares was adjusted to HK$0.632 per warrant.

Further on 29 October 2015, the Company completed the allotment and issuance of 11,988,300,000 ordinary shares to the shareholders of the Company by way of specific mandate placing at HK$0.35 each and the exercise price of 80,000,000 warrant shares was adjusted to HK$0.479 per warrant accordingly.

During the years ended 31 December 2017 and 2016, no warrants were exercised.

At the end of the reporting period, the Company had 80,000,000 warrants outstanding. The exercise in full of such warrant would, under the present capital structure of the Company, result in the issue of 80,000,000 additional shares.

42. RESERVES

(A) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(B) COMPANY

A summary of the Company's reserves is as follows:

	Share premium account	2015 placing shares reserve (Note 4)	Warrant reserve	Shares held for share award scheme	Share option reserve	Available-for-sale investments revaluation reserve	Accumulated losses	Total reserves
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016, as previous reported	3,616,046	–	776	(723)	–	–	(150,426)	3,465,673
Prior year adjustments (Note 4)	(1,699,593)	2,415,623	–	–	–	–	–	716,030
At 1 January 2016, as restated	1,916,453	2,415,623	776	(723)	–	–	(150,426)	4,181,703
Loss for the year and total comprehensive loss for the year	–	–	–	–	–	–	(94,362)	(94,362)
Equity-settled share option arrangement	–	–	–	–	2,327	–	–	2,327
At 31 December 2016, as restated	1,916,453	2,415,623	776	(723)	2,327	–	(244,788)	4,089,668
At 31 December 2016, as previously reported	3,616,046	–	776	(723)	2,327	–	(244,788)	3,373,638
Prior year adjustments (Note 4)	(1,699,593)	2,415,623	–	–	–	–	–	716,030
At 31 December 2016, as restated	1,916,453	2,415,623	776	(723)	2,327	–	(244,788)	4,089,668
At 1 January 2017	**1,916,453**	**2,415,623**	**776**	**(723)**	**2,327**	**–**	**(244,788)**	**4,089,668**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,357,766)**	**(1,357,766)**
Other comprehensive income for the year								
Change in fair value of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**1,580**	**–**	**1,580**
Total comprehensive income/ (loss) for the year	**–**	**–**	**–**	**–**	**–**	**1,580**	**(1,357,766)**	**(1,356,186)**
Equity-settled share option arrangements	**–**	**–**	**–**	**–**	**40,697**	**–**	**–**	**40,697**
At 31 December 2017	**1,916,453**	**2,415,623**	**776**	**(723)**	**43,024**	**1,580**	**(1,602,554)**	**2,774,179**

42. RESERVES (CONTINUED)

(C) NATURE AND PURPOSE OF RESERVES

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) 2015 placing shares reserve

2015 placing shares reserve represents certain of the net proceed of placing shares in 2015 in relation to High Court Action No. 2922 of 2017 ("HCA 2922/2017"). Details of HCA 2922/2017 are disclosed in note 54(a).

(iii) Capital reserve

The Group's capital reserve represents (i) the issued paid-up capital of a subsidiary of the Company; and (ii) the excess of the nominal value of the shares of a subsidiary acquired pursuant to the reorganisation in the prior year, over the investment cost of the Company's shares issued in exchange therefor.

(iv) Merger reserve

Merger reserve relates to business combination under common control and represents the difference in the fair value of the consideration paid and the share capital of subsidiaries acquired during the year ended 31 December 2011 and 2013.

(v) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

(vi) Available-for-sale investments revaluation reserve

Available-for-sale investment revaluation reserve represents unrealised fair value changes, net of any impairment, of the Group's available-for-sale financial investments.

(vii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(viii) Reserve funds

Pursuant to the relevant laws and regulations in PRC, the Group's subsidiaries established in PRC are required to transfer part of their net profit after tax to reserve funds, which are non-distributable and restricted as to their use.

(ix) Legal reserve

Pursuant to the provisions of the Macao Commercial Code, the Group's subsidiaries established in Macau are required to transfer a minimum of 25% of the annual profit after tax to a legal reserve until the reserve equals half of the share capital. Such a transfer has to be approved by the shareholders of those subsidiaries. This reserve is not distributable to shareholders of those subsidiaries.

(x) Other reserves

Other reserves represents (i) the net gain or loss on the disposal of interests in subsidiaries while retaining the control; (ii) the net gain or loss on acquisition of additional interests in subsidiaries; and (iii) the wavier of amounts due to CFG, the then immediate holding company of the Company, in prior years.

43. SHARE AWARD SCHEME

On 25 January 2011, the Company adopted a share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") might be awarded to selected participants, including employees, consultants and business associates of the Group (the "Selected Participants") in accordance with the provisions of the Award Scheme and an irrevocable trust (the "Trust") was also established by the Company for the purpose of the Award Scheme. The Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date. Further details of the Award Scheme are also set out in an announcement of the Company dated 25 January 2011.

The aggregate number of Awarded Shares currently permitted to be awarded under the Award Scheme throughout the duration of the Award Scheme is limited to 10% of the issued share capital of the Company as at 25 January 2011, i.e., 40,000,000 shares.

Pursuant to the rules governing the operation of the Award Scheme (the "Scheme Rules"), the board of Directors of the Company shall select the Selected Participants and determine the number of Awarded Shares to be awarded. The board of Directors of the Company shall cause to pay the trustee of the Trust (the "Trustee") the purchase price and the related expenses from the Company's resources for the shares of the Company to be purchased by the Trustee. The Trustee is an Independent Third Party appointed by the board of Directors of the Company for the administration of the Award Scheme. The Trustee shall purchase from the market such number of shares of the Company awarded as specified by the board of Directors of the Company and shall hold such shares until they are vested in accordance with the Scheme Rules and the trust deed.

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the board of Directors of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded Shares to that employee at no cost.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

During the years ended 31 December 2017 and 2016, no Awarded Shares were awarded to any consultants nor employees of the Group and the Trustee did not acquire any ordinary shares of the Company under the Award Scheme.

No Awarded Shares were outstanding as at 31 December 2017 and 2016.

44. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include Employee, Business Associate and the trustee (whether family, discretion any or otherwise) whose beneficiaries or objects include any Employee. For the purpose of this section, Employee means (i) any full-time employee and director (including executive Director, non-executor Director and independent non-executive Director or proposed executive Director, non-executive Director and independent non-executive Director) of any member of the Group; and (ii) any part-time employee with weekly working hours of 10 hours or above of the Group; and Business Associate means (a) any advisor, consultant or agent (in the areas of legal, technical, financial or corporate managerial) to the Group; (b) any provider of goods and/or services to the Group; or (c) any other person who, at the sole discretion of the Board, has contributed or may contribute to the Group (the assessment criterion of which are (i) such person's contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group).

44. SHARE OPTION SCHEME (CONTINUED)

The Scheme became effective on 23 June 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the Scheme is 10% of the number of shares of the Company in issue as at the date of approval of the refreshment of the 10% mandate of the Scheme by the shareholders of the Company in the extraordinary general meeting held on 22 December 2016. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a connected person (as defined in the Listing Rules) of the Company, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of the Company, or to any of their associates (as defined in the Listing Rules), in excess of 0.1% of the shares of the Company in issue or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period and the vesting period of the share options granted are at the Board's absolute discretion and determinable by the Directors, save that such period shall not be more than 10 years from the date of grant of the share options.

The exercise price of share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

	Weighted average exercise price per share HK$	**Number of options** '000
At 1 January 2016	–	–
Granted during the year	0.2332	448,164
At 31 December 2016 and 31 December 2017	0.2332	448,164

All (2016: None) of the share options outstanding is exercisable as at 31 December 2017.

The exercise price of the share options outstanding as at 31 December 2017 and 2016 is HK$0.2332. The exercise period is from 24 June 2017 to 23 December 2019. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted as at grant date was approximately HK$47,057,000 (HK$0.105 each) of which the Group recognised a share option expense of HK$40,697,000 (2016: HK$2,327,000) during the year ended 31 December 2017.

44. SHARE OPTION SCHEME (CONTINUED)

The fair value of equity-settled share options granted on 24 December 2016 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016
Dividend yield	0%
Expected volatility	75.59%
Risk free rate	1.512%
Expected life of options	3 years
Weighted average exercise price	HK$0.2332

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 448,164,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 448,164,000 additional ordinary shares of the Company and additional share capital of HK$44,816,000 and share premium of HK$59,695,000 (before issue expenses and share option reserve).

At the date of approval of these consolidated financial statements, all outstanding share options under the Scheme was lapsed.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) ACQUISITION OF MAX GROUP

On 22 January 2016, the Group entered into an agreement with Mr. Yap E Hock (who was an Independent Third Party at the date of acquisition) to acquire the entire interests in the MAX Group at a cash consideration of approximately HK$24,630,000. On the same date, the Group also entered into an agreement with the MAX Group to assume the loan from a director of MAX Group of approximately HK$11,790,000. Mr. Yap E Hock has become a director of the Company with effect from 9 December 2017.

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

The fair values of the identifiable assets and liabilities of MAX Group at date of acquisition were as follows:

	HK$'000
Property, plant and equipment	22,600
Loans receivable	2,695
Deposits and other receivables	332
Cash and bank balances	5,448
Other payables and accruals	(130)
Interest-bearing bank borrowing	(3,942)
Deferred tax liabilities	(1,304)
	25,699
Goodwill	10,721
	36,420
Satisfied by:	
Cash	24,630
Assumption of the loan from a director of the MAX Group	11,790
	36,420
Net cash outflow arising on acquisition:	
Cash consideration paid	36,420
Cash and cash equivalents acquired	(5,448)
	30,972

The fair values of the loans receivable and other receivables as at the date of acquisition amounted to approximately HK$2,695,000 and HK$332,000, respectively. The gross contractual amounts of loans receivable and other receivables were approximately HK$2,695,000 and HK$332,000, respectively, which are expected to be collectible.

Since the acquisition, MAX Group contributed HK$1,408,000 to the Group's revenue and loss of HK$11,753,000 to the consolidated loss for the year ended 31 December 2016.

If the acquisition had been completed on 1 January 2016, total Group revenue for the year would have been approximately HK$1,205,145,000, and loss for the year would have been approximately HK$104,319,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(B) ACQUISITION OF ZEED ASIA TECHNOLOGY LIMITED ("ZAT")

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

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

The fair values of the identifiable assets and liabilities of ZAT at date of acquisition were as follows:

	HK$'000
Property, plant and equipment	359
Deposits paid for purchase of items of property, plant and equipment	1,859
Prepayments, deposits and other receivables	211
Cash and bank balances	5
Other payables and accruals	(87)
	2,347
Goodwill	3,853
	6,200
Satisfied by:	
Cash	–
Assumption of the loan from a shareholder of ZAT	6,200
	6,200
Net cash outflow arising on acquisition:	
Cash consideration paid	6,200
Cash and cash equivalents acquired	(5)
	6,195

The fair value of other receivable as at the date of acquisition amounted to approximately HK$16,000. The gross contractual amount of other receivables was approximately HK$16,000, which was expected to be collectible.

Since the acquisition, ZAT contributed HK$Nil to the Group's revenue and loss of HK$6,485,000 to the consolidated loss for the year ended 31 December 2016.

If the acquisition had been completed on 1 January 2016, total Group revenue for the year would have been approximately HK$1,205,145,000, and loss for the year would have been approximately HK$105,625,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(C) DISPOSAL OF A SUBSIDIARY

On 13 July 2017, the Group disposed of its entire equity interest in Waller Holdings Limited ("WHL") to an independent third party for a consideration of approximately HK$145,370,000, which included the settlement by repayment of loan of approximately HK$138,152,000 and cash consideration received of approximately HK$7,218,000, resulting in a gain on disposal of approximately HK$28,789,000.

The net assets at the date of disposal were as follows:

	HK$'000
Investment properties	115,100
Prepayment, deposits and other receivables	25
Accruals	(409)
Amount due to the Group	(123,119)
Net assets disposed of	(8,403)
Assignment of amount due to the Group	123,119
Expenses paid in connection with the disposal	1,865
Gain on disposal of a subsidiary	28,789
Settled by repayment of loan	(138,152)
Settled by cash consideration	7,218
Net cash inflow arising on disposal:	
Cash consideration received	7,218
Expenses paid in connection with the disposal	(1,865)
	5,353

(D) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest-bearing bank and other borrowings HK$'000	**Issued bonds** HK$'000	**Total** HK$'000
At 1 January 2017	59,854	616,449	676,303
Changes in cash flows	73,701	(67,165)	6,536
Non-cash changes			
— interest charged	4,597	46,224	50,821
— disposal of a subsidiary	(138,152)	–	(138,152)
At 31 December 2017	–	595,508	595,508

(E) MAJOR NON-CASH TRANSACTION

Disposal of a subsidiary

During the year of 2017, the Group entered into an agreement to sell and assign the entire issued share capital of WHL to an independent third party at approximately HK$145,370,000. The consideration was satisfied by the acquirer through the repayment of the Group's bank loan and accrued interest amounted to approximately HK$138,152,000 in addition to cash amounted to approximately HK$7,218,000.

46. CONTINGENT LIABILITIES

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group. No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defenses against the claimants or the amounts involved in these claims are not expected to be material.

47. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2017 HK$'000	2016 HK$'000
Available-for-sale investments		
— Contracted, but not provided for	**50,382**	205,298

48. OPERATING LEASE COMMITMENTS

(A) AS LESSOR

The Group leases its investment property (2016: one of its investment properties) to a third party under an operating lease arrangement, with a term of two years. Under the arrangement, the tenant was also required to pay a security deposit and provide for periodic adjustments according to the prevailing market conditions.

At 31 December 2017, the Group had total future minimum lease receivable under non-cancellable operating lease with its tenant falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**1,161**	1,639
In the second to fifth years inclusive	**–**	1,161
	1,161	2,800

(B) AS LESSEE

The Group leases its office properties, warehouse, staff quarters, and certain equipment under operating lease arrangements, with leases negotiated for terms ranging from six months to five years.

At 31 December 2017, 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	**59,487**	57,694
In the second to fifth years inclusive	**47,684**	40,193
	107,171	97,887

49. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties in the ordinary course of business:

	Notes	2017 HK$'000	2016 HK$'000
Employee benefit expenses to:			
Mr. Shin Kin Man	(i)	**17,229**	4,623
Commission expenses paid by CFS to:			
Spouse of Mr. Shin Kin Man	(ii)	**2,162**	1,742
Brother of Mr. Shin Kin Man	(ii)	**1,494**	1,579
Cousin of Mr. Shin Kin Man	(ii)	**4,590**	5,961
Commission expenses paid by CAM to:			
Spouse of Mr. Shin Kin Man	(ii)	**398**	281
Brother of Mr. Shin Kin Man	(ii)	**167**	110
Cousin of Mr. Shin Kin Man	(ii)	**398**	416
Rental and related expenses (government rates and management charges) paid to Great Felicity Limited ("GFL")	(iii)	**6,560**	7,129
Asset management fee income received from BLVD	(iv)	**300**	300
Service fee income received from FCAM	(v)	**851**	–

(b) Outstanding balances arising from the ordinary course of business

The following balances are outstanding at the end of the reporting period with related parties in relation to transactions:

	Note	2017 HK$'000	2016 HK$'000
Amount due from a related party (other balance)			
Mr. Shin Kin Man	(i)	**723**	–
Accounts payable (commission expenses)			
Spouse of Mr. Shin Kin Man		**219**	60
Brother of Mr. Shin Kin Man		**146**	104
Cousin of Mr. Shin Kin Man		**–**	454
Prepayments, deposits and other receivables			
GFL (rental deposit)		**1,666**	3,167
CIS Securities Asset Management Limited (other balances)		**–**	4,003
Amount due from an associate (service fee income)			
FCAM		**851**	–

49. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the group:

	2017 HK$'000	2016 HK$'000
Fees, salaries, allowances, bonuses and benefits in kind	**22,340**	22,356
Equity-settled share option expense	**13,566**	776
Pension scheme contributions	**1,512**	1,362
Total compensation paid to key management personnel	**37,418**	24,494

Further details of Directors' remuneration are included in note 13 to the consolidated financial statements.

Notes:

(i) Employee benefit expenses (including salaries, bonuses, other benefits, equity-settled share option expenses and contributions to retirement benefit scheme) were paid to Mr. Shin Kin Man. The Directors considered that Mr. Shin had significant influence over the Group and was a related party as at 31 December 2017. Mr. Shin Kin Man has become a director of the Company with effect from 15 January 2018.

(ii) The commission expenses were paid to three close family members of Mr. Shin Kin Man, who are related parties of the Company and also the consultants of CFS and licensed representatives of CAM, two operating subsidiaries of the Group. The commission expenses were determined based on the volume of transactions of various services executed by them for the account of CFS and CAM. The commission offered are charged pursuant to the terms in the agreements signed between the Group and the three close family members of Mr. Shin Kin Man.

(iii) Rental and related expenses (government rates and management charges) were paid to GFL, a related company indirectly wholly-owned by a shareholder of the Company. The terms and conditions associated with the rental and related services were made according to the terms and conditions offered to the external customers of GFL.

(iv) The asset management fee income was received from BLVD. CFM acted as manager of BLVD to provide analytics and advisory services in respect of investment decisions and day-to-day asset management services. The charge is based on the terms on management fee agreement signed between DRL Capital Investment Management Limited (former name of CFM) and BLVD.

(v) The service fee income was received from FCAM for the provision of operations services (including human resources, administration, information technology, legal and compliance, finance and accounts, and others). The charge is based on the terms on management agreements signed between Convoy Resources Limited and FCAM.

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	At 31 December 2017 HK$'000	At 31 December 2016 HK$'000 (Restated)	At 1 January 2016 HK$'000 (Restated)
Non-current assets			
Investments in subsidiaries	**14,500**	66,435	66,435
Available-for-sale investments	**13,700**	12,120	–
	28,200	78,555	66,435
Current assets			
Due from subsidiaries	**4,420,508**	5,500,579	4,364,712
Prepayments, deposits and other receivables	**579**	19,482	6,837
Cash and cash equivalents	**8,076**	180,796	1,139,540
	4,429,163	5,700,857	5,511,089
Current liabilities			
Other payables and accruals	**40,963**	2,861	5,638
Due to subsidiaries	**268,853**	292,574	4,911
Issued bonds	**–**	–	6,389
	309,816	295,435	16,938
Net current assets	**4,119,347**	5,405,422	5,494,151
Total assets less current liabilities	**4,147,547**	5,483,977	5,560,586
Non-current liabilities			
Issued bonds	**595,508**	616,449	601,023
	595,508	616,449	601,023
NET ASSETS	**3,552,039**	4,867,528	4,959,563
EQUITY			
Share capital	**777,860**	777,860	777,860
Reserves	**2,774,179**	4,089,668	4,181,703
TOTAL EQUITY	**3,552,039**	4,867,528	4,959,563

51. EVENTS AFTER THE REPORTING PERIOD

(A) DISPOSAL OF A SUBSIDIARY

On 21 December 2018, the Group disposed of its entire equity interest in Convoy Payments Limited ("PYL") to an Independent Third Party for a consideration of stock exchange of 2,090,297 C1 shares of CurrencyFair Limited (worth of approximately HK$38,861,000), resulting in a gain on disposal of HK$37,910,000 for the year.

The net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	303
Prepayment and other receivables	151
Cash and cash equivalent	510
Other payables	(1,431)
Net liabilities disposed of	(467)
Non-controlling interests	1,418
Gain on bargain purchases	
Gain on disposal of subsidiaries	37,910
Total consideration settled by shares of CurrencyFair Limited	38,861
Net cash outflow arising on disposal:	
Cash consideration received	–
Cash and cash equivalents disposed of	(510)
	(510)

51. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(B) DISPOSAL OF A SUBSIDIARY

On 2 May 2018, the Group disposed of its entire equity interest in Triton Investment Services Pty Limited ("TIS") to an Independent Third Party for a cash consideration of AUD244,000 (equivalent to approximately HK$1,447,000), resulting in a gain on disposal of HK$503,000 for the year.

The net assets at the date of disposal were as follows:

	HK$'000
Prepayments and other receivables	55
Cash and cash equivalents	1,113
Other payables	(224)
Net assets disposed of	944
Gain on disposal of a subsidiary	503
Total consideration settled by cash	1,447
Net cash inflow arising on disposal:	
Cash consideration received	1,447
Cash and cash equivalents disposed of	(1,113)
	334

(C) ACQUISITION OF GMD HOLDING GROUP LIMITED

On 27 February 2019, the Group completed the acquisition of the entire interests in GMD Holding Group Limited ("GMD") from an independent third party at an aggregate consideration of HK$45,000,000.

GMD was primarily engaged in the provision of insurance brokerage. The acquisition was made as part of the Group's strategy to develop the existing corporate finance and advisory services business through the provision of insurance brokerage.

51. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(C) ACQUISITION OF GMD HOLDING GROUP LIMITED (CONTINUED)

The fair value of the identifiable assets and liabilities of GMD acquired as at its date of acquisition is as follows:

	2019 HK$'000
Property, plant and equipment	553
Right-of-use assets	6,269
Contract assets	15,228
Deposits and other receivables	6,845
Cash and bank balances	1,352
Accounts payable	(1,333)
Other payables and accruals	(9,519)
Lease liabilities	(6,447)
Interest-bearing bank borrowing	(1,424)
	11,524
Non-controlling interests	(452)
Gain on bargain purchase on acquisition (Note 9)	(10,980)
	92
Satisfied by:	
Cash consideration	36,000
Other payable	9,000
Clawback amount*	(35,908)
Termination of scheme	(9,000)
	92
Net cash outflow/(inflow) arising on acquisition:	
Cash consideration paid	92
Cash and cash equivalents acquired	(1,352)
	(1,260)

*Note: Pursuant to the sale and purchase agreement entered into between the Company and two independent third parties (the "GMD Vendors"), whereby the Company conditionally agreed to acquire the entire share capital of GMD for a cash consideration of HK$45,000,000, which is subject to adjustment depending upon the achievement of several financial targets by GMD and its subsidiary, GET, in 2019 and subsequent two years (the "GMD Acquisition"). As GMD and GET were not able to achieve those financial targets in 2019, the final consideration was adjusted to approximately HK$92,000. As of 31 December 2019, HK$36,000,000 was paid to the GMD Vendors for the GMD Acquisition and accordingly an amount of approximately HK$35,908,000, being the difference between the amount paid and the final consideration, shall be clawed back from the GMD Vendors (the "Clawback amount").

51. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(D) DISPOSAL OF SUBSIDIARIES

On 1 April 2019, the Group disposed of its entire equity interest in 康宏碧升保險代理有限公司 (the "BIS") and its subsidiaries including 江西康宏泛誠保險代理有限公司 (the "JXH") and 康宏碧升保險代理有限公司(四川分公司) (the "BIC") to an Independent Third Party for a cash consideration of RMB15,400,000 (equivalent to approximately HK$18,495,000), resulting in a loss on disposal of approximately HK$8,469,000 for the year.

Net assets at the date of disposal were as follows:

	2019 HK$'000
Property, plant and equipment	69
Prepayments, deposits and other receivables	1,562
Restricted cash	776
Cash and cash equivalents	9,747
Accounts payable	(295)
Accruals and other payables	(677)
Tax payables	(74)
Net assets disposed of	11,108
Non-controlling interests	13,448
Release of exchange fluctuation reserve	96
Release of other reserves	
Direct cost to the disposal	2,312
Loss on disposal of subsidiaries	(8,469)
Total consideration settled by cash	18,495
Net cash inflow arising on disposal:	
Cash consideration received	18,495
Cash paid for direct cost	(2,312)
Cash and cash equivalents disposed of	(9,747)
	6,436

(E) OTHER EVENTS

On 25 November 2020, the Company entered into a non-binding Term Sheet with AGBA Acquisition Limited ("AGBA"), a company listed on NASDAQ, pursuant to which the Company conditionally proposes to dispose of its entire platform business and 30% of its independent financial advisory business to AGBA for a total consideration of US$400,000,000 (HK$3,100,000,000) to be satisfied by the payment of US$100,000,000 (HK$775,000,000) in cash and the issue of US$300,000,000 (HK$2,325,000,000) of new AGBA shares at an issue price of US$10 (HK$77.50) per AGBA share, subject to, among other things, satisfactory due diligence by AGBA.

On 22 June 2020, the Board was approached by National Arts Entertainment and Culture Group Limited ("National Arts"), a company listed on the GEM board of the Stock Exchange (Stock Code: 8228), about a conditional voluntary share exchange offer by National Arts to acquire all of the issued shares in the share capital of the Company (the "General Offer"), subject to fulfilment of certain conditions.

52. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

53. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 February 2021.

54. LITIGATION

MATERIAL LITIGATION CASES INVOLVING THE COMPANY

Reference is made to the announcements of the Company made through the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") dated 21 December 2017, 27 December 2017, 3 January 2018, 4 January 2018, 9 January 2018, 16 January 2018, 12 February 2018, 5 March 2018, 8 March 2018, 13 April 2018, 19 June 2018, 4 July 2018, 18 July 2018, 24 September 2018, 4 November, 2019, 20 December 2019, 3 February 2020, 5 June 2020, 19 June 2020, 31 July 2020, 27 August 2020, 30 September 2020, 19 October 2020, 30 October 2020, 17 November 2020, 24 November 2020 and 3 January 2021. Since late 2017, the Company has been involved in not less than 17 material litigations of which ten were initiated and filed by the Company to protect the Company's interests and not less than 7 material proceedings against the Company:

Material Litigations filed by the Company:

Action Number	Filing date	Status
(a) High Court Action No. 2922 of 2017	18 December 2017	Live
(b) High Court Action No. 3001 of 2017	22 December 2017	Live
(c) FSD 286 of 2017 (Grand Court of the Cayman Islands)	29 December 2017	Live
(g) High Court Action No. 399 of 2018	14 February 2018	Live
(h) BVIHC (COM) 0019 of 2018 (filed in the British Virgin Islands)	6 February 2018	On appeal to the Privy Council heard on 16 and 17 February 2021.
(i) High Court Miscellaneous Proceedings No. 1350 of 2018	29 August 2018	Live
(k) High Court Action No 2000 of 2018	24 August 2018	On appeal to the Court of Appeal.
(l) High Court Action No 1228 of 2019	9 July 2019	Live
(m) High Court Action No 2416 of 2019	30 December 2019	Live
(n) High Court Action No 1435 of 2020	25 August 2020	Live

Material Litigation against the Company:

Action Number	Filing date	Status
(d) High Court Miscellaneous Proceedings No. 2773 of 2017	29 December 2017	Stayed pending the resolutions of HCA 2922/2017
(e) Hong Kong Miscellaneous Proceedings No. 41 of 2018	11 January 2018	Dismissed with reasons handed down on 4 March 2020. The appeal was dismissed on 24 November 2020.
(f) High Court Action No. 187 of 2018	22 January 2018	Dismissed on 31 July 2018
(f) High Court Action No. 258 of 2018	30 January 2018	Dismissed on 31 July 2018
(i) High Court Action No. 702 of 2018	27 March 2018	Live. The Company filed a counterclaim on 23 August 2018.
(j) High Court Miscellaneous Proceedings No. 900 of 2018	15 June 2018	Interim Injunction dismissed on 26 June 2018
(o) High Court Miscellaneous Proceedings No. 1578 of 2020	20 October 2020	Interim Injunction dismissed on 13 November 2020

54. LITIGATION (CONTINUED)

Details of the litigation cases are set out as follows:

(a) HCA 2922/2017

On 18 December 2017, the Company together with two of its subsidiaries (namely Convoy Collateral Limited ("**CCL**") and CSL Securities Limited (now known as OnePlatform Securities Limited) ("**OPSL**") commenced legal proceedings against 28 Defendants in High Court Action No. 2922 of 2017 ("**HCA 2922/2017**"), and these defendants include: (1) Dr. Cho Kwai Chee, a former Executive Director of the Company ("**Cho**"); (2) Mr. Wong Lee Man Quincy ("**Wong**"), a former Executive Director of the Company; (3) Mr. Mak Kwong Yiu Mark ("**Mak**"), a former Executive Director of the Company; (4) Mr. Tan Ye Kai Byron Tan, a former Executive Director of the Company; (5) Ms. Fong Sut Sam Rosetta, a former Executive Director of the Company; (6) Ms. Chan Lai Yee ("**Chan**"), a former Executive Director of the Company; (7) Mr. Kwok Hiu Kwan ("**Kwok**"), a purported registered shareholder (through himself or his nominee) of 4,468,182,000 ordinary shares of the Company; and (8) Mr. Chen Pei Xiong ("**Chen**"), a purported registered shareholder (through himself or his nominee) of 1,085,280,000 ordinary shares of the Company.

The Company's claims against the defendants arise from a placement of the Company's shares which took place on 29 October 2015 whereby a substantial number of shares (the "**Wrongfully Allotted Shares**") were allotted to certain placees holding out as independent placees (the "**Alleged Independent Placees**"). It is the Company's case that the Wrongfully Allotted Shares had then been wrongfully transferred to Kwok and Chen respectively. Among other things, the Company sought the following relief:

(i) an order as against the Alleged Independent Placees that the allotment of the Wrongfully Allotted Shares be set aside;

(ii) a declaration as against Kwok and Chen that the transfer of the Wrongfully Allotted Shares to Kwok and Chen is null and void and/or invalid and/or rescinded;

(iii) a declaration that Cho and others acted in breach of fiduciary, common law and/or statutory duties owed to the Company by procuring the allotment of the Wrongfully Allotted Shares to the Alleged Independent Placees; and

(iv) an injunction as against Kwok and Chen, that they be restrained from exercising the voting rights of, or transferring or otherwise dealing with their interest in, the Wrongfully Allotted Shares.[1]

On 28 December 2017, the Company commenced legal proceedings in the Grand Court of the Cayman Islands (Cause No. FSD 282 of 2017) against the same 28 defendants of HCA 2922/2017 for, among other things, recognition by way of common law of any judgment made in HCA 2922/2017 in the Cayman Islands.

On 28 June 2018, Mr. Justice Harris granted leave for the Company to amend the Writ of Summons filed on 18 December 2017 to include 11 more defendants, after further findings and evidence relevant to the legal proceedings were unearthed.

On 24 August 2018, Mr. Choi Chee Ming ("**Choi**") applied to the High Court of Hong Kong to seek leave to be joined as a party to the legal proceedings. Choi was added as the 40th Defendant on 1 November 2018.[2]

On 6 May 2019, the Company filed a Summons to further amend the Amended Statement of Claim. The amendment is mainly on the inclusion of one Ms. Wang Pengying ("**Wang**") as the 41st Defendant being a purported registered shareholder of about 2.3% of the Company's shareholding who was (according to the Company's case) acting in concert with Kwok and Chen. On 12 July 2019, Mr. Justice Harris approved the addition of Wang as the 41st Defendant.[3]

1 Announcements 21/12/2017& 09/01/2018
2 Announcement 24/09/2018
3 Announcement 04/11/2019

54. LITIGATION (CONTINUED)

(b) HCA 3001/2017

On 22 December 2017, the Company and two of its subsidiaries, namely Convoy Financial Services Limited ("**CFS**") and OPSL, have commenced legal proceedings in the High Court of Hong Kong in High Court Action No. 3001 of 2017 against four defendants, namely (1) Wong, (2) Mak, (3) Convoy Investment Services Limited (which is not a subsidiary of the Group) and (4) Gransing Securities Co., Limited, in respect of, among others, breach of fiduciary duty and passing off, which had caused losses and damages to the Company.[4]

(c) FSD 286 OF 2017

During the extraordinary general meeting of the Company held on 29 December 2017 (the "**2017 December EGM**"), resolution no. 14 as set out in the notice of 2017 December EGM dated 20 November 2017 was withdrawn from consideration at the 2017 December EGM subject to the decision of the Cayman Islands courts on the question of validity of resolution no. 14 under the Cayman Islands laws. In this regard, on 29 December 2017, the Company issued an originating summons in the Grand Court of the Cayman Islands (FSD 286 of 2017) to seek, among others, a declaration that the abovementioned resolution no. 14 is unlawful, invalid, and/or insufficiently specific to enable the shareholders of the Company to make informed decisions and/or should otherwise not be put to the members at the 2017 December EGM.[5]

On 28 May 2018, the Grand Courts of the Cayman Islands approved the application that Kwok be joined as a defendant in FSD 286 of 2017.[6]

(d) HCMP 2773/2017

On 29 December 2017, the Company received a petition ("**Zhu Petition**") issued on 29 December 2017 in High Court Miscellaneous Proceedings No. 2773 of 2017 ("**HCMP 2773/2017**") filed by an individual named Zhu Xiao Yan in the High Court of Hong Kong against 33 respondents, including Cho, Wong, Kwok, Chen, the Company and four of its subsidiaries, namely, CCL, OPSL, CFS and Convoy Wealth Management Limited. Zhu Xiao Yan sought in the Zhu Petition, among others, against the Company (i) a declaration that the placing of 3,989,987,999 Shares (the "**Placing Shares**") on 29 October 2015 to six of the respondents named in the Zhu Petition (the "**Placees**") and/or the Placing Shares are void ab initio and of no legal effect or, alternatively, be set aside; (ii) a declaration that the transfer of the Placing Shares from the Placees to Kwok and Chen and/or the Placing Shares are void ab initio and of no legal effect or, alternatively, be set aside; and (iii) a declaration that any votes on the Placing Shares, whether at the 2017 December EGM or otherwise, be disregarded for the purposes of counting votes for the passing of shareholders' resolutions of the Company.[7]

On 6 March 2018, Mr. Justice Harris sitting as a Judge in the High Court of Hong Kong ordered that HCMP 2773/2017 be stayed pending the resolutions of HCA 2922/2017.[8]

4 Announcements 27/12/2017 & 04/11/2019
5 Announcement 03/01/2018
6 Announcement 04/11/2019
7 Announcements 03/01/2018 & 04/01/2018
8 Announcement 8/3/2018

54. LITIGATION (CONTINUED)

(e) HCMP 41/2018

On 11 January 2018, The Company received an originating summons dated 11 January 2018 in Hong Kong Miscellaneous Proceedings No. 41 of 2018 ("**HCMP 41/2018**") issued in the Court of First Instance of the High Court of Hong Kong by Kwok against the Company, the Company's Chairman of the 2017 December EGM ("**the Chairman**") and three of the executive directors of the Company ("**the defendant directors**") for, among others, (i) a declaration that the decision of the Chairman at the 2017 December EGM for not counting the voting rights in respect of 4,468,182,000 ordinary shares in the Company held by Kwok was unlawful, void and/or of no legal effect; (ii) the Company, the Chairman and the defendant directors be restrained from refusing to count the votes attaching to the Kwok's shares at any general meeting of the Company, or in any way to disregard, diminish or qualify the Kwok's rights as a shareholder of the Company; (iii) a declaration that the Kwok's shares be counted towards the ordinary resolutions 1-5 and 7 at the 2017 December EGM and that they were duly passed; (iv) a declaration that the decision at the 2017 December EGM to put ordinary resolutions 15 and 16 to vote was unlawful, void and/or of no legal effect; (v) a declaration that ordinary resolutions 9 and 11 ought to have been put to vote in the 2017 December EGM; (vi) a declaration that the withdrawal of ordinary resolutions 9 and 11 in the 2017 December EGM was wrongfully made, void and/or had no legal effect; (vii) a declaration that the withdrawal of ordinary resolution 14 in the 2017 December EGM was wrongfully made, void and/or had no legal effect; and (viii) an Order that the 2017 December EGM be re-convened in which ordinary resolutions 9, 11 and 14 be put to vote, duly counting Kwok's shares in the voting.[9]

The first hearing of HCMP 41/2018 took place on 6 March 2018.[10] Upon the application taken out by the defendant directors to strike out the action as against each of them, Kwok withdrew HCMP 41/2018 against all the defendant directors.

The substantive hearing of HCMP 41/2018 was heard before the Honourable Mr. Justice Harris sitting as a High Court Judge in Hong Kong during 27 August 2018 to 29 August 2018. On 29 August 2018, Mr. Justice Harris ruled on a preliminary issue of law ("**Preliminary Issue**"), the written reasons for which were handed down on 13 September 2018. In respect of the Preliminary Issue, the learned Judge ruled that:

(i) The Chairman had the power under Article 74 of the Amended and Restated Articles of Association of the Company ("**Article 74**") to determine that the voting rights in respect of the 4,468,182,000 ordinary shares in the Company purportedly registered in the name of Kwok (or his nominee) should not be counted at the 2017 December EGM; and

(ii) The Chairman's decision at the 2017 December EGM exercised under Article 74 was final and conclusive. It can only be challenged in Court if Kwok can demonstrate either it was reached in bad faith or it is demonstrated that the Court should intervene on other common law grounds.

In view of the ruling of the Court, Mr. Justice Harris set down HCMP 41/2018 for trial commencing on 19 March 2019.[11]

On 12 September 2018, Kwok filed a summons to seek leave to appeal against Mr. Justice Harris' decision on the Preliminary Issue.

On 31 March 2019, Mr. Justice Harris dismissed Kwok's originating summons in its entirety with written reasons handed down on 4 March 2020.

Upon Kwok's appeal against the judgment of Mr. Justice Harris, the Court of Appeal dismissed Kwok's appeal on 24 November 2020. After the dismissal of the Kwok's appeal, Kwok has applied for leave to appeal to the Court of Final Appeal.

[9] Announcement 16/01/2018

[10] Announcement 12/02/2018

[11] Announcement 24/09/2018

54. LITIGATION (CONTINUED)

(f) HCA 187/2018 AND HCA 258/2018

On 22 January 2018, Enhance Pacific Limited and Best Year Enterprises Limited commenced High Court Action No. 187 of 2018 ("**HCA 187/2018**") against two subsidiaries of the Company, namely CCL and OPSL, and their respective then directors.

On 30 January 2018, Mr. Sin Kwok Lam commenced legal proceedings against CCL in High Court Action No. 258 of 2018 ("**HCA 258/2018**").

On or about 31 July 2018, both of HCA 187/2018 and HCA 258/2018 were dismissed.[12]

(g) HCA 399/2018

On 14 February 2018, CCL issued a Writ of Summons in High Court Action No. 399 of 2018 ("**HCA 399/2018**") in the High Court of Hong Kong against 13 defendants, including, Cho and Chan. Pursuant to HCA 399/2018, CCL claims against the defendants for, among others, damages or equitable compensation for the loss and damage suffered arising from various transactions in which all or some of the defendants were involved respectively, in the approximate amount of HK$715 million according to the Writ of Summons filed in HCA 399/2018. According to the Writ of Summons filed in HCA 399/2018, such loss and damage have arisen from:

(i) the wrongful acquisition of shares in First Credit Finance Group Limited ("**First Credit**"), a company listed on GEM of the Stock Exchange (stock code: 8215), and manipulation of the share price of such company, causing the then loss and damage to CCL in approximately the amount of HK$259.9 million;

(ii) the manipulation of share price of China Green (Holdings) Limited ("**China Green**"), a company listed on the Main Board of the Stock Exchange (stock code: 904), and dishonesty and conspiracy in failing to convert convertible notes entered into between CCL and China Green at a profit, causing loss and damage to CCL up to the amount of approximately HK$298 million;

(iii) the wrongful acquisition of True Surplus International Investment Limited for the consideration of HK$89.4 million, which CCL is seeking rescission or alternatively damages or equitable compensation;

(iv) the grant of unsecured loan to Athena Power Limited on uncommercial, irrational and/or serious disadvantageous terms, causing loss and damage to CCL in approximately the amount of HK$34.6 million; and

(v) the misappropriation of funds transferred to Checkmate Finance Hong Kong Limited, causing loss and damage to CCL in approximately the amount of HK$33.2 million.[13]

On 26 June 2019, CCL filed a Mareva injunction against Cho and Broad Idea International Limited ("**Broad Idea**"), a company incorporated in the British Virgin Islands, registered or held in the name of Cho, in HCA 399/2018.

By a Court Order on 16 June 2020, the Court of Appeal granted a Worldwide Mareva Injunction against Cho up to and including the trial of HCA 399/2018 or further order of the Court that Cho must not:

(i) remove from Hong Kong any of his assets which are within Hong Kong, whether in his own name or not, and whether solely or jointly owned, up to the value of HK$769,581,153.66; or

(ii) in any way dispose of or deal with or diminish the value of any of his assets, whether within or outside Hong Kong, whether in his own name or not, and whether solely or jointly owned up to the value of HK$769,581,153.66. This prohibition includes (but is not limited to) in particular the shares in Broad Idea, or their net sale money.

[12] Announcement 04/11/2019
[13] Announcements 05/03/2018 & 04/11/2019

54. LITIGATION (CONTINUED)

(h) BVIHK 0019 OF 2018 AND ITS APPEAL

In tandem with the proceedings under HCA 399/2018, CCL obtained a freezing order (the "**Freezing Order**") made by Mr. Justice Chivers QC in the Eastern Caribbean Supreme Court in the High Court of Justice of the British Virgin Islands (the "**BVI Court**") on 7 February 2018 in BVIHK 0019 of 2018, until further order of the BVI Court, against Cho and Broad Idea, that:

(i) Broad Idea be restrained from, among others, (i) in any way disposing of, dealing with or diminishing the value of any shares in Town Health International Medical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3886), up to a value of US$75,583,490.03; (ii) registering or causing to be registered any change in the legal ownership of Cho's shares in Broad Idea ("**Cho's Shares**") in any way; (iii) in any way recognising or causing to be recognised in the register of shares of Broad Idea any such purported change in or transfer of all or any part of the legal ownership of Cho's Shares; (iv) in any way recognising or recording or causing to be recognised or recorded on the register of shares of Broad Idea any change or transfer of the ownership of all or part of the equitable interest in Cho's Shares; (v) removing, or allowing or instructing or causing to be removed, or instructing the removal of, the share certificates pertaining to Cho's Shares from the territory of the British Virgin Islands; and (vi) cancelling Cho's Shares and/or reissuing such shares or causing or instructing the same; and

(ii) Cho be restrained from, among others, (i) in any way disposing of, dealing with or diminishing the value of his assets within the British Virgin Islands up to a value of US$75,583,490.03; (ii) in any way disposing of, diminishing, or dealing with the value of Cho's Shares, whether they are in or outside the British Virgin Islands, whether in his or its name or not, and whether owned jointly, beneficially, legally, or otherwise; and (iii) effecting or allowing to be created or effected any changes, variations or amendments to any agreement, trust and/or any other similar arrangement in relation to which Cho's Shares are held.[14]

On 3 April 2019, Judge Adderley of the BVI Court discharged the Freezing Order as against Cho on jurisdictional ground without adjudicating the merits of CCL's case. CCL has filed a notice of appeal against Judge Adderley's decision. On 25 June 2019, the BVI Court of Appeal stayed the discharge of the Freezing Order pending the appeal. On 18 October 2019, the BVI Court of Appeal heard the appeal and subsequently dismissed the appeal on 30 March 2020.

On 31 July 2019, Judge Adderley of the BVI Court after an inter parte hearing granted the Freezing Injunction against Broad Idea in favor of CCL.[15]

On 29 May 2020, the BVI Court of Appeal allowed the appeal brought by Broad Idea against the decision of Judge Adderley of the BVI Court of 31 July 2019 in relation to the Freezing Injunction against Broad Idea. The BVI Court of Appeal allowed the appeal and set aside the Freezing Injunction against Broad Idea.

CCL has applied for leave to appeal to the Privy Council in relation to the BVI Court of Appeal decisions concerning the Freezing Injunctions against Broad Idea and Cho on 18 June 2020 and 29 June 2020.[16]

On 30 September 2020, the Judicial Committee of the Privy Council granted the application made by CCL to stay the order of the BVI Court of Appeal dated 29 May 2020 as against Broad Idea pending CCL's appeal to the Privy Council concerning the Freezing Injunction against Broad Idea. CCL's appeal against the BVI Court of Appeal decision concerning the Freezing Injunction against Broad Idea and the Freezing Injunction against Cho will take place in the Privy Council on 16 and 17 February 2021.[17]

14 Announcements 05/03/2018 & 24/09/2018
15 Announcement 04/11/2019
16 Announcement 31/07/2020
17 Announcement 30/10/2020

54. LITIGATION (CONTINUED)

(i) HCA 702/2018 AND HCMP 1350/2018

On 27 March 2018, Convoy (Trademarks) Limited as plaintiff, which is not a subsidiary of the Company, ("**CTL**") commenced legal proceedings in the High Court of Hong Kong against the Company and seven of its subsidiaries as defendants. CTL claimed that the Company and other defendants have infringed of a number of registered trademarks (the "**Marks**") registered in the name of CTL.[18]

On 23 August 2018, the Company and its subsidiaries filed a Defence and Counterclaim. Among other grounds of defence, the Company's defence is that its subsidiary, CFS, was and still is at all times the beneficial owner of the Marks. The Company and CFS also counterclaimed against Wong and Mak for breach of their fiduciary duties by causing the Marks to be transferred to CTL, a company of which both of them are interested, at nominal value.

On 29 August 2018, CFS commenced legal proceedings in HCMP 1350/2018 against CTL, Wong and Mak to claim for the beneficial ownership of three further trademarks.[19]

(j) HCMP 900/2018

On 15 June 2018, Kwok commenced legal proceedings by way of originating summons issued in the Court of First Instance of the High Court ("**HCMP 900/2018**") against the Company, CCL and all the directors of the Company (apart from those whose duties have been suspended), which Kwok sought an injunction against the Company and its directors and CCL from disposing CCL's shareholdings in First Credit.[20]

The interim hearing was heard on 22 and 26 June 2018 before Mr. Justice Harris. His Lordship dismissed the application of interim injunction application of Kwok against all the parties involved, with costs on an indemnity basis to be paid forthwith by Kwok to the Company, CCL and its directors.[21]

(k) HCA 2000/2018

On 24 August 2018, the Company and OPSL commenced legal proceedings in the High Court of Hong Kong in HCA 2000 of 2018 against Kwok and Chen in which the Company and OPSL sought the following relief from the Court:

(i) A Declaration that Kwok and/or Chen has/have contravened section 131 of the Securities and Futures Ordinance ("**SFO**"), in that Kwok and/or Chen (acting as associates or otherwise) has/have become and continued to be (purported) substantial shareholder(s) of OPSL, by acquiring and continuing to hold an approximately aggregate of 37.38% shareholding in the Company ("**the 37% Stake**") without the necessary approval to do so from the Securities and Futures Commission ("**SFC**") under section 132 of the SFO.

(ii) A Declaration that Kwok and/or Chen has/have contravened section 131 of the SFO, in that the Kwok and/or Chen has/have purported to exercise the voting rights conferred by the 37% Stake (or any part thereof) which is not exercisable by virtue of section 131(4) of the SFO.

(iii) An injunction order prohibiting Kwok and Chen from exercising the purported voting rights conferred by the 37% Stake, unless and until the SFC approves Kwok and/or Chen to become and continues to be (purported) substantial shareholder(s) of OPSL under section 132 of the SFO.

The relief sought by the Company and OPSL in HCA 2000 of 2018 is expressly made without prejudice to the relief of rescission of the 37% Stake sought by the Company and its subsidiaries in proceedings HCA 2922 of 2017.[22]

On 8 July 2020, the strike out application by Kwok and Chen was heard in the High Court of Hong Kong by Mr. Justice Coleman. On 10 July 2020, Mr. Justice Coleman handed down the decision that HCA2000/2018 be struck out for the reasons that, among other things, it is the SFC which is the relevant person granted the policing powers under the relevant section of the SFO and that it is perfectly open to the Company to lay the same facts before the SFC, and to invite the SFC to exercise the powers given to the SFC under the SFO.[23] The Company and OPSL have subsequently filed an appeal against Mr. Justice Coleman's decision to the Court of Appeal.

18 Announcement 13/04/2018
19 Announcement 04/11/2019
20 Announcement 19/06/2018
21 Announcement 04/07/2018
22 Announcement 24/09/2018
23 Announcement 31/07/2020

54. LITIGATION (CONTINUED)

(l) HCA 1228/2019

On 9 July 2019, CCL commenced legal proceedings against 8 defendants which include Cho and Hui Ka Wah Ronnie, a former executive director of the Company and Chan, for loss and damage arising from the loans extended to Blue Farm Limited in the sum of HK$19,000,000.[24]

(m) HCA 2416/2019

On 30 December 2019, the Company together with three of its wholly-owned subsidiaries filed a Writ of Summons in the High Court of Hong Kong in High Court Action No. 2416 of 2019 ("**HCA 2416/2019**") against Ernst & Young ("**EY**"), a professional accounting firm. According to the Writ of Summons, the plaintiffs claim EY for losses and damages as a result of, among other matters, breach of contract, breach of duty, negligence, misrepresentation and/or negligent misstatement by EY during the period from 1 January 2013 to 31 December 2013 in connection with or arising out of:

(i) auditing and/or certification of the Plaintiffs' audited and other financial statements; and

(ii) the giving of financial, tax, accounting, auditing, business and/or regulatory advice and services and other advice and services to the Plaintiffs.[25]

On 24 August 2020, the plaintiffs filed and served the Amended Writ of Summons and the Statement of Claim of HCA 2416/2019 with the High Court. According to the Statement of Claim, the plaintiffs claim against EY for losses and damages, inter alia, arising as a result of EY's negligence and breach of its contractual obligations in respect of EY's conduct of the audit of the financial statements of the Plaintiffs for the years ended 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016 and seek the following relief:

(i) damages and/or equitable compensation;

(ii) interest calculated on a compound or alternatively, a simple basis, pursuant to Section 48 of the High Court Ordinance (Chapter 4 of the Laws of Hong Kong) or the equitable jurisdiction of the Court, on all sums at such rate and for such period as the Court thinks fit;

(iii) costs; and

(iv) further or alternatively such further or other relief as the Court thinks fit.[26]

(n) HCA 1435 OF 2020

Convoy International Holdings Limited ("**CIHL**"), an indirectly wholly owned subsidiary of the Company, is a shareholder of OJBC Co. Ltd. ("**OJBC**"). OJBC wholly owns Nippon Wealth Limited ("**NWB**"), a company incorporated in Hong Kong which is licensed as a Restricted Licence Bank by the Hong Kong Monetary Authority and licensed to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities by the SFC. It is understood that CIHL's shareholding in OJBC was acquired in or about 2014.

On 25 August 2020, CIHL as plaintiff commenced legal proceedings in the High Court of Hong Kong in High Court Action No.1435 of 2020 suing on behalf of itself and all other shareholders in OJBC (except Shinsei Bank, Limited ("**Shinsei Bank**"), another shareholder of OJBC) and NWB against 7 directors of NWB ("**NWB 7 Directors**") and Shinsei Bank as defendants, by the filing of a Writ of Summons indorsed with a Statement of Claim.

[24] Announcement 04/11/2019

[25] Announcement 3/2/2020

[26] Announcement 27/8/2020 and 30/10/2020

54. LITIGATION (CONTINUED)

(n) HCA 1435 OF 2020 (CONTINUED)

According to the Statement of Claim, CIHL seeks:

(i) a declaration against the NWB 7 Directors that the NWB 7 Directors have acted in breach of their duties in recommending and facilitating the sale of the consumer finance business of NWB (the "**Consumer Finance Business**") to a nominee corporate vehicle of Shinsei Bank ("**Shinsei Bank Nominee**");

(ii) a declaration against the NWB 7 Directors that the sale of the Consumer Finance Business to the Shinsei Bank Nominee was at an gross undervalue and hence, null and void, or has been rescinded or set aside;

(iii) a declaration that the Shinsei Bank Nominee holds the Consumer Finance Business on trust on behalf of NWB for the benefit of NWB;

(iv) an order that the Shinsei Bank Nominee do forthwith return or deliver to NWB the Consumer Finance Business or its fair market value thereof;

(v) an order that the Shinsei Bank Nominee do give a full account for all profits, dividends, income, benefits and/or proceeds derived from the Consumer Finance Business;

(vi) equitable compensation from the NWB 7 Directors, Shinsei Bank and Shinsei Bank Nominee for loss caused by reason of the breach of fiduciary duties by the NWB 7 Directors or dishonest assistance of such breach by Shinsei Bank and Shinsei Bank Nominee;

(vii) account of profits from NWB 7 Directors and Shinsei Bank and the Shinsei Bank Nominee arising from the breach of fiduciary duties by the NWB 7 Directors or dishonest assistance of such breach by Shinsei Bank and Shinsei Bank Nominee;

(viii) Damages, interests, and costs.[27]

(o) HCMP 1578 OF 2020

On 28 September 2020, the Company received an originating summons issued by Kwok against the Company in the High Court of Hong Kong under action number HCMP 1578/2020.

On 19 October 2020, the Company made an application to the High Court of Hong Kong to strike out and dismiss the originating summons in HCMP 1578/2020.

On 20 October 2020, Kwok filed an application for an interim injunction against the Company in HCMP 1578/2020.

In a summary, Kwok sought in the interim injunction application, among other matters, an injunction against the Company (whether by itself, its directors, chairman and other officers, agents or otherwise) from interfering with, obstructing, abating, disregarding or howsoever prejudicing the exercise of the (purported) rights over the (purported) shares of Kwok and his agent(s) in the capital of the Company in the Company's extraordinary general meeting scheduled to be held on 26 November 2020, in the absence of an appropriate declaration against Kwok made by a competent court or any court order restraining Kwok and his agent(s) from exercising their respective (purported) rights as (purported) shareholders of the Company.

The injunction application was heard on 12 November before Mr. Justice Coleman. On 13 November 2020, Mr. Justice Coleman handed down his judgment dismissing Kwok's interim injunction application. On 3 December 2020, Mr. Justice Coleman ordered Kwok to pay 50% of the Company's costs on an indemnity basis.

[27] Announcement 27/8/2020

Particulars of Investment properties

Location	Existing use	Tenure	Attributable interest to the Group
15th Floor, Kaiseng Commercial Centre, 4–6 Hankow Road, Tsim Sha Tsui, Kowloon	Commercial	Medium-term lease	100%

Five Year
Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the respective published audited financial statements, is set out below.

RESULTS

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**863,885**	1,205,145	604,624	1,590,601	1,018,983
Other income and gains, net	**41,534**	7,830	3,202	1,340	6,924
Commission and advisory expenses	**(631,423)**	(577,541)	(479,441)	(838,206)	(622,691)
Staff costs	**(297,099)**	(236,390)	(165,659)	(165,218)	(104,185)
Depreciation	**(37,996)**	(33,658)	(28,136)	(20,924)	(18,737)
Amortisation of intangible assets	**–**	–	(544)	(543)	(544)
Loss/(profit) attributable to non-controlling investors of investment funds	**13,919**	1,596	(1,510)	(461)	–
Other expenses	**(1,224,057)**	(377,486)	(388,919)	(255,060)	(168,347)
Finance costs	**(50,821)**	(49,278)	(43,077)	(3,086)	–
Share of profits/(losses) of associates	**(95,993)**	(3,648)	129	–	–
Share of loss of a joint venture	**(4,157)**	(1,578)	(372)	–	–
PROFIT/(LOSS) BEFORE TAX	**(1,422,208)**	(65,008)	(499,703)	308,443	111,403
Income tax credit/(expense)	**(29,623)**	(39,202)	15,563	(66,965)	(19,825)
PROFIT/(LOSS) FOR THE YEAR	**(1,451,831)**	(104,210)	(484,140)	241,478	91,578
Attributable to:					
Owners of the Company	**(1,435,341)**	(95,522)	(467,258)	246,173	97,704
Non-controlling interests	**(16,490)**	(8,688)	(16,882)	(4,695)	(6,126)
	(1,451,831)	(104,210)	(484,140)	241,478	91,578

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**5,314,785**	6,546,724	6,230,718	1,877,281	716,024
TOTAL LIABILITIES	**(1,761,911)**	(1,675,518)	(1,270,122)	(1,077,191)	(310,411)
NON-CONTROLLING INTERESTS	**39,943**	22,023	14,297	43,096	1,572
	3,592,817	4,893,229	4,974,893	843,186	407,185

Definitions

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

"Articles" or "Articles of Association"	means the articles of association of the Company
"Audit Committee"	means the audit committee of the Board
"Board" or "Board of Directors"	means the board of Directors
"CAM"	means OnePlatform Asset Management Limited (formerly known as Convoy Asset Management Limited), a company incorporated in Hong Kong with limited liability
"CCHK"	means Convoy Capital Hong Kong Limited, a company incorporated in Hong Kong with limited liability
"CCL"	means Convoy Collateral Limited, a company incorporated in Hong Kong with limited liability
"CFG"	means Convoy Financial Group Limited, a company incorporated in the British Virgin Islands with limited liability
"CFS"	means Convoy Financial Services Limited, a company incorporated in Hong Kong with limited liability
"CIP"	means OnePlatform International Property Limited (formerly known as Convoy International Property Consulting Company Limited), a company incorporated in Hong Kong with limited liability
"Company" or "our Company"	means Convoy Global Holdings Limited, a company incorporated in the Cayman Islands on 12 March 2010 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1019)
"CSL"	means OnePlatform Securities Limited (formerly known as CSL Securities Limited), a company incorporated in Hong Kong with limited liability
"Director(s)"	means the director(s) of our Company
"EBITDA"	means earnings or loss before interest, tax, depreciation and amortisation
"Group", "we", "us" or "Convoy"	means the Company and its subsidiaries
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong
"HK cents"	means Hong Kong cents, the lawful currency of Hong Kong
"HKCC"	means Hong Kong Credit Corporation Limited, a company incorporated in Hong Kong with limited liability
"Hong Kong"	means Hong Kong Special Administrative Region of PRC
"ICAC"	means the Independent Commission Against Corruption
"ICO"	means the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong) as amended and supplemented from time to time
"IFA"	means independent financial advisory
"ILAS"	means the acronym for Investment-linked Assurance Scheme, an insurance policy of the "linked long term" class as defined in First Schedule, Part 2 of the ICO
"Independent Third Party(ies)"	means independent third party who is not connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with the connected persons of the Company

Definitions

"Listing"	means the listing of our Shares on the Main Board
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time
"Macau"	means Macau Special Administrative Region of PRC
"Main Board"	means the main board of the Stock Exchange
"Management" or "Management Team"	means the new management team led by Mr. Johnny Chen and Mr. Ng Wing Fai after the appointment of Mr. Johnny Chen as executive Director on 9 December 2017 and other New Board members
"MOP"	means Macau Pataca, the lawful currency of Macau
"MPF"	means Mandatory Provident Fund
"New Board"	means the significant change of composition of the Board and the Board formed after December 2017 with the appointment of Mr. Johnny Chen, Mr. Yap E Hock and other non-executive Director and independent non-executive Directors
"Nomination Committee"	means the nomination committee of the Board
"PRC"	means the People's Republic of China
"Previous Management"	means the previous board members largely comprised of Dr. Cho Kwai Chee (a former executive Director, who was removed by the New Board on 17 August 2018), Mr. Wong Lee Man (a former executive Director, who was removed at the extraordinary general meeting of the Company on 7 January 2021), Ms. Fong Sut Sam (a former executive Director), Ms. Chan Lai Yee (a former executive Director, who was removed at the extraordinary general meeting of the Company on 7 January 2021) and Mr. Tan Ye Kai, Byron (a former executive Director, resigned on 6 January 2018), together with the management staff operated and managed the Group before 8 December 2017
"Remuneration Committee"	means the remuneration committee of the Board
"Renminbi" or "RMB"	means Renminbi, the lawful currency of PRC
"SFC"	means the Securities and Futures Commission
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	means ordinary share(s) with a nominal value of HK$0.10 each in the share capital of our Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"US$"	means United States dollars, the lawful currency of the United States
"%"	means per cent

In this annual report, the terms "associate", "connected person", "subsidiary" and "substantial shareholder" shall have the meanings ascribed to such terms in the Listing Rules, unless the context otherwise requires. The English names of the companies established in the PRC are for identification purposes only.

CONVOY康宏