亞投金融集團有限公司

ASIA INVESTMENT FINANCE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0033)

ANNUAL REPORT 2016

CONTENTS

The English text of this annual report shall prevail over the Chinese text in case of inconsistencies.

CORPORATE INFORMATION

Executive Directors

Cheung Kwan *(Chairperson)*
(Appointed on September 14, 2016)
Wei Jiafu *(Appointed on September 14, 2016)*
Huang Shenglan *(Appointed on September 28, 2016)*
Cheng Wen *(Appointed on September 28, 2016)*
Wong Kwong Sum

Independent Non-executive Directors

Anthony Espina
Wong Tin Yau, Kelvin *(Appointed on October 19, 2016)*
Ho Chun Chung, Patrick

Executive Committee

Cheung Kwan *(Chairperson)*
(Appointed on September 14, 2016)
Wei Jiafu *(Appointed on September 14, 2016)*
Huang Shenglan *(Appointed on November 17, 2016)*
Cheng Wen *(Appointed on November 17, 2016)*
Wong Kwong Sum

Audit Committee

Anthony Espina *(Chairman)*
Wong Tin Yau, Kelvin *(Appointed on October 19, 2016)*
Ho Chun Chung, Patrick

Remuneration Committee

Ho Chun Chung, Patrick *(Chairman)*
Anthony Espina
Wong Tin Yau, Kelvin *(Appointed on October 19, 2016)*

Nomination Committee

Ho Chun Chung, Patrick *(Chairman)*
Anthony Espina
Wong Tin Yau, Kelvin *(Appointed on October 19, 2016)*
Cheung Kwan *(Appointed on January 10, 2017)*
Wong Kwong Sum *(Appointed on May 3, 2016)*

Risk Management Committee

Wei Jiafu *(Chairman) (Appointed on January 10, 2017)*
Cheung Kwan *(Appointed on October 28, 2016)*
Huang Shenglan *(Appointed on September 28, 2016)*
Cheng Wen *(Appointed on September 28, 2016)*

Authorised Representatives

Wong Kwong Sum
Chen Kwok Wang

Company Secretary

Chen Kwok Wang

Website

www.aifgroup.com

Registered Office

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman, KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong

Unit 3201, 32/F.
Bank of America Tower
12 Harcourt Road, Central, Hong Kong

Principal Share Registrar and Transfer Office

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

CORPORATE INFORMATION

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

China Minsheng Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited

Legal Adviser

Fairbairn Catley Low & Kong
23/F Shui On Centre
6–8 Harbour Road
Hong Kong

Auditor

CHENG & CHENG LIMITED
Certified Public Accountants
10/F, Allied Kajima Building
138 Gloucester Road, Wanchai
Hong Kong

Stock Code

0033 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Asia Investment Finance Group Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals.

MARKET REVIEW

For the year ended December 31, 2016 ("Current Year"), the political and economic backdrop of the world became more complicated with increasing uncertainties, for instance, black swan events — the Brexit vote and the U.S presidential election.

At the Hong Kong market, as the pessimism starting in the second half of the year 2015 ("Prior Year") still lingered in early 2016, the Hang Seng Index took a dive to the year's record low. The market was followed by a slow rebound in the second quarter underpinned by firmer economic strength of China.

Despite the uncertainties in the global economy, the Group is still confident in the future about the global economies and financial markets, particularly in those countries and regions within the scope of the "Belt and Road" policy, which are full of emerging opportunities.

The Company will continue to maintain a conservative strategy in managing its existing business operations and at the same time will look for investment projects with potential and seek for new business opportunities in countries and regions within the scope of the "Belt and Road" policy.

BUSINESS REVIEW

The Group's businesses included securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals. During the year of 2016, the operations of the Group's businesses were diverse.

In Hong Kong, the Group had completed the acquisition of a licensed fund management company and licensed stockbroker company during the year. The Group has satisfied licensing requirements under the Securities and Futures Ordinance ("SFO"). During the year, the Group through its licensed money lender subsidiary had commenced lending business in the investment and finance market sectors in Hong Kong. Those new businesses had started operation.

During the year, the Company had completed a subscription of new shares and convertible bonds under a specific mandate and a placing of new shares under a general mandate, and had in aggregate, raised a total net proceeds of about HK$393.6 million. The Group had started trading equity securities of corporations with potential listed on Hong Kong Stock Exchange.

Securities brokerage and asset management

The Group acquired licensed asset management company and licensed stockbroker company during the year. The consideration of approximately HK$9.3 million was applied to settle the acquisition of the licensed asset management company in Hong Kong and approximately HK$24.2 million was paid for the acquisition of the licensed stockbroker company in Hong Kong. The operations and businesses of asset management company and stockbroker company were at startup stage.

The revenue for securities brokerage and asset management were approximately HK$0.6 million for the Current Year (2015: Nil). The businesses were at startup stage and the Group will seek for business opportunities for expanding local and cross-border business.

Money lending business

The licensed money lender subsidiary had commenced business in Hong Kong during the year. The Group commenced money lending business by lending out about HK$118.0 million (2015: Nil) loans as at December 31, 2016. The income from term loans for Current Year were approximately HK$4.8 million (2015: Nil).

Credit guarantee and investment business

The Group involved in credit guarantee and investment business in Mainland China and the revenue of this segment was approximately HK$7.2 million (2015: approximately HK$3.8 million). The Group grant loans to companies with pledge of collateral assets in Mainland China for interest income.

Trading of party products

The Group involved in trading of party products and the revenue of this segment was approximately HK$69.7 million (2015: approximately HK$61.0 million). The Group traded party products with several major and stable customers.

Trading of metals and minerals

The Group involved in trading of metals and minerals in China and the revenue of this segment was approximately HK$39.9 million (2015: approximately HK$2.6 million). The trading of metals and minerals depends on indent basis and the Group traded occasionally.

FINANCIAL REVIEW

During the Year, the Group's revenue was approximately HK$122.1 million representing an increase of approximately 81.2% from approximately HK$67.4 million comparing for the year ended December 31, 2015. The increase in revenue was mainly due to contribution from the new business segment of money lending business and the increase of revenue of trading of mineral business.

Gross profit in Current Year was approximately HK$21.9 million, representing an increase of approximately 259.0% of the approximately HK$6.1 million comparing with Prior Year. In terms of gross profit margin, the current figure was approximately 17.9%, representing an increase of approximately 8.9% from approximately 9.0% for Prior Year. The increase in both of gross profit and gross profit ratio were mainly by the contribution from the revenue of new segment of money lending business and decrease of labour costs in the business of trading of party products.

Operating expenses during the year ended December 31, 2016 was approximately HK$103.7 million, representing an increase of approximately 181.0% from approximately HK$36.9 million for the year ended December 31, 2015, was mainly attributable to the Group's delegation in procuring new investment and business opportunities for the Group, thus more than about two times of the operating expenses comparing with Prior Year, in particular areas of human resources expenses of approximately HK$39.2 million (2015: approximately HK$15.3 million), legal, professional and consultancy fees of approximately HK$15.4 million (2015: approximately HK$3.8 million), rental of premises of approximately HK$26.5 million (2015: approximately HK$8.6 million) and donation of HK$3 million (2015: Nil).

Impairment loss on prepayment of HK$20.0 million in current year (2015: Nil) was included in the Group's profit warning announcement dated March 14, 2017 and was showed as loss on deregistration of subsidiaries, which actually consisted of 1) an impairment loss on prepayment of PRC subsidiaries of HK$20.0 million (2015: Nil) and 2) loss on deregistration of PRC subsidiaries of approximately HK$9.7 million (2015: Nil), and totally amounted to approximately HK$30 million (2015: Nil).

Finance costs during the year ended December 31, 2016 were approximately HK$5.3 million, representing a decrease of approximately 82.0% from approximately HK$29.5 million for the year ended December 31, 2015. Such decrease was mainly due to reducing of the interest expenses on loan advances.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2016, net current assets were approximately HK$413.9 million (December 31, 2015: approximately HK$270.1 million). The Group's current ratio was approximately 3.91 (December 31, 2015: approximately 6.26), based on current assets of approximately HK$555.9 million and current liabilities of approximately HK$142.0 million. The Group's gearing ratio was calculated as total interest bearing borrowings less cash and bank balances divided by shareholders' equity. As at December 31, 2016, the Group's gearing ratio was zero (December 31, 2015: zero). As at December 31, 2016, the Group had cash and bank balances of approximately HK$103.8 million (December 31, 2015: approximately HK$116.8 million). The cash and bank balances were denominated in Renminbi, HK dollar and US dollar. The Group has no structured investment products and foreign exchange contracts. The Group is not exposed to material fluctuations in exchange rates.

As at December 31, 2016, the Group had prepayments, deposits and other receivables of approximately HK$163.7 million, which represented a decrease of approximately HK$1.0 million (0.61%) from approximately HK$164.7 million as at December 31, 2015. As at December 31, 2016, the Group had approximately HK$40 million capital commitments (December 31, 2015: approximately HK$6.1 million). The operating lease commitment for the Group as at December 31, 2016, was approximately HK$35.2 million (December 31, 2015: approximately HK$35.0 million).

The trading securities of approximately HK$98.3 million as at December 31, 2016 (December 31, 2015: Nil) referred to the equitable securities listed in Hong Kong held by the Group as part of treasury operations and short term investment, thus trading securities of approximately HK$98.3 million did not relate to the specific business segment of security brokerage and asset management.

It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity and banking facilities to meet operation requirements and acquisition opportunities.

CAPITAL STRUCTURE

Completion of Subscription of New Shares and Convertible Bonds under Specific Mandate

Under a specific mandate and the Subscription Agreement on February 18, 2016, the Company has allotted (i) 1,000,000,000 Subscription Shares at the Subscription Price of HK$0.10 per Subscription Share and issued (ii) the Convertible Bonds in the principal amount of HK$100,000,000 to the Subscriber, Internet Finance Investment Company Limited, is wholly owned by Ms. Cheung Kwan who is a substantial shareholder and was appointed as an Executive Director on September 14, 2016 of the Company.

According to the terms and conditions of the bonds, the bonds bear a nil interest rate and will mature in second anniversary of the date of issue of the bonds. The bondholder has the right to convert the whole or part of the principal amount of the bonds into Conversion Shares at any time and from time to time, between the date of issue of the bonds and up to the maturity date.

Details of the above transactions had been disclosed in the circular and announcements issued by the Company dated January 8, 2016 and February 18, 2016 respectively.

The fund proceeds from subscription of new shares and convertible bonds under specific mandate amounted to approximately HK$199 million. The Group, by using the fund proceeds, acquired a licensed asset management company, Type 4 and 9 licensed under SFO, and the total consideration was approximately HK$9.3 million and HK$1 million was injected to licensed asset management company as share capital. The acquisition for Type 4 and 9 licensed asset management company was completed on June 2, 2016.

The Group purchased fixed assets for promoting businesses at approximately HK$28.8 million and further, the Group also acquired a licensed securities brokerage company, Type 1 licensed under SFO, and the total consideration was approximately HK$24.2 million and HK$20 million was injected to licensed securities brokerage company as share capital. The acquisition for Type 1 licensed securities brokerage company was completed on August 12, 2016.

Approximately of HK$81.3 million were spent as operating expenses including professional fees for acquisitions, project evaluations, administration expenses for development of financial platform. The remaining amounts of approximately HK$34.4 million were kept as bank balance and used for expanding Type 1, 4 and 9 businesses.

Completion of Placing Shares

On May 26, 2016, the Company has completed a placing of new shares and issued 1,000,000,000 new shares at HK$0.20 per Placing Share pursuant to the terms and conditions of the Placing Agreement and supplemental agreement. The net proceeds from the Placing is approximately HK$194.6 million. The Group, by using the net proceeds, acquired a licensed money lender entity with HK$0.5 million and used HK$168 million for building up loan portfolio under the licensed money lender entity and cash balance of approximately HK$26.1 million was pending for investment opportunities. The acquisition for the licensed money lender company was completed on March 16, 2016.

Details of the above placing transaction had been disclosed in the announcements issued by the Company dated April 29, 2016, May 16, 2016 and May 26, 2016.

Increase in Authorised Share Capital

On June 27, 2016, the Company's authorised share capital has been increased from HK$1,000,000,000 (divided into 10,000,000,000 Shares) to HK$10,000,000,000 (divided into 100,000,000,000 Shares) by the creation of an additional 90,000,000,000 Shares and such increase has been approved by the Shareholders at the annual general meeting ("AGM") of the Company.

CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The head office and principal place of business of the Company in Hong Kong has been changed to Unit 3201, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong with effect from January 6, 2017.

CHANGE OF COMPANY NAME

On June 16, 2016, the Company has changed its English name from "Harmonic Strait Financial Holdings Limited" to "Asia Investment Finance Group Limited" and the Chinese name to "亞投金融集團有限公司" to replace "和協海峽金融集團有限公司". The change of Company name was approved and resolved by a special resolution at the extraordinary general meeting held on June 13, 2016.

CHANGE OF COMPANY WEBSITE

On March 15, 2017, the website of the Company has been changed from http://www.harmonics33.com to http://www.aifgroup.com.

CHANGE OF COMPANY LOGO

On March 15, 2017, the logo of the Company has been changed as below, which will be printed on the relevant corporate documents of the Company, including but not limited to the Company's promotional materials, interim and annual reports, announcements, circulars and corporate stationary.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the current year, the Group completed the acquisition of a licensed corporation carrying out Type 4 (Advising on securities) and Type 9 (Asset management) regulated activities under the SFO at a consideration of approximately HK$9.3 million.

The Group also completed the acquisition of a licensed corporation carrying out Type 1 (Dealing in securities) regulated activity under the SFO and is an exchange participant of the Stock Exchange. It is principally engaged in the business of securities brokerage. The consideration of the acquisition is approximately HK$24.2 million.

During the year, the Group, after arm's length negotiation with the major shareholder of an associated company, decided to dispose of the non-performing 40% equity interest in the associated company, in exchange for the acquisition of the fixed asset held by the associated company. The Group suffered a total loss of approximately HK$8.1 million as a result of this disposal.

The Group has signed an agreement in relation to the acquisition of 24% equity interest in an insurance brokerage company as of December 2016. The acquisition target is principally engaged in the insurance brokerage business of life, casualty and health insurance projects to individuals and businesses in the People's Republic of China (the "PRC"). Up to the date of this report, the completion of this transaction is still subject to the fulfillment of agreed conditional precedents. Therefore, the transaction has not been completed.

CONTINGENT LIABILITIES

As at December 31, 2016, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENT

As at December 31, 2016, the Group had approximately HK$40 million capital commitments (December 31, 2015: HK$6.1 million) which is the balance payment for the acquisition of 24% equity interests of insurance brokerage company incorporated in Beijing, PRC.

HUMAN RESOURCES

As at December 31, 2016, the Group had 97 employees (December 31, 2015: 59 employees). It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on October 30, 2007 to provide incentives and/or to reward eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The purpose of the Scheme is to advance the interests of the Company and its Shareholders by enabling (i) the Company to grant options to attract, retain and reward the eligible persons and to provide them with an incentive or reward for their contribution to the Group and (ii) such persons' contribution to further advance the interests of the Group. The Scheme is valid and effective for a period of ten years commencing on the date of adoption of the Scheme.

On February 5, 2016, 737,640,000 share options had been granted to eligible participants to subscribe for 737,640,000 ordinary shares of HK$0.1 each of the Company at an exercise price of HK$0.15. And on April 26, 2016, as approved by the Board and consented by each of the relevant grantees, having accepted the offer of grant of the share options, the Company and the grantees agreed that such grant of the share options shall be cancelled with effect from April 26, 2016. Further, the Company had, upon approval by the Board, cancelled grant of the rest of the share options which have not yet been accepted by other grantees with effect from April 26, 2016. Accordingly, the grant of the share options has been cancelled in its entirety.

In the AGM held on June 27, 2016, the upper limit of issuable shares under this share option scheme has been refreshed to 936,807,200 option shares, representing 10% of the issued share capital on that date.

As at December 31, 2016, there were a total of 936,807,200 Shares, representing 10% of the issued Shares, available for issue under the Scheme.

PROSPECT

Integration Financial Platform of Licensed Corporations under SFO

The Group is an integrated financial platform which provides one-stop services including securities, funds and assets management, credit guarantees, money lending, and investments and trading. The Group has licensed subsidiaries carrying on Type 1 (Dealing in securities), Type 4 (Advising on securities) and Type 9 (Asset management) regulated activities under the SFO.

The integrated financial platform of licensed corporation under SFO is in startup stage and the Group will make the best preparation and catch up with business opportunities to expand our client foundation, services base and financial income.

Cooperation with Government under the Scope of “Belt and Road”

Based on the businesses of the financial platform, the Group at the same time will seek for new business opportunities in direction and within the scope of the “Belt and Road” policy. The Company entered into a memorandum of understanding with Kazyna Capital Management Joint Stock Company (“KCM”) in relation to the proposed joint establishment of the Hong Kong Kazakhstan Logistics & Growth Fund with target capitalization of not less than USD1 billion in response to development opportunities arising from the national strategy of “Belt and Road” initiative.

As KCM is a well-established sovereign fund entity of the government of the Republic of Kazakhstan, the Group believe that the strategic cooperation with KCM can enable the Group to co-invest in those regional logistics transportation and technology industry leaders in the countries along the “Belt and Road” routes more effectively. The joint establishment of the Hong Kong Kazakhstan Logistics & Growth Fund will be a vital step for the Group to launch and raise fund for expansion of its financial platform across the globe, and is also an important move taken by the Group in response to development opportunities arising from the national strategy of “Belt and Road” initiative and facilitate the Chinese funds to “Going Global”.

In light of the above recent business development of the Group in the field of asset management, the Group entered into of the cooperative framework agreement with Huaining Government, in which to enhance the development of the Group’s financial platform in the field of asset management and broaden its income source and improve its financial performance through cooperation with local government in PRC.

Exploration of New Business Development under “Belt and Road”

In exploring business development of the Group in the field of asset management and investment, the Group has also entered into framework agreement to consider acquiring business which is principally engaged in provision of integrated security service solutions in Hong Kong, Macau and overseas countries. The Group is optimistic about investment in the business of public security services in the countries and regions within the scope of the “Belt and Road” policy, and considers the target Company, being well-positioned in the overseas public securities services business and having built up a well-established client base amongst Chinese governmental agencies, state-owned enterprises and overseas private enterprise, represents an investment opportunity to enhance corporate development and broaden the income base of the Group.

Exploration of New Financial Related Platform in PRC

In December 2016, Company entered into an agreement with independent third parties, for the acquisition of 24% equity interest in an insurance brokerage company. The acquisition target is principally engaged in the insurance brokerage business of life, casualty and health insurance projects to individuals and businesses in the PRC. Insurance brokerage is one of new financial platform and the Group will try the best effort to explore new business opportunities through expanding its financial platform.

The Group is of the view that the acquisition provides a prime opportunity for the Group to expand its financial platform to insurance brokerage business. It is considered that the synergy effect with existing financial services operations of the Group will benefit the Company and its shareholders as a whole.

The management is confident in the future about the global financial markets, particularly in those countries and regions within the scope of and in direction with the "Belt and Road" policy. The Group will seek for financial services and related investment projects to maximize investment income and broaden income source and improve its financial performance.

EVENT AFTER REPORTING PERIOD

(i) Acquisition of equity interest in an insurance brokerage company

In December 2016, the Company entered into an agreement with independent third parties, for the acquisition of 24% equity interest in an insurance brokerage company. The acquisition target is principally engaged in the insurance brokerage business of life, casualty and health insurance projects to individuals and businesses in PRC. Up to the date of this report, the completion of this transaction is still subject to the fulfillment of agreed condition precedents. Therefore, the transaction has not been completed.

The directors are of the view that the acquisition provides a prime opportunity for the Group to expand its financial platform to insurance brokerage business. It is considered that the synergy effect with existing financial services operations of the Group will benefit the Company and its shareholders as a whole.

(ii) Framework agreement in respect of a proposed acquisition

On March 15, 2017, a wholly-owned subsidiary of the Company, B&R Security International Company Limited entered into the framework agreement with vendors, pursuant to which the Company intended to purchase and the vendors intended to sell 20% of the total issued shares of the target company, which is incorporated in Hong Kong with limited liability and is principally engaged in provision of integrated security service solutions in Hong Kong, Macau and overseas countries within the scope of the "Belt and Road" policy. Details of the proposed acquisition would be referred to the announcement dated March 15, 2017.

FINAL DIVIDEND

The Board did not recommend any final dividend for the Current Year (December 31, 2015: Nil).

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Cheung Kwan *(張軍)*, aged (60), was appointed as the Executive Director of the Company on September 14, 2016. Ms. Cheung has around 20 years of experience in project investment, corporation management, merger and acquisition. Her investments in diverse industries ranged from mining, resources, clean energy, cultural industry, health industry and agriculture. Particularly, under the national project of "Belt and Road", she has gained extensive experience and strong business network. Ms. Cheung has served as director and senior manager of various companies. Currently, she is the chairperson as well as managing director of the board of Kazakhstan Potash Corporation Limited, a company listed on the Australian Securities Exchange (Stock code: KPC Australia). Ms. Cheung is also an executive director of Burwill Holdings Limited (Stock code: 0024.HK) since November 2015.

Dr. Wei Jiafu *(魏家福)*, aged (68), was appointed as the Executive Director of the Company on September 14, 2016. Dr. Wei has over 30 years of experience in corporation management. During the period from November 1998 to 2011, Dr. Wei was the President of China Ocean Shipping (Group) Company ("COSCO Group"), which is a company listed in the Fortune Global 500 since the year of 2007, From 2011 to July 2013, Dr. Wei was re-designated as the chairman of the Board of COSCO Group. Chairman and executive director (Hong Kong and China) of China COSCO Holdings Company Limited (Stock code: 1919.HK). During the period from April 2001 to November 2013, Dr. Wei was the vice chairman and non-executive director of China Merchants Bank Co., Ltd (Stock code: 3968.HK). Currently, Dr. Wei is the chief executive officer and executive director of Kazakhstan Potash Corporation Limited, a company listed on the Australian Securities Exchange (Stock code: KPC. Australia) since November 2015. Dr. Wei is an executive director of Burwill Holdings Limited (Stock code: 0024.HK) since December 2015.

Mr. Huang Shenglan *(黃勝藍)*, aged (65), was appointed as the Executive Director of the Company on September 28, 2016. Mr. Huang was an executive director and the deputy governor of China Everbright Bank, Head Office, an executive director and the general manager of China Everbright Technology Limited and an independent non-executive director of Chongqing Road & Bridge Co. Ltd. and Symphony Holdings Limited. Mr. Huang holds a diploma in Arts from Huazhong Normal University and in International Economics from Huadong Normal University and a certificate in International Economic Law from Xiamen University and in Advanced Management Programme from the Business School of Harvard University, USA. Mr. Huang is an independent non-executive director of China LotSynergy Holdings Limited and a non-executive director of China Fortune Investments (Holding) Limited and Burwill Holdings Limited.

Mr. Cheng Wen *(程文)* , aged (49), was appointed as the Executive Director of the Company on September 28, 2016. Mr. Cheng was an executive director and vice CEO of InvesTech Holdings Limited (Stock Code: 01087) from November 16, 2013 to December 23, 2015. Mr. Cheng is in charge of overall financial management, investing management, risk controls and internal controls of InvesTech Holdings Limited. Mr. Cheng graduated in Fuzhou University in June 1989 with a bachelor degree of engineering management. He obtained a doctor degree in corporate management in June 2004 in Sun Yat-Sen University. Mr. Cheng has over 20 years of experiences in financial and corporate management. Throughout his career, he worked in, among others, China Construction Bank (Shenzhen Branch), China Cinda Asset Management Co., Ltd. and Bank of China (Shenzhen Branch). Mr. Cheng has been an independent non-executive director and a member of certain committees of Finsoft Corporation (Stock Code: 8018) from March 23, 2015 to September 30, 2015.

Mr. Wong Kwong Sum *(黃光森)*, aged (50), was appointed as the Executive Director of the Company on March 9, 2015. Mr. Wong holds a Bachelor in Business Administration of West Coast Institute of Management & Technology and has over twenty years of experience in the construction materials supply and retail business. Mr. Wong was a director of Hong Kong Optical Company Limited. Currently, he is a standing committee member of the Chinese People's Political Consultative Conference — Guangzhou Baiyun District.

Independent Non-executive Directors

Mr. Anthony Espina *(艾秉禮)*, aged 68, was appointed as an Independent Non-executive Director of the Company on June 4, 2007. Mr. Espina has over 40 years of experience in the accounting and finance industry. He is the managing director of Goldride Securities Limited and was the chairman of the Hong Kong Securities Association. Mr. Espina is the chairman of the management board and member of supervisory board of AFT Bank in Kazakhstan. He is also the independent non-executive Director of the "Single Accumulative Pension Fund" of a wholly-owned subsidiary of the National Bank of Kazakhstan administering the pension assets of all employees in Kazakhstan. He is also member of supervisory board of Optima Bank in Kyrgyzstan. Mr. Espina was a partner of Arthur Andersen & Co. from 1982 to 1986 and Deloitte Touche Tohmatsu from 1986 to 1990. He was also the president of the Hong Kong Computer Society from 1978 to 1979. He graduated from the University of Southern Queensland with a bachelor degree in business and is an associate member of CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors.

Dr. Wong Tin Yau, Kelvin *(黃天祐)*, JP, aged (56), was appointed as an Independent Non-executive Director of the Company on October 19, 2016. Obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. Wong served as an independent non-executive director for several Hong Kong listed companies from 2004 to 2016, and is currently an executive director, a deputy managing director, the chairman of the corporate governance committee and a member of the executive committee of COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited) (stock code: 01199), an independent non-executive director of China ZhengTong Auto Services Holdings Limited, I.T Limited, Huarong International Financial Holdings Limited and Bank of Qingdao Co., Ltd. He was also an independent non-executive director of AAG Energy Holdings Limited and CIG Yangtze Ports PLC. All the aforementioned companies are listed in Hong Kong. In addition, Dr. Wong is an independent non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company with a dual listing both in Hong Kong and Shanghai, and Xinjiang Goldwind Science & Technology Co., Ltd. ("Xinjiang Goldwind"), a company with dual listing both in Hong Kong and Shenzhen. He was also an independent non-executive director of Xinjiang Goldwind from June 2011 to June 2016.

Dr. Wong is the immediate past chairman and was the chairman (2009–2014) of The Hong Kong Institute of Directors, a non-executive director of the Securities and Futures Commission, the chairman of the Investor Education Centre, a member of the Operations Review Committee of Independent Commission Against Corruption and a member of the Financial Reporting Council.

Mr. Ho Chun Chung, Patrick *(何振琮)*, aged 53, was appointed as an Independent Non-executive Director of the Company on July 10, 2015. Mr. Ho is a certified public accountant and an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Ho obtained from the City University of Hong Kong a master degree in Finance in 1996 and a postgraduate diploma in banking and finance in 1992. Mr. Ho served as the financial controller for Gold Peak Industries (Holdings) Ltd. (the shares of which are listed on the main board of the Stock Exchange (stock code: 40) in 1999 and Chen Hsong Holdings Limited (the shares of which are listed on the main board of the Stock Exchange (stock code: 57) from 2002 to 2005. Mr. Ho was an independent non-executive director of Tesson Holdings Limited (Stock Code: 1201) which shares are listed on the Main Board of the Stock Exchange from 2014 to 2016.

SENIOR MANAGEMENT

Mr. Chen Kwok Wang *(陳國宏)*, aged 54, has joined the Company as Company Secretary on October 9, 2014. Mr. Chen is a qualified solicitor in Hong Kong with current practice in corporate finance.

The directors present their annual report and the audited consolidated financial statements for the year ended December 31, 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group are set out in the "Company Profile of Management Discussion and Analysis" section of this annual report.

RESULTS AND DIVIDEND

The results of the Group for the Current Year are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report.

The Directors do not recommend the payment of any dividends for the Current Year.

BUSINESS REVIEW

The business review of the Group for the year ended December 31, 2016 as set out in the section headed "Management Discussion and Analysis" on the page 4 to 5 of the annual report.

KEY RISKS AND UNCERTAINTIES

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Policy Risks

In light of a series of regulatory policies on the securities market launched by the HK regulators, the policies regarding the securities industry, credit policies imposed on the Group's companies are subject to adjustments. The uncertainty associated with those policies may expose the Group to risks and in turn cause adverse effects.

Market Risks

Market competition from mainland peers became furious as there was increasing number of mainland Chinese players entering into the Hong Kong securities industry. Most of them were looking for cross-border business opportunities. In addition, the tightening of currency outflow in mainland China created barrier for mainland investors in doing offshore investments. The securities markets of the Group are experiencing changes due to the fierce competition.

Operation Risks

Since the securities market is closely related to the economy, the macro-economic trend will influence the overall capital and securities market. The changing macro-economic trend may affect the Company's operation, management and future development.

Credit Risks

The Group is exposed to credit risk of counterparties in its money lending business when customers are in default or in delay of repayments. The Group will monitor its money lending processes and subsequent settlement in order to minimize related exposure.

As investment projects are characterized by the nature of long development time frame, extensive investment and wide involvement of related industries and business partners, any defaults made by clients, suppliers and business partners or any deficiency or failure of internal control may cause negative effects on the business operation of the Company.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group's environmental impact. Energy saving and power monitoring systems are in place for various business units to monitor our environmental performance. The Company also strives to implement recycling and reducing measures in office premises where applicable.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus employee management focuses on recruiting and growing the right people. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

Our Group also understands that maintaining long-term good relationship with business partners is also one of the primary objectives of the Group. Accordingly, our management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between our Group and its business partners.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2016 are set out in the note 27 to the consolidated financial statements.

DONATION

Donation made by the Group for education purpose amounted to HK$3 million (2015: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Current Year are set out in note 26 to the consolidated financial statements.

DIRECTORS

Executive Directors

Cheung Kwan *(Chairperson)*
(Appointed on September 14, 2016)
Wei Jiafu *(Appointed on September 14, 2016)*
Huang Shenglan *(Appointed on September 28, 2016)*
Cheng Wen *(Appointed on September 28, 2016)*
Wong Kwong Sum

Independent Non-executive Directors

Anthony Espina
Wong Tin Yau, Kelvin *(Appointed on October 19, 2016)*
Ho Chun Chung, Patrick

According to Article 130, Mr. Wong Kwong Sum as Executive Director, shall retire from office at Annual General Meeting and shall offer himself for re-election.

According to Article 114, Ms. Cheung Kwan, Dr. Wei Jiafu, Mr. Huang Shenglan and Mr. Cheng Wan who were appointed by the Board as Executive Directors, and Dr. Wong Tin Yau, Kelvin who was appointed by the Board as an Independent Non-executive Director during the Year 2016, shall retire from office at coming General Meeting and shall offer themselves for re-election.

None of the Directors offering themselves 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).

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Listing Rule 3.13. The Company considers all of the Independent Non-executive Directors to be independent.

Each of the Independent Non-executive Directors was appointed for a fixed term and is subject to retirement by rotation at the Annual General Meeting.

None of the Executive Directors has any service contract with any member of the Group.

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

As at December 31, 2016, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of Listing Rules, were as follows:

Name	**Nature of Interests**	**Number of shares**	**Percentage to the issued share capital of the Company**
Cheung Kwan	Beneficial Owner	1,450,000,000 (long position)	15.48%
	Interest of a controlled corporate *(Note 1, 2)*	2,000,000,000 (long position)	21.35%

Note 1: Cheung Kwan owns the entire share capital of Internet Finance Investment Co., Ltd. Therefore, Cheung Kwan was deemed to be interested in 2,000,000,000 shares.

Note 2: The interest in 2,000,000,000 shares arises from (i) 1,000,000,000 shares and (ii) convertible bonds convertible into 1,000,000,000 Conversion Shares.

Save as disclosed above, as at December 31, 2016, as far as the Directors are aware, none of the Directors had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are 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. As at December 31, 2016, the Company had no Chief Executive Officer.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director, as at December 31, 2016, other than the interests of the Directors and Chief Executive Officer as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO. The number of shares in the issued share capital of the Company as at December 31, 2016 was 9,368,072,000.

Name	Nature of Interests	Number of shares	Percentage to the issued share capital of the Company
Internet Finance Investment Co., Ltd.	Beneficial Owner *(Note 1)*	2,000,000,000 (long position)	21.35%

Note 1: The interest in 2,000,000,000 shares arises from (i) 1,000,000,000 shares and (ii) convertible bonds convertible into 1,000,000,000 Conversion Shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed herein, at no time during the Current Year was the Company or any of its subsidiaries a party to any arrangement 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company, its holding company, any of its subsidiaries or any of its fellow subsidiaries was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Current Year or at any time during the Current Year.

EMPLOYEES AND REMUNERATION POLICIES

The remuneration policy of the employees of the Group is set up by the Remuneration Committee on the basis of the merits, qualifications and competence of employees. The emoluments of the Directors are decided by the Remuneration Committee with regard to the Group's operating results, individual performance and comparable market statistics. None of the Directors or any of their associates, and executive is involved in deciding his own remuneration. As at December 31, 2016, the Group had 97 employees (2015: 59 employees). The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical care, provident funds, bonuses and other incentives.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group. The Board may, at its absolute discretion, invite any employees (whether full time or part time), any Executive Directors, any Non-executive Directors, any Independent Non-executive Directors, or any consultants, suppliers or customers of the Group to take up options to subscribe for Shares.

The principal terms of the Share Option Scheme are as follows:

(i) The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other option schemes of the Company must not in aggregate exceed ten (10) per cent of the Shares in issue on the annual general meeting held on June 5, 2015; and the overall maximum number of Shares which may be issued upon the exercise of all outstanding options grants and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time ("30% Overall Limit").

(ii) The total number of Shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one (1) per cent of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the Directors, but shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (c) the nominal value of the Share.

(iv) An option may be accepted by an eligible participant for a period of 30 days from the date upon which the offer of the grant of option is made. A non-refundable nominal consideration of HK$10.00 is payable by the grantee upon acceptance of an option.

(v) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of offer or grant of option and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer for the grant of options but shall end in any event not later than 10 years from the Date of Grant, subject to the provisions for early termination thereof. An option may not be exercised after of grant of option to the Participant pursuant to the Share Option Scheme impose restrictions on the exercise of an option during the period an option may be exercised including (but not limited to), if appropriate, the minimum period for an option must be held or may be exercised.

(vi) The Share Option Scheme remains valid for a period of 10 years commencing on October 30, 2007.

There were no share options granted for the Current Year and no share options outstanding as at December 31, 2016.

The total number of Shares available for issue under the Share Option Scheme was 936,807,200 as at December 31, 2016, representing 10% of the issued Share Capital (9,368,072,000 Shares) of the Company as at the date of this report.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Details of the convertible bond of the Company and its movements during the Current Year are set out in note 31 to the consolidated financial statements.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Year, the percentages of purchases attributable to the Group's largest supplier and five largest suppliers combined were 39.6% and 51.4%, respectively (2015: 6.2% and 20.8%). For the Current Year, the percentages of sales attributable to the Group's largest customer and 5 largest customers combined were 32.7% and 68.7%, respectively (2015: 33.3% and 71.5%). At no time during the year did a director, an associate of a director or a substantial shareholder (owned more than 5% of the Company's issued share capital to the knowledge of the directors) has a beneficial interest in any of the Group's five largest suppliers or customers.

PRE-EMPTIVE RIGHTS

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

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51 (B) of the Listing Rules, the changes in information of directors subsequent to the date of the 2016 Interim Report of the Company is set out below:

Ms. Cheung Kwan was appointed as an Executive Director and the Chairperson of the Board, and a member and Chairperson of Executive Committee on September 14, 2016, and was appointed as a member of Risk Management Committee on October 28, 2016 and a member of Nomination Committee on January 10, 2017.

Dr. Wei Jiafu was appointed as an Executive Director on September 14, 2016 and a member of Executive Committee and Nomination Committee, and was appointed as a member and the Chairman of Risk Management Committee on January 10, 2017.

Mr. Huang Shenglan was appointed as an Executive Director and a member of Risk Management Committee on September 28, 2016, and was appointed as a member of Executive Committee on November 17, 2016.

Mr. Cheng Wen was appointed as an Executive Director and a member of Risk Management Committee on September 28, 2016, and was appointed as a member of Executive Committee on November 17, 2016.

Mr. Wong Kwong Sum was ceased to be the Chairman but remains as a member of Executive Committee with effect on September 14, 2016, and was ceased to be the Chairman and a member of Risk Management Committee with effect on 28 Oct 2016.

Dr. Cheung Wah Keung resigned as an Independent Non-executive Director, a member of Audit Committee, a member and the Chairman of Remuneration Committee, and a member and the Chairman of Nomination Committee with effect on September 14, 2016. Following the resignation of Dr. Cheung, Mr. Ho Chun Chung, Patrick, an Independent Non-executive Director was appointed as the Chairman of Remuneration Committee and the Chairman of Nomination Committee of the Board.

Mr. Zhao Tieliu resigned as an Executive Director and members of Executive Committee and Risk Management Committee with effect on September 28, 2016.

Mr. Xie Li resigned as an Executive Director, a member of Executive Committee, and the Chairman and a member of Risk Management Committee with effect on September 28, 2016.

Dr. Wong Tin Yau, Kelvin was appointed an Independent Non-executive Director and members of Audit Committee. Remuneration Committee and Nomination Committee with effect on October 19, 2016.

Mr. Zhang Huadi resigned as an Independent Non-executive Director and members of Audit Committee, Remuneration Committee and Nomination Committee with effect on October 19, 2016.

Dr. Wang Edward Xu resigned as a Non-executive Director and members of Audit Committee and Remuneration Committee with effect on December 8, 2016.

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended December 31, 2016 have been reviewed and approved by the audit committee of the Company (the "Audit Committee"). The Audit Committee is of the opinion that such audited financial statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and all other applicable legal requirements. The Audit Committee therefore recommended for the Board's approval of the Group's audited consolidated financial statements for the year ended December 31, 2016.

AUDITOR

The consolidated financial statements of the Group for the Current Year have been audited by CHENG & CHENG LIMITED ("C&C"). C&C was re-appointed on June 27, 2016 as the auditor of the Company and hold office until the conclusion of the forthcoming Annual General Meeting ("AGM"). C&C retires and, being eligible, offers itself for reappointment. C&C was first appointed as our auditor for the annual report for the period ended December 31, 2008 on November 19, 2008. A resolution for re-appointment of C&C as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Wei Jiafu
Executive Director

Hong Kong
March 28, 2017

The Company is committed to maintaining a high standard corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and the enhancement of shareholder's value. We are committed to providing high-quality products and services to the satisfaction of our customers; to maintaining high standards of business ethics and achieving these goals while, at the same time, providing satisfactory and sustainable returns to shareholders. The board had adopted the Code on Corporate Governance Practices (the "CG Code") as contained in Appendix 14 of the Listing Rules.

The Board is pleased to report compliance with code provisions of the CG Code for the period from January 1, 2016 to December 31, 2016, except CG Code A.2.1, A.6.7 and E.1.2.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding directors' securities since its listing on November 19, 2007. Having made specific enquiries to all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code for the Current Year.

THE BOARD

The Board is responsible for the formulation of business policies and strategies in relation to the business operation of the Group, for nomination and appointment of directors, and to ensure the availability of resources as well as to the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board sub-committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively. Each Director shall ensure that he/she carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and acts as in the interests of the Company and its shareholders at all times. From January 1, 2016 to December 31, 2016, sixteen Board meetings, one Annual General Meeting held on June 27, 2016 ("2016 AGM") and two Extraordinary General Meetings held on January 25, 2016 and June 13, 2016 ("2016 EGMs") were held and the attendance of each director is set out as follows:

	Number of Attendance		
Directors	**Board Meetings**	**2016 AGM**	**2016 EGMs**
Executive Directors			
Cheung Kwan *(Chairperson) (appointed on September 14, 2016) (note 1)*	5/5	N/A	N/A
Wei Jiafu *(appointed on September 14, 2016) (note 2)*	3/5	N/A	N/A
Huang Shenglan *(appointed on September 28, 2016) (note 3)*	3/4	N/A	N/A
Cheng Wen *(appointed on September 28, 2016) (note 4)*	3/4	N/A	N/A
Wong Kwong Sum	16/16	1/1	2/2
Tong Nai Kan *(resigned with effect from May 3, 2016) (note 5)*	1/6	N/A	0/1
Zhao Tieliu *(resigned with effect from September 28, 2016) (note 6)*	0/11	0/1	0/2
Xie Li *(resigned with effect from September 28, 2016) (note 7)*	11/11	1/1	1/2
Non-executive Directors			
Wang Edward Xu *(resigned with effect from December 8, 2016) (note 8)*	13/16	0/1	0/2
Independent Non-executive Directors			
Anthony Espina	4/16	0/1	0/2
Ho Chun Chung, Patrick	13/16	1/1	0/2
Wong Tin Yau, Kelvin *(appointed on October 19,2016) (note 9)*	2/3	N/A	N/A
Cheung Wah Keung *(resigned with effect from September 14, 2016) (note 10)*	4/11	1/1	2/2
Zhang Huadi *(resigned with effect from October 19, 2016) (note 11)*	3/12	0/1	0/2

The former Chairman, Dr. Cheung Wah Keung resigned with effect from September 14, 2016 attended 2016 AGM to answer questions and collect views of shareholders. Though one Non-executive Director and two Independent Non-executive Directors were unable to attend 2016 AGM due to their prior engagements, other Directors, the Company Secretary and the auditors had attended the meeting to answer questions at the meeting.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors.

Notes:

1. Ms. Cheung Kwan was appointed on September 14, 2016, and she was eligible to attend 5 board meetings, but was not eligible to attend both 2016 AGM and 2016 EGMs.

2. Dr. Wei Jiafu was appointed on September 14, 2016, and he was eligible to attend 5 board meetings, but was not eligible to attend both 2016 AGM and 2016 EGMs.

3. Mr. Huang Shenglan was appointed on September 28, 2016, and he was eligible to attend 4 board meetings, but was not eligible to attend both 2016 AGM and 2016 EGMs.

4. Mr. Cheng Wan was appointed on September 28, 2016, and he was eligible to attend 4 board meetings, but was not eligible to attend both 2016 AGM and 2016 EGMs.

5. Mr. Tong Nai Kan resigned with effect from May 3, 2016 and he was eligible to attend 6 board meetings and 1 of 2016 EGMs held on January 25, 2016

6. Mr. Zhao Tieliu resigned with effect from September 28, 2016 and he was eligible to attend 11 board meetings, 2016 AGM and 2016 EGMs.

7. Mr. Xie Li resigned with effect from September 28, 2016 and he was eligible to attend 11 board meetings, 2016 AGM and 2016 EGMs.

8. Dr. Wang Edward Xu resigned with effect from December 8, 2016 and he was eligible to attend 16 board meetings, 2016 AGM and 2016 EGMs.

9. Dr. Wong Tin Yau, Kelvin was appointed on October 19, 2016 and he was eligible to attend 3 board meetings, but was not eligible both 2016 AGM and 2016 EGMs.

10. Dr. Cheung Wah Keung resigned with effect from September 14, 2016 and he was eligible to attend 11 board meetings, 2016 AGM and 2016 EGMs.

11. Mr. Zhang Huadi resigned with effect from October 19, 2016 and he was eligible to attend 12 board meetings, 2016 AGM and 2016 EGMs.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended December 31, 2016, the Company has complied with the code provisions set out in the CG Code as set out in Appendix 14 of the Listing Rules except the following.

Under A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. Since January 10, 2011, the Company has not had any Chief Executive Officer. The functions of Chief Executive Officer were performed by the Executive Committee. The Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development.

Code provision A.6.7 of the Code requires that Independent Non-executive Directors and other Non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Anthony Espina and Mr. Zhang Huadi (resigned on October 19, 2016), being the Independent Non-executive Directors and Dr. Wang Edward Xu (resigned on December 8, 2016), being the Non-executive Director, did not attend the AGM held on June 27, 2016 due to their prior engagements.

Under code provision E.1.2 of the Corporation Governance Code, the chairman of audit committee should be available to answer questions at the annual general meeting of the Company. Due to prior engagement, the chairman of the audit committee was unable to attend the annual general meeting of the Company held on June 27, 2016 in person, but he has already delegated to one of the Independent Non-executive Directors of the Company on his behalf to answer questions at the annual general meeting of the Company.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors are persons with academic and professional qualifications as stated in Directors and Senior Management section. They support the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has provided an annual confirmation of independence to the Company and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

The service contract of Independent Non-executive Directors, Mr. Ho Chun Chung, Patrick and Mr. Anthony Espina were renewed for two years commencing from the respective dates of July 10, 2016 and November 19, 2016, Dr. Wong Tin Yau, Kelvin was appointed for two years commencing from October 19, 2016 and are subject to retirement by rotation at the Annual General Meeting.

The Non-executive Director, Dr. Wang Edward Xu resigned with effect from December 8, 2016.

BOARD SUB-COMMITTEES

A. Executive Committee

To assist the board of directors in running the operations on a daily basis, the Board had set up a sub-committee, namely Executive Committee on July 15, 2009. The terms of reference of the Executive Committee are available on the Company's website at www.aifgroup.com and the website of the Stock Exchange.

From January 1, 2016 to December 31, 2016, twelve Executive Committee meetings were held. The attendance of each member of Executive Committee is set out as follows:

Directors	**Number of Attendance**
Executive Directors	
Cheung Kwan *(Chairperson) (appointed on September 14, 2016) (note 1)*	3/6
Wei Jiafu *(appointed on September 14, 2016) (note 2)*	5/6
Huang Shenglan *(appointed on November 17, 2016) (note 3)*	4/4
Cheng Wen *(appointed on November 17, 2016) (note 4)*	1/4
Wong Kwong Sum	12/12
Tong Nai Kan *(resigned with effect from May 3, 2016) (note 5)*	3/3
Zhao Tieliu *(resigned with effect from September 28, 2016) (note 6)*	0/8
Xie Li *(resigned with effect from September 28, 2016) (note 7)*	3/8

Notes:

1. Ms. Cheung Kwan was appointed on September 14, 2016 and she was eligible to attend 6 Executive Committee meetings.
2. Dr. Wei Jiafu was appointed on September 14, 2016 and he was eligible to attend 6 Executive Committee meetings.
3. Mr. Huang Shanglan was appointed on November 17, 2016 and he was eligible to attend 4 Executive Committee meetings.
4. Mr. Cheng Wen was appointed on November 17, 2016 and he was eligible to attend 4 Executive Committee meetings.
5. Mr. Tong Nai Kan resigned with effect from May 3, 2016 and he was eligible to attend 3 Executive Committee meetings.
6. Mr. Zhao Tieliu resigned with effect from September 28, 2016 and he was eligible to attend 8 Executive Committee meetings.
7. Mr. Xie Li resigned with effect from September 28, 2016 and he was eligible to attend 8 Executive Committee meetings.

B. Remuneration Committee

The Remuneration Committee was established on October 30, 2007. The Remuneration Committee assists the Board to determine the policy for the remuneration of executive directors and senior management, assessing performance of executive directors and senior management and approving the terms of executive directors' and senior management's service contracts and to develop a formal and transparent remuneration policy. The Remuneration Committee makes recommendations to the board on the remuneration packages of individual executive directors and senior management.

The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Ho Chun Chung, Patrick, Mr. Anthony Espina and Dr. Wong Tin Yau, Kelvin. Mr. Ho Chun Chung, Patrick is the Chairman of the Remuneration Committee. The terms of reference of Remuneration Committee are available on the Company's website at www.aifgroup.com and the website of the Stock Exchange.

From January 1, 2016 to December 31, 2016, five Remuneration Committee meetings were held. The attendance of each member of Remuneration Committee is set out as follows:

Directors	**Number of Attendance**
Independent Non-executive Directors	
Ho Chun Chung, Patrick *(Chairman)*	5/5
Anthony Espina	2/5
Wong Tin Yau, Kelvin *(appointed on October 19, 2016) (note 1)*	1/1
Cheung Wah Keung *(resigned with effect from September 14, 2016) (note 2)*	2/2
Zhang Huadi *(resigned with effect from October 19, 2016) (note 3)*	0/3
Non-executive Directors	
Wang Edward Xu *(resigned with effect from December 8, 2016) (note 4)*	5/5

Due these meetings, the Remuneration Committee reviewed the remuneration packaged for all Directors and senior management, the employee's salary increment proposal and relevant reports.

Notes:

1. Dr. Wong Tin Yau, Kelvin was appointed on October 19, 2016 and he was eligible to attend 1 Remuneration Committee meetings.
2. Dr. Cheung Wah Keung resigned with effect from September 14, 2016 and he was eligible to attend 2 Remuneration Committee meetings.
3. Mr. Zhang Huadi resigned with effect from October 19, 2016 and he was eligible to attend 3 Remuneration Committee meetings.
4. Dr. Wang Edward Xu resigned with effect from December 8, 2016 and he was eligible to attend 5 Remuneration Committee meetings.

Details of remuneration paid to members of senior management other than the directors fell within the following bands:

	Number of individuals
HK$0–HK$1,000,000	0
HK$1,000,001 and above	3

C. Audit Committee

The Audit Committee was established on October 30, 2007. The Audit Committee is mainly responsible for corporate governance, financial reporting and corporate control.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Ho Chun Chung, Patrick and Dr. Wong Tin Yau, Kelvin. Mr. Anthony Espina is the Chairman of the Audit Committee. The terms of reference of Audit Committee are available on the Company's website at www.aifgroup.com and the website of the Stock Exchange.

From January 1, 2016 to December 31, 2016, two Audit Committee meetings were held to consider and approve the audited consolidated financial statements for the year ended December 31, 2015 and the unaudited consolidated financial statements for the six months ended June 30, 2016. The attendance of each member of Audit Committee is set out as follows:

Directors	**Number of Attendance**
Independent Non-executive Directors	
Anthony Espina *(Chairman)*	2/2
Ho Chun Chung, Patrick	1/2
Wong Tin Yau, Kelvin *(appointed on October 19, 2016) (note 1)*	N/A
Cheung Wah Keung *(resigned with effect from September 14, 2016) (note 2)*	2/2
Zhang Huadi *(resigned with effect from October 19, 2016) (note 3)*	1/2
Non-executive Directors	
Wang Edward Xu *(resigned with effect from December 8, 2016) (note 4)*	2/2

Notes:

1. Dr. Wong Tin Yau, Kelvin was appointed on October 19, 2016 and he was not eligible to attend any Audit Committee meeting.

2. Dr. Cheung Wah Keung resigned with effect from September 14, 2016 and he was eligible to attend 2 Audit Committee meetings.

3. Mr. Zhang Huadi resigned with effect from October 19, 2016 and he was eligible to attend 2 Audit Committee meetings.

4. Dr. Wang Edward Xu resigned with effect from December 8, 2016 and he was eligible to attend 2 Audit Committee meetings.

For the Current Year, the principal works performed by the Audit Committee included:

- reviewing the annual report which comprised the audited consolidated financial statements for the Current Year;
- reviewing the final result announcement;
- reviewing the interim report and interim result announcement;
- reviewing the significant accounting issues raised by the management and
- reviewing the Company's compliance with regulatory and statutory requirements.

The Audit Committee of the Company has reviewed the Group's financial results for the Current Year.

D. Nomination Committee

The Nomination Committee was established on March 27, 2012. The Nomination Committee assists the Board to determine the policy, procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship. In addition, the Nomination Committee is also responsible for reviewing the structure, size and composition of the board, identifying, individuals suitably qualified to become board members, assessing the independence of Independent Non-executive Directors and making recommendations to the board on relevant matters relating to the appointment or re-appointment of directors.

The Nomination Committee comprises three Independent Non-executive Directors, namely Mr. Ho Chun Chung, Patrick, Mr. Anthony Espina and Dr. Wong Tin Yau, Kelvin; and two Executive Directors, Ms. Cheung Kwan and Mr. Wong Kwong Sum. Mr. Ho Chun Chung, Patrick is the Chairman of the Nomination Committee. The terms of reference of Nomination Committee are available on the Company's website at www.aifgroup.com and the website of the Stock Exchange.

From January 1, 2016 to December 31, 2016, six Nomination Committee meetings were held. The attendance of each member of Nomination Committee is set out as follows:

Directors	**Number of Attendance**
Independent Non-executive Directors	
Ho Chun Chung, Patrick *(Chairman)*	5/6
Anthony Espina	2/6
Wong Tin Yau, Kelvin *(appointed on October 19, 2016) (note 1)*	N/A
Cheung Wah Keung *(resigned with effect from September 14, 2016) (note 2)*	3/4
Zhang Huadi *(resigned with effect from October 19, 2016) (note 3)*	0/5
Non-executive Directors	
Wang Edward Xu *(resigned with effect from December 8, 2016) (note 4)*	6/6
Executive Directors	
Cheung Kwan *(appointed on January 10, 2017) (note 5)*	N/A
Wei Jiafu *(appointed on September 14, 2016 and ceased on January 10, 2017) (note 6)*	2/2
Wong Kwong Sum	6/6
Tong Nai Kan *(resigned with effect from May 3, 2016) (note 7)*	0/1

During these meetings, the Nomination Committee reviewed the board structure of the Company and recommended candidates for directorship.

Notes:

1. Dr. Wong Tin Yau, Kelvin was appointed on October 19, 2016 and he was not eligible to attend any Nomination Committee meeting.
2. Dr. Cheung Wah Keung resigned with effect from September 14, 2016 and he was eligible to attend 4 Nomination Committee meetings.
3. Mr. Zhang Huadi resigned with effect from October 19, 2016 and he was eligible to attend 5 Nomination Committee meetings.
4. Dr. Wang Edward Xu resigned with effect from December 8, 2016 and he was eligible to attend 6 Nomination Committee meetings.
5. Ms. Cheung Kwan was appointed on January 10, 2017 and she was not eligible to attend any Nomination Committee meeting.
6. Dr. Wei Jiafu was appointed on September 14, 2016 and he was eligible to attend 2 Nomination Committee meetings, and ceased on January 10, 2017.
7. Mr. Tong Nai Kan resigned with effect from May 3, 2016 and he was eligible to attend 1 Nomination Committee meeting.

E. Risk Management Committee

The Risk Management Committee was established on December 28, 2015. The Risk Management Committee is responsible for assisting the Board to evaluate and determine the nature and extent of the risks the Board is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems, and assisting the Board to oversee management in the design, implementation and monitoring of the risk management and internal control system. Currently, members of the Risk Management Committee comprise four Executive Directors namely, Dr. Wei Jiafu, Ms. Cheung Kwan, Mr. Huang Shenglan and Mr. Cheng Wan. Dr. Wei Jiafu is the Chairman of the Risk Management Committee. The terms of reference of Risk Management Committee are available on the Company's website at www.aifgroup.com and the website of the Stock Exchange.

From January 1, 2016 to December 31, 2016, two Risk Management Committee meetings were held. The attendance of each member of Risk Management Committee is set out as follows:

Directors	**Number of Attendance**
Executive Directors	
Wei Jiafu *(Chairman) (appointed on January 10, 2017) (note 1)*	N/A
Cheung Kwan *(appointed on October 28, 2016) (note 2)*	N/A
Huang Shenglan *(appointed on September 28, 2016) (note 3)*	N/A
Cheng Wen *(appointed on September 28, 2016) (note 4)*	N/A
Zhao Tieliu *(resigned with effect from September 28, 2016) (note 5)*	0/2
Wong Kwong Sum *(ceased on October 28, 2016) (note 6)*	2/2
Xie Li *(resigned with effect from September 28, 2016) (note 7)*	2/2

During these meetings, the Risk Management Committee reviewed the Group's risk management process and internal control system.

Notes:

1. Dr. Wei Jiafu was appointed on January 10, 2017 and he was not eligible to attend any Risk Management Committee meeting.

2. Ms. Cheung Kwan was appointed on October 28, 2016 and she was not eligible to attend any Risk Management Committee meeting.

3. Mr. Huang Shenglan was appointed on September 28, 2016 and he was not eligible to attend any Risk Management Committee meeting.

4. Mr. Cheng Wen was appointed on September 28, 2016 and he was not eligible to attend any Risk Management Committee meeting.

5. Mr. Zhao Tieliu resigned with effect from September 28, 2016 and he was eligible to attend 2 Risk Management Committee meetings.

6. Mr. Wong Kwong Sum ceased on October 28, 2016 and he was eligible to attend 2 Risk Management Committee meetings.

7. Mr. Xie Li resigned with effect from September 28, 2016 and he was eligible to attend 2 Risk Management Committee meetings.

Corporate Governance Functions

No Corporation governance committee has been established and the Board is responsible for performing the corporate governance functions such as development and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and reviewing the Company's compliance with the code and disclosure in this Corporate Governance Report.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the Current Year and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Director also ensure the timely publication of such consolidated financial statements.

The statement of the external auditor of the Company, CHENG & CHENG LIMITED, with regard to its reporting responsibilities on the Group's consolidated financial statements, is set out in the Independent Auditor's Report included in this annual report.

The Directors confirm that, to the best of their knowledge, having made an reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Group not to continue as a going concern.

BUSINESS MODEL AND STRATEGY

The Group has the mission to excelling securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals business whilst maintaining long term profitability and assets growth with adoption of flexible business model and strategy and prudential risk and capital management framework. The Board have played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group in serving customers well with premium service quality; the Group's business strategic drive for business expansion and opportunities; and the Group's setting of strategic goals, priorities and initiatives undertaken to motivate staff to achieve business and financial targets. Details of the Group's Business Review and Financial Review in the year 2016 are set out in the "Management Discussion and Analysis" section of this annual report.

AUDITOR'S REMUNERATION

For the Current Year, the fees paid/payable to the Company's auditor in respect of audit and non-audit services provided by the Company's auditor to the Group were as follows:

	HK$'000
Audit services	888
Non-audit services	550
	1,438

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

According to Article 130, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every Annual General Meeting provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Mr. Wong Kwong Sum as Executive Director shall retire from office at Annual General Meeting and shall offer himself for re-election.

According to Article 114, Ms. Cheung Kwan, Dr. Wei Jiafu, Mr. Huang Shenglan and Mr. Cheng Wan who were appointed by the Board during Year 2016 as Executive Directors, and Dr. Wong Tin Yau, Kelvin who was appointed by the Board on October 19, 2016 as an Independent Non-executive Director, they shall retire from office at coming General Meeting and shall offer themselves for re-election.

The Non-executive Director and the Independent Non-executive Directors were appointed for a fixed term and are subject to re-election in compliance with CG Code A.4.1.

Board Diversity Policy

The Board has adopted a Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Company also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Nomination Committee has set measurable objectives based on four focus areas: gender, age, working experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Board Process

The Board held meetings from time to time whenever necessary. Reasonable prior notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at reasonable time before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Professional Development

Each newly appointed Director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has an appropriate understanding of the business and operations of the Company.

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the Company Secretary of the Company.

The individual training record of each director received for the year ended December 31, 2016 is summarized below:

	Attending seminar(s)/ programme(s)/conference(s)/ reading material relevant to the business or directors' duties
Executive Directors	
Cheung Kwan *(appointed on September 14, 2016)*	✓
Wei Jiafu *(appointed on September 14, 2016)*	✓
Huang Shenglan *(appointed on September 28, 2016)*	✓
Cheng Wen *(appointed on September 28, 2016)*	✓
Wong Kwong Sum	✓
Tong Nai Kan *(resigned with effect from May 3, 2016)*	N/A
Zhao Tieliu *(resigned with effect from September 28, 2016)*	N/A
Xie Li *(resigned with effect from September 28, 2016)*	N/A
Non-executive Directors	
Wang Edward Xu *(resigned with effect from December 8, 2016)*	N/A
Independent Non-executive Directors	
Anthony Espina	✓
Wong Tin Yau, Kelvin *(appointed on October 19, 2016)*	✓
Ho Chun Chung, Patrick	✓
Cheung Wah Keung *(resigned with effect from September 14, 2016)*	N/A
Zhang Huadi *(resigned with effect from October 19, 2016)*	N/A

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

COMPANY SECRETARY

Mr. Chen Kwok Wang ("Mr. Chen") was appointed as the Company secretary of the Company on October 19, 2014. The biographical details of Mr. Chen are set out under the section headed "Directors and Senior Management". His primary corporate contact at the Company was Mr. Wong Kwong Sum. According to the Rule 3.29 of the Listing Rules, Mr. Chen has taken no less than 15 hours of relevant professional training during the financial year ended December 31, 2016.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Group's system of risk management and internal control and for monitoring its adequacy and effectiveness. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for (i) safeguarding assets against unauthorised use or disposition; (ii) maintaining proper accounting records; and (iii) ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board through the Risk Management Committee, has overseen the Company's risk management and internal control systems on an ongoing basis. A year-end review of the effectiveness of the Group's risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate by the Risk Management Committee, and the significant risk issues, if any, are referred to the Board with management responses and recommendations for consideration.

The Group also has an internal audit function to carry out an analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

For the year ended December 31, 2016, the Board has, through the Risk Management Committee conducted a review of the effectiveness of the Group's internal control systems, including financial control, operational control and compliance controls. The Board is of the view that the internal control systems are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control systems.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an Annual General Meeting, shall be called an Extraordinary General Meeting ("EGM").

— Right to convene Extraordinary General Meeting

Any two or more members or any one member of the Company which is a recognized clearing house (or its nominee(s)) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the Company Secretary of the Company at the Company's principal place of business at Unit 3201, 32/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all registered members. On the contrary, if the request has been verified in not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting to be held with a further 21 days, the requisitionist(s), may convene a meeting in the same manner within three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The Notice period to be given to all registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice writing (and not less than 10 clear business days) if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing (and not less than 10 clear business days) if the proposal constitutes a special resolution of the Company in EGM.

— Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

— Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 79 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 116 of the Company's Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Company Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and notice in writing signed by the person to be proposed of his willingness to be elected. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Investor Relations

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.aifgroup.com.

Constitutional Documents

On June 16, 2016, the Company has changed its English name from "Harmonic Strait Financial Holdings Limited" to "Asia Investment Finance Group Limited" and the Chinese name to "亞投金融集團有限公司" to replace "和協海峽金融集團有限公司". The change of Company name was approved and resolved by a special resolution at the extraordinary general meeting held on June 13, 2016.

On June 27, 2016, the Company's authorised share capital has been increased from HK$1,000,000,000 (divided into 10,000,000,000 Shares) to HK$10,000,000,000 (divided into 100,000,000,000 Shares) by the creation of an additional 90,000,000,000 Shares and such increase has been approved by the Shareholders at the annual general meeting of the Company.

Save as disclosed above, there was no change to the Company's Memorandum and Articles of Association during the year ended December 31, 2016. A copy of the latest amended and restated version of the Memorandum and Articles of Association is posted on the websites of the Company and the Stock Exchange.

On behalf of the Board

Wei Jiafu
Executive Director

Hong Kong
March 28, 2017

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司
10/F. Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASIA INVESTMENT FINANCE GROUP LIMITED (FORMERLY KNOWN AS HARMONIC STRAIT FINANCIAL HOLDINGS LIMITED)

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Asia Investment Finance Group Limited (the "Company") and its subsidiaries ("the Group") set out on pages 44 to 119, which comprise the consolidated statement of financial position as at December 31, 2016, 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in our audit
Business combinations Refer to note 33 in the consolidated financial statements	
There have been several acquisitions during the year ended December 31, 2016. As detailed in note 33, approximately HK$3 million of goodwill and approximately HK$18 million of intangible assets has been recognised in connection with the business combinations. Of this, the acquisition of AIF Asset Management Limited represented approximately HK$3 million of the increase in goodwill and HK$5.5 million of the increase in intangible assets. While the acquisition of AIF Securities Limited represented approximately HK$12.4 million of the increase in intangible assets. Significant judgement has been exercised by management in establishing the initial estimates of the fair values of the identifiable assets and liabilities acquired together with the goodwill and intangible assets arising on acquisitions in preparing their purchase price allocation. The Group engaged an independent external valuer to assist in the valuation of the goodwill and intangible assets arising, in addition to considering the estimated useful lives of the identified intangible assets.	We have performed the following procedures to address this key audit risk: — Obtained and reviewed the share purchase agreements; due diligence reports and associated contractual agreements for the current year business combinations and understood the terms and conditions of each transaction to assess compliance with HKFRS 3 Business Combinations; — Tested the initial consideration to the signed purchase agreement and to bank statements and assessed the appropriateness of the fair value of the total consideration determined by the management; — Assessed the valuation models prepared by management to value the businesses and intangible assets identified in the acquired businesses of AIF Asset Management Limited and AIF Securities Limited; — Evaluated the independent external valuer's competence, capabilities and objectivity; — Assessed the methodologies used and the appropriateness of the key assumptions based on our knowledge of the acquired companies' industry and assessed the inputs within the valuation models; and — Checked, on a sample basis, the accuracy and relevance of the input data used. We also reviewed the disclosures presented in note 33 to the financial statements to confirm compliance with the provisions within HKFRS 3.

Key Audit Matter	How the matter was addressed in our audit
Goodwill and other intangible asset impairment assessment — Securities brokerage and assets management segment Refer to note 17 and note 15 in the consolidated financial statements	
At December 31, 2016, the Group's statement of financial position includes intangible assets with indefinite useful lives amounting to HK$18 million approximately. Moreover, the Group has goodwill of approximately HK$3 million and other intangible assets with indefinite useful lives of approximately HK$18 million that entirely attributable from the acquisition of subsidiaries in securities brokerage and assets management segment. This segment incurred loss in the year ended December 31, 2016. This has increased the risk that the carrying amounts of goodwill and other assets including the intangible assets mentioned above may be impaired. The Group engaged an independent external valuer to assist in the valuation of goodwill and other intangible assets. Managements concluded that there is no impairment in respect of the securities brokerage and assets management segment's goodwill and other assets. This conclusion was based on a discount cash flow and market comparison model respectively that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and adjusting factors on comparable transactions.	Our procedures in relation to management's impairment assessment included: — Evaluated the independent external valuer's competence, capabilities and objectivity; — Assessed the methodologies used and the appropriateness of the key assumptions based on our knowledge of the acquired companies' industry and assessed the inputs within the valuation models; — Checked, on a sample basis, the accuracy and relevance of the input data used; and — Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets. We found the assumptions made by management and independent external valuer in relation to value in use calculations to be reasonable based on available evidence. The significant inputs have been appropriately disclosed in note 17.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you as a body, and for no other responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

CHENG & CHENG LIMITED
Certified Public Accountants

Chan Shek Chi
Practising Certificate Number P05540
Hong Kong
March 28, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Revenue	3 & 34	**122,128**	67,360
Cost of sales		**(100,232)**	(61,309)
Gross profit		**21,896**	6,051
Other revenue and other net expenses	4	**12,850**	1,748
Operating expenses		**(103,746)**	(36,876)
Loss from operations		**(69,000)**	(29,077)
Finance costs			
On bank borrowings		**–**	(9)
Other loan advances		**–**	(21,032)
Notional interest		**(5,302)**	(8,506)
	5	**(5,302)**	(29,547)
Other non-operating expenses			
Share of loss of an associate	18	**(1,027)**	(3,428)
Loss on disposal of an associate	7	**(8,052)**	–
Loss on deregistration of subsidiaries	6	**(9,714)**	–
		(18,793)	(3,428)
Loss before impairment and taxation		**(93,095)**	(62,052)
Impairment loss on goodwill	17	**–**	(1,993)
Impairment loss on prepayment	6 & 23	**(20,000)**	–
Impairment loss on a trade receivable	22	**–**	(715)
Loss before taxation		**(113,095)**	(64,760)
Income tax expense	9	**–**	–
Loss for the year		**(113,095)**	(64,760)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Loss for the year		**(113,095)**	(64,760)
Other comprehensive loss for the year			
Item that may be reclassified subsequently to profit or loss:			
Release of translation reserve upon deregistration of foreign subsidiaries	6	**(9)**	–
Exchange differences on translating foreign operations		**(10,640)**	(5,105)
Total comprehensive loss for the year		**(123,744)**	(69,865)
Loss for the year attributable to:			
Equity shareholders of the Company		**(113,355)**	(64,182)
Non-controlling interests		**260**	(578)
		(113,095)	(64,760)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the Company		**(123,052)**	(68,392)
Non-controlling interests		**(692)**	(1,473)
		(123,744)	(69,865)
Dividends	10	**N/A**	N/A
Loss per share	11		
— Basic		**HK1.28 cents**	HK1.14 cents
— Diluted		**N/A**	N/A

The notes on pages 51 to 119 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	14	**29,882**	4,391
Intangible assets	15	**18,388**	–
Deposit paid	23	**16,000**	–
Goodwill	17	**3,000**	18,863
Interest in an associate	18	**–**	15,072
Deferred tax assets	30	**1,879**	–
		69,149	38,326
Current assets			
Inventories	19	**7,672**	30,931
Trading securities	20	**98,297**	–
Loan receivables	21	**155,596**	–
Trade receivables	22	**23,640**	8,579
Prepayments, deposits and other receivables	23	**163,718**	164,707
Tax recoverable		**580**	498
Client trust bank balance	24	**2,592**	–
Cash and cash equivalents	25	**103,831**	116,760
		555,926	321,475
Total Assets		**625,075**	359,801
Capital and reserves			
Share capital	26	**936,807**	736,807
Reserves		**(468,246)**	(452,705)
Equity attributable to shareholders of the Company		**468,561**	284,102
Non-controlling interests		**14,411**	24,284
Total Equity		**482,972**	308,386
Non-current liabilities			
Deferred tax liabilities	30	**52**	34
		52	34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Current liabilities			
Amount due to a director	36(c)	**–**	1,515
Trade payables	28	**10,437**	3,229
Accruals and other payables	29	**38,975**	46,637
Convertible bonds	31	**92,639**	–
		142,051	51,381
Total Equity and Liabilities		**625,075**	359,801
Net current assets		**413,875**	270,094
Total assets less current liabilities		**483,024**	308,420

Approved and authorised for issue by the Board of Directors on March 28, 2017.

On behalf of the board

Wong Kwong Sum — *Director*

Wei Jiafu — *Director*

The notes on pages 51 to 119 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Attributable to equity shareholders of the Company									
	Share capital	**Share premium**	**Translation reserve**	**Capital reserve**	**Convertible bond reserve**	**Statutory reserve**	**Accumulated losses**	**Subtotal**	**Non-controlling interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2015	299,240	2,482,389	10,989	(15,000)	572,848	3,420	(3,395,060)	(41,174)	16,191	(24,983)
Convertible bond redemption	–	–	–	–	(48,856)	–	48,856	–	–	–
Issuance of new shares upon conversions of convertible bond	40,800	484,591	–	–	(525,391)	–	–	–	–	–
Issuance of new shares through placing	400,000	(4,403)	–	–	–	–	–	395,597	–	395,597
Repurchase	(3,233)	(95)	–	–	–	–	–	(3,328)	–	(3,328)
Deferred tax arising from conversions of convertible bond	–	–	–	–	1,399	–	–	1,399	–	1,399
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	9,566	9,566
Total comprehensive loss for the year	–	–	(4,210)	–	–	–	(64,182)	(68,392)	(1,473)	(69,865)
At December 31, 2015	736,807	2,962,482	6,779	(15,000)	–	3,420	(3,410,386)	284,102	24,284	308,386
At December 31,2015 and January 1, 2016	736,807	2,962,482	6,779	(15,000)	–	3,420	(3,410,386)	284,102	24,284	308,386
Issuance of convertible bonds	–	–	–	–	12,663	–	–	12,663	–	12,663
Issuance of new shares through subscription	100,000	–	–	–	–	–	–	100,000	–	100,000
Issuance of new shares through placing	100,000	94,848	–	–	–	–	–	194,848	–	194,848
Deregistration of subsidiaries	–	–	–	–	–	–	–	–	(9,181)	(9,181)
Total comprehensive loss for the year	–	–	(9,697)	–	–	–	(113,355)	(123,052)	(692)	(123,744)
At December 31, 2016	936,807	3,057,330	(2,918)	(15,000)	12,663	3,420	(3,523,741)	468,561	14,411	482,972

The notes on pages 51 to 119 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2016

	Note	2016 HK$'000	2015 HK$'000
Operating activities			
Loss before taxation for the year		**(113,095)**	(64,760)
Adjustments for:			
Interest income		**(1,067)**	(494)
Dividend income		**(2,106)**	–
Interest expenses on bank loan		**–**	9
Interest expenses on convertible bond		**5,302**	8,506
Interest expenses on loan advances		**–**	21,032
Share of loss of an associate		**1,027**	3,428
Depreciation		**4,052**	1,428
Loss on disposal of property, plant and equipment		**249**	63
Gain on disposal of trading securities	4	**(1,504)**	(382)
Impairment loss on goodwill		**–**	1,993
Impairment loss on trade receivables		**–**	715
Impairment loss on prepayment		**20,000**	–
Unrealised gain on fair value changes in trading securities	4	**(1,124)**	–
Loss on disposal of an associate	7	**8,052**	–
Loss on deregistration of subsidiaries	6	**9,714**	–
Reversal of impairment loss on other receivables	4	**(3,279)**	–
Reversal of impairment loss on inventories	4	**(3,945)**	–
Operating loss before changes in working capital		**(77,724)**	(28,462)
Decrease/(Increase) in inventories		**23,259**	(20,807)
Increase in loan receivables		**(155,596)**	–
(Increase)/Decrease in trade receivables		**(348)**	9,243
Increase in prepayments, deposits and other receivables		**(10,194)**	(27,827)
Decrease in client trust bank balance		**81,897**	–
Decrease in trade payables		**(8,548)**	(3,616)
(Decrease)/Increase in accruals and other payables		**(86,695)**	16,408
Cash used in operations		**(233,949)**	(55,061)
Profits tax paid		**–**	(619)
Profits tax refund		**–**	310
Net cash used in operating activities		**(233,949)**	(55,370)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2016

	Note	2016 HK$'000	2015 HK$'000
Investing activities			
Purchase of trading securities		**(271,896)**	(139,452)
Proceed on disposal of trading securities		**176,227**	139,834
Purchase of property, plant and equipment		**(30,754)**	(3,011)
Interest received		**1,067**	494
Dividend received		**2,106**	–
Deposit paid for acquisition of equity interest		**(16,000)**	–
Investment in an associate		**–**	(18,500)
Acquisition of subsidiaries		**(28,406)**	(9,297)
Net proceeds from disposal of an associate		**5,993**	–
Net cash used in investing activities		**(161,663)**	(29,932)
Financing activities			
Interest paid		**–**	(21,041)
Repayment of bank borrowings		**–**	(1,125)
Repayment of other loan		**–**	(115,000)
Decrease in amount due to a director		**(1,515)**	(1,079)
Repurchase of shares		**–**	(3,328)
Issuance of shares through subscription		**100,000**	–
Issuance of shares through placing		**194,848**	395,597
Issuance of convertible bond		**100,000**	–
Redemption of convertible bond		**–**	(102,000)
Net cash generated from financing activities		**393,333**	152,024
Net (decrease)/increase in cash and cash equivalents		**(2,279)**	66,722
Cash and cash equivalents at beginning of year		**116,760**	55,143
Effect of exchange rate changes		**(10,650)**	(5,105)
Cash and cash equivalents at end of year	25	**103,831**	116,760

The notes on pages 51 to 119 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

General information

Asia Investment Finance Group Limited (the "Company") was incorporated and domiciled in the Cayman Islands under Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on March 20, 2007. The Company's shares were listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on November 19, 2007.

The Company is an investment holding company. The Group is principally engaged in securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals.

The address of its principal place of business in Hong Kong is Unit 3201, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong and the Company has been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on September 4, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2016 comprise the Company and its subsidiaries have been prepared in accordance with HKFRSs and under the historical cost convention except where stated otherwise in the accounting policies set out below.

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 39.

(c) Amendments, New Standards and Interpretations issued and effective for the year ended December 31, 2016

In the current year, the Group has applied for the first time the following new and revised HKFRSs (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on January 1, 2016:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements

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

(d) Possible impact of Amendments, New Standards and Interpretations issued but not yet effective for the year ended December 31, 2016.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

2 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

— All recognised financial assets that are within the scope of HKAS 39 to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

— The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

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

— Step 1: Identify the contract(s) with a customer

— Step 2: Identify the performance obligations in the contract

— Step 3: Determine the transaction price

— Step 4: Allocate the transaction price to the performance obligations in the contract

— Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the other new and revised HKFRSs, will have a significant impact on the Group's financial performance and position.

(e) Business Combinations under Common Control

Business combinations under common control are accounted for in accordance with the merger accounting. In applying merger accounting, the combined financial information incorporates the consolidated financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of controlling party.

The net assets of the combining entities or businesses are combined using the existing book values prior to the common control combinations from the controlling parties' perspective. No account is recognised in respect of goodwill or excess acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of an impairment of the asset transferred.

(f) Subsidiaries and Non-controlling Interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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

In the Company's statement of financial position an investment in a subsidiary is stated at cost less any impairment losses (see note 2(n)) unless the investment is classified as held for sale.

(g) Business Combinations

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

(h) Interest in an Associate

An associate is an entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the comprehensive income of the investee after the date of acquisition. The Group's investment in an associate includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated statement of profit or loss where appropriate.

The Group's share of post-acquisition comprehensive income is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in consolidated statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are 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.

(i) Other Investments in Equity Securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Trading securities are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include interest or dividends earned on these investments as these are recognised in accordance with the policies set out in note 2(x)(iii) and 2(x)(v).

(j) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(n)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(k) Property, Plant and Equipment

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

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

Leasehold improvement	the shorter of lease-term or 5 years
Plant and machinery	5 years
Furniture, fixtures and equipment	3–6 years
Moulds	5 years
Motor vehicles	3–5 years
Vessel	10 years

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

(l) Intangible Assets (Other than Goodwill)

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

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(m) Leased Assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

(n) Impairment of Assets

(i) Impairment of receivables

Investments in equity securities (other than investments in subsidiaries) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial re-organisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— investment in subsidiaries in the Company's statement of financial position; and

— goodwill.

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(o) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(p) Loans and Receivables

Loan and receivables, including loan receivables and trade and other receivables, are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts.

(q) Convertible Bonds

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds reserve until either the bond is converted or redeemed.

If the convertible bond is converted, the convertible bonds reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bond is redeemed, the convertible bonds reserve is released directly to retained profits.

(r) Trade and Other Payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Client Trust Bank Balance

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified the clients' monies as client trust bank balances under the current assets in the consolidated statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised corresponding accounts payable to the respective customers in the current liabilities. Under the Hong Kong Securities and Futures Ordinance (Cap. 571), the Group is not allowed to use the clients' monies to settle its own obligation.

(t) Cash and Cash Equivalents

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

(u) Employee Benefits

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

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

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(v) Income Tax

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

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

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

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

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

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

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

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

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

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

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

  — the same taxable entity; or

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

(w) Financial Guarantees Issued, Provisions and Contingent Liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

(ii) Other provisions and contingent liabilities

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

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

(x) Revenue Recognition

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

(i) Credit guarantee service and investment income

Credit guarantee service and investment income consist of guarantee fee and related service income are recognised when the service is rendered.

(ii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Any compensation from the cancel of contracts are recognised when it is received.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(iv) Commission income

Commission income from securities brokerage business is recorded as income on a trade date basis.

(v) Dividend income

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

(vi) Other income not stated above is recognised whenever received or receivable.

(y) Foreign Currencies

The Group's consolidated financial statements are presented in Hong Kong dollars, which is also the Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation.

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

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

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Hong Kong dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(z) Borrowing Costs

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

(aa) Related Parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

(bb) Segment Reporting

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

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

3. REVENUE

An analysis of revenue is as follows:

	2016	2015
	HK$'000	HK$'000
Credit guarantee service and investment income	**7,179**	3,751
Sales of goods — party products	**69,696**	61,036
Sales of goods — metals and minerals	**39,884**	2,573
Brokerage commission income and assets management income	**572**	–
Interest income from money lending business	**4,797**	–
Total	**122,128**	67,360

4. OTHER REVENUE AND OTHER NET EXPENSES

	2016 HK$'000	2015 HK$'000
Other revenue		
Dividend income	**2,106**	–
Total interest income on financial assets not at fair value through profit or loss	**1,067**	494
Sundry income	**437**	1,017
Unrealised gain on fair value changes in trading securities	**1,124**	–
Net realised gain on disposal of trading securities	**1,504**	382
Reversal of impairment loss on other receivables	**3,279**	–
Reversal of impairment loss on inventories	**3,945**	–
	13,462	1,893
Less: Other net expenses		
Net exchange loss	**612**	145
	12,850	1,748

5. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest expenses on bank borrowings	**–**	9
Interest expenses on loan advances	**–**	21,032
Imputed interest expenses on convertible bond	**5,302**	8,506
Total interest expenses on financial liabilities not at fair value through profit or loss	**5,302**	29,547

6. LOSS ON DEREGISTRATION OF SUBSIDIARIES

During the year, three subsidiaries, 上海駿騆投資管理有限公司, 上海世諾資訊技術有限公司 and 世稷資產管理（上海）有限公司, in which the Group had effective interest of 51%, were deregistered.

The net assets of the subsidiaries deregistered, where appropriate, at the relevant dates were as follows:

	2016
	HK$'000
Goodwill	**18,863**
Deposits, prepayment and other receivables	**41**
Net assets	**18,904**
Release of translation reserve upon deregistration of foreign subsidiaries	**(9)**
Release of non-controlling interests upon deregistration of foreign subsidiaries	**(9,181)**
Loss on deregistration of subsidiaries, net	**(9,714)**
	–
Net cash flow arising on deregistration:	
Bank balances and cash	**–**

The subsidiaries deregistered during the year ended December 31, 2016 did not have any contribution to the Group's revenue and contributed a net profit of approximately HK$375,000 to the Group's operating results. Meanwhile, due to the deregistration of subsidiaries, the Group recognized impairment loss on prepayment of HK$20,000,000 during the year ended December 31, 2016.

7. LOSS ON DISPOSAL OF AN ASSOCIATE

During the last year, the Group indirectly held a 40% effective interest of Power Team International (HK) Limited. Such associate is an unlisted corporate entity of which the quoted market price is not available. During the current year, the Group disposed of the 40% equity interest in the associate. For details of the financial information of this associate please refer to note 18.

Reconciliation of loss on disposal of an associate:

	2016
	HK$'000
Non-current assets	**28,233**
Cash and cash equivalents	**17**
Deposits, prepayment and other receivables	**817**
Amount due from a director	**6,046**
Net asset value of the associate as at date of disposal	**35,113**
Group's effective interest	**40%**
Gross amounts of net asset value of the associate as at date of disposal	**14,045**
Sales proceeds	**(6,020)**
Sales related cost	**27**
	8,052

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

	2016 HK$'000	2015 HK$'000
Auditor's remuneration	**888**	700
Cost of inventories included in cost of sales *(Note 19)*	**100,198**	57,154
Depreciation	**4,052**	1,428
Loss on disposal of property, plant and equipment	**249**	63
Staff costs:		
— Salaries, wages and other benefits (including directors' emoluments)	**38,759**	14,020
— Contributions to defined contribution retirement plans	**422**	1,296
Operating lease charges on rented premises	**26,537**	8,594
Consultancy fee	**7,523**	549
Donation	**3,000**	–
Legal and professional fee	**7,852**	3,249
Net exchange loss *(Note 4)*	**612**	145
Impairment loss on a trade receivable *(Note 22d)*	**–**	715
Impairment loss on goodwill *(Note 17)*	**–**	1,993
Impairment loss on prepayment *(Note 23)*	**20,000**	–
Loss on disposal of an associate *(Note 7)*	**8,052**	–
Loss on deregistration of subsidiaries *(Note 6)*	**9,714**	–
Reversal of impairment loss on other receivables *(Note 4)*	**(3,279)**	–
Reversal of impairment loss on inventories *(Note 4)*	**(3,945)**	–
Unrealised gain on fair value changes in trading securities *(Note 4)*	**(1,124)**	–

9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) The amount of taxation charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2016	2015
	HK$'000	HK$'000
Hong Kong Profits Tax		
Provision for the year	**–**	–
Deferred tax		
Reversal of temporary differences	**–**	–
	–	–

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year. Taxation of subsidiaries in the PRC are charged at the appropriate current rates of taxation ruling in the PRC.

(b) Reconciliation between actual tax expense and notional tax on loss before taxation at the applicable tax rates:

	2016	2015
	HK$'000	HK$'000
Loss before taxation	**(113,095)**	(64,760)
Notional tax on loss before taxation, calculated at the applicable tax rate 16.5% (2015: 16.5%)	**(18,661)**	(10,686)
Effect of different tax rate in other country	**(612)**	(430)
Tax effect of income not subject to taxation	**(26,648)**	(306)
Tax effect of expenses not deductible for taxation purposes	**5,213**	8,842
Tax effect of prior year's tax losses utilized in this year	**(2)**	–
Unused tax losses not recognised	**41,236**	2,683
Tax effect of origination and reversal of temporary differences	**(294)**	(103)
Others	**(232)**	–
Income tax expense	**–**	–

10. DIVIDENDS

The Board of the Company did not recommend any final dividend for the year ended December 31, 2016. No dividend was paid during the year (2015: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares issued during the year.

	2016	2015
	HK$'000	HK$'000
Loss attributable to equity shareholders	**(113,355)**	(64,182)

	2016	2015
	'000 shares	'000 shares
Weighted average number of ordinary shares		
At the beginning of the year	**7,368,072**	2,992,400
Effect of conversion of convertible bond	**–**	263,825
Effect of repurchase	**–**	(13,374)
Effect of issuance of shares through subscriptions	**868,852**	2,378,082
Effect of issuance of shares through placing	**601,093**	–
At the end of the year	**8,838,017**	5,620,933

Total ordinary shares outstanding at December 31, 2016 was 9,368,072,000 shares (2015: 7,368,072,000 shares).

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's only dilutive potential ordinary shares are the convertible bond. The convertible bond is assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expenses. Since the impact of conversion of convertible bond on earnings per share is anti-dilutive, diluted earnings per share was not presented in both years.

12. RETIREMENT BENEFITS COSTS

The Group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") effective from December 1, 2000. The Group contributed according to the minimum requirements of the MPF Ordinance and the contributions are charged to the consolidated statement of profit or loss and other comprehensive income.

The employees of the Group's subsidiaries that operated in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute pension, based on a certain percentage of their payroll costs, to the pension schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

13. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY

(a) Directors' remuneration is disclosed as follows:

	For the year ended December 31, 2016				
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Discretionary Bonus HK$'000	Contributions to retirement scheme HK$'000	Total HK$'000
Executive Directors					
Cheung Kwan *(appointed on September 14, 2016)*	2,853	–	–	6	2,859
Wei Jiafu *(appointed on September 14, 2016)*	1,177	–	–	–	1,177
Cheng Wen *(appointed on September 28, 2016)*	1,023	–	–	6	1,029
Huang Shenglan *(appointed on September 28, 2016)*	1,023	–	–	–	1,023
Tong Nai Kan *(resigned with effect from May 3, 2016) (Note 1)*	41	–	–	2	43
Wong Kwong Sum	703	–	–	18	721
Xie Li *(resigned with effect from September 28, 2016)*	2,233	–	–	–	2,233
Zhao Tieliu *(resigned with effect from September 28, 2016)*	201	–	–	–	201
Non-executive Directors					
Wang Edward Xu *(resigned with effect from December 8, 2016)*	225	–	–	–	225
Cheung Wah Keung *(resigned with effect from September 14, 2016)*	123	–	–	–	123
Independent Non-executive Directors					
Ho Chun Chung, Patrick	180	–	–	–	180
Anthony Espina	175	–	–	–	175
Zhang Huadi *(resigned with effect from October 19, 2016)*	144	–	–	–	144
Wong Tin Yau, Kelvin *(appointed on October 19, 2016)*	37	–	–	–	37
	10,138	–	–	32	10,170

Notes:

(1) Mr. Tong Nai Kan received a salary of approximately HK$1,961,000 and contributions to retirement scheme of HK$4,500 as the Group consultant during the year after his resignation as the director of the Company.

	For the year ended December 31, 2015				
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Discretionary Bonus HK$'000	Contributions to retirement scheme HK$'000	Total HK$'000
Executive Directors					
Tong Nai Kan	120	–	–	6	126
Zhao Tieliu	172	444	–	–	616
Wong Kwong Sum *(appointed on March 9, 2015)*	374	–	–	15	389
Xie Li *(appointed on July 24, 2015) (Note 2)*	618	–	–	–	618
Lo Siu Leung *(resigned with effect from June 8, 2015) (Note 3)*	25	410	1,580	15	2,030
Leung Heung Ying *(appointed on June 9, 2015 and resigned with effect from October 27, 2015)*	920	–	–	2	922
Non-executive Directors					
Wang Edward Xu *(appointed on October 27, 2015)*	43	–	–	–	43
Ko Ming Tung, Edward *(resigned with effect from July 24, 2015)*	84	–	–	–	84
Independent Non-executive Directors					
Cheung Wah Keung *(Chairman)*	174	–	–	–	174
Anthony Espina	174	–	–	–	174
Ho Chun Chung, Patrick *(appointed on July 10, 2015)*	86	–	–	–	86
Zhang Huadi *(appointed on July 10, 2015)*	86	–	–	–	86
Cheng Wai Lam, James *(resigned with effect from July 10, 2015)*	126	–	–	–	126
	3,002	854	1,580	38	5,474

Notes:

(2) Mr. Xie Li was appointed as a non-executive director on July 24, 2015 and re-designated from a non-executive director to an executive director with effect from October 27, 2015.

(3) Mr. Lo Siu Leung received a salary of approximately HK$1,023,000 and contributions to retirement scheme of HK$16,000 as the general manager of trading of party products business after his resignation as the director of the Company.

There was no arrangement under which a director agreed to waive any remuneration during the year (2015: Nil).

As at December 31, 2016, no share option has been granted and held by the directors under the Company's share option scheme (2015: Nil).

(b) Individuals with highest emoluments

Of the five individuals with the highest paid in the Group, two (2015: four) were directors of the Company whose emoluments are disclosed in note 13(a) above. The emoluments of the remaining three (2015: one) individual was as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits	**5,183**	1,230
Contributions to defined contribution retirement plans	**38**	18
Discretionary bonus *(Note 1)*	**4,200**	–
	9,421	1,248

Their emoluments were within the following bands:

	2016	2015
	Number of employees	Number of employees
Below HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	1
Over HK$1,500,000	**3**	–

During both years, no inducement payment or compensation for loss of office was paid to the five highest paid individuals.

Note:

(1) Mr. Lo Siu Leung received the bonus with a salary of approximately HK$1,095,000 and contributions to retirement scheme of HK$18,000 as the general manager of trading of party products business after his resignation as the director of the Company on June 8, 2015.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Moulds	Motor vehicles	Vessel	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At January 1, 2015	2,986	16,594	2,953	1,478	663	–	24,674
Additions	1,053	325	569	7	1,057	–	3,011
Disposal	(1,011)	(14,751)	(1,914)	(1,127)	–	–	(18,803)
Exchange adjustments	–	–	29	–	–	–	29
Written off	–	–	(29)	–	–	–	(29)
At December 31, 2015 and January 1, 2016	3,028	2,168	1,608	358	1,720	–	8,882
Additions	931	648	907	114	1,154	27,000	30,754
Disposal	–	(2,168)	(141)	(358)	(548)	–	(3,215)
Acquisition from subsidiaries	–	–	3	–	–	–	3
Deregistration of subsidiaries	–	–	(37)	–	–	–	(37)
Exchange adjustments	–	–	(27)	–	(26)	–	(53)
At December 31, 2016	3,959	648	2,313	114	2,300	27,000	36,334
Accumulated depreciation							
At January 1, 2015	2,081	15,857	2,371	1,328	166	–	21,803
Charge for the year	629	378	84	69	268	–	1,428
Written back on disposal	(1,009)	(14,718)	(1,875)	(1,113)	–	–	(18,715)
Eliminated on written off	–	–	(30)	–	–	–	(30)
Exchange adjustments	–	–	5	–	–	–	5
At December 31, 2015 and January 1, 2016	1,701	1,517	555	284	434	–	4,491
Charge for the year	1,105	130	238	17	537	2,025	4,052
Written back on disposal	–	(1,517)	(15)	(284)	(237)	–	(2,053)
Written back on deregistration of subsidiaries	–	–	(28)	–	–	–	(28)
Exchange adjustments	–	–	5	–	(15)	–	(10)
At December 31, 2016	2,806	130	755	17	719	2,025	6,452
Net book values							
At December 31, 2016	1,153	518	1,558	97	1,581	24,975	29,882
At December 31, 2015	1,327	651	1,053	74	1,286	–	4,391

15. INTANGIBLE ASSETS

	Type 1 Regulated Activity License	Type 4 and Type 9 Regulated Activity License	Money Lending License	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
As at January 1, 2016	–	–	–	–
Acquisition of subsidiaries *(Note 32&33)*	12,388	5,500	500	18,388
As at December 31, 2016	12,388	5,500	500	18,388
Accumulated amortisation				
As at January 1, 2016 and as at December 31, 2016	–	–	–	–
Carrying values				
As at December 31, 2016	12,388	5,500	500	18,388

The licenses are acquired in a business combination and are recognised at fair value at the acquisition date. The licenses have indefinite useful lives and carried at cost less accumulated impairment losses.

The fair value of the regulated activities licenses as at date of initial recognition and December 31, 2016 have been arrived at on the basis of a valuation carried out on these dates by Access Partner Consultancy & Appraisals Limited ("Access Partner"), which is an independent qualified professional valuer not connected with the Group. The valuation reports on these licenses were signed by a director of Access Partner who is a member of the Hong Kong Institute of Surveyors. Access Partner also reviewed the useful life and concluded that events and circumstances continued to support the indefinite useful life assessment.

Impairment testing on Type 1, Type 4 and Type 9 regulated activities licenses with indefinite useful lives

The licenses held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The licenses will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating units relate to securities brokerage and assets management business, whereby these licenses are allocated to, are determined based on fair value less cost of disposal by market approach. The measurement is categorised as level 2 measurement through an analysis of recent sales or offerings of comparable transactions.

There is no impairment of the licenses as at December 31, 2016.

16. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries represents investments in unlisted shares at cost.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activities
Directly held				
Silver Pattern Limited	British Virgin Islands	US$1	100%	Investment holdings
Market Season Limited	British Virgin Islands	US$1	100%	Investment holdings
Harmonic Strait Group Limited	Hong Kong	HK$1	100%	Trading of metals and minerals
Asiagoal Holdings Limited	Hong Kong	HK$1	100%	Investment holdings
Harmonic Strait (HK) Limited	Hong Kong	HK$1	100%	Investment holdings
Indirectly held				
Harmonic Strait Export Limited	Hong Kong	HK$1	100%	Trading of party products
Hong Kong New Smart Energy Group Limited	Hong Kong	HK$1,000,000	100%	Investment holdings
Green Link Holdings Limited	Hong Kong	HK$1	100%	Investment holdings
和協海峽融資擔保有限公司#	PRC	US$20,000,000	90%	Provision of credit service and conduct investment business
深圳薩尼威國際貿易有限公司	PRC	RMB25,090,000	90%	General trading
滙金協和投資咨詢（深圳）有限公司	PRC	HK$30,000,000	100%	Investment holdings
AIF Securities Limited	Hong Kong	HK$40,000,000	100%	Engaging in the business of a dealer in securities
AIF Finance Limited	Hong Kong	HK$100,000	100%	Money lending business

Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activities
AIF Asset Management Limited	Hong Kong	HK$3,000,000	100%	Provision of securities advisory and asset management services
上海驂駟投資管理有限公司	PRC	RMB500,000	51%	Investment holdings
深圳瀚宏供應鏈管理有限公司	PRC	RMB10,000,000	90%	Provision of supply chain management service, operating import and export business and trading of metals

This subsidiary is registered as a sino-foreign joint venture limited liability company incorporated in the PRC.

Material partially-owned subsidiary

The following table lists out the information relating to 和協海峽融資擔保有限公司, a subsidiary of the Group in which the Group has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2016 HK$'000	2015 HK$'000
Non-controlling interests percentage	**10%**	10%
Current assets	**136,060**	124,421
Non-current assets	**30,331**	30,094
Current liabilities	**(19,994)**	(4,447)
Non-current liabilities	**–**	–
Net assets	**146,397**	150,068
Carrying amount of non-controlling interests	**14,640**	15,007
Revenue	**5,484**	3,751
Profit/(Loss) for the year	**3,249**	(3,288)
Total comprehensive income/(loss)	**3,249**	(3,288)
Profit/(Loss) allocated to non-controlling interests	**325**	(329)
Dividend paid to non-controlling interests	**–**	–
Cash flows (used in)/generated from operating activities	**(39,954)**	29,043
Cash flows used in investing activities	**(270)**	(29,311)
Cash flows generated from financing activities	**–**	–

The following table lists out the information relating to 上海駿騶投資管理有限公司, a subsidiary of the Group in which the Group has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination. The subsidiary is deregistrated during the year.

	2015 HK$'000
Non-controlling interests percentage	49%
Current assets	350
Non-current assets	26
Current liabilities	(2)
Non-current liabilities	–
Net assets	374
Carrying amount of non-controlling interests	9,276
Revenue	–
Loss for the year	(187)
Total comprehensive income	(187)
Loss allocated to non-controlling interests	(91)
Cash flows used in operating activities	(331)
Cash flows used in investing activities	(26)
Cash flows generated from financing activities	596

17. GOODWILL

	2016	2015
	HK$'000	HK$'000
At the beginning of the year	**18,863**	1,993
Impairment during the year	**–**	(1,993)
Arising from acquisition of subsidiaries *(Note 33)*	**3,000**	18,863
Arising from deregistration of subsidiaries *(Note 6)*	**(18,863)**	–
At the end of the year	**3,000**	18,863

All goodwill arose as a result of acquisition of businesses.

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

Impairment tests for cash-generating units containing goodwill

For the purposes of impairment tests, goodwill has been allocated to the following cash generating units ("CGU"). The carrying amount of goodwill as at the end of the reporting period is allocated as follows:

	2016	2015
	HK$'000	HK$'000
Securities brokerage and assets management business	**3,000**	18,863

The recoverable amount of securities brokerage and assets management business has been determined based on value-in-use calculation using cash flow projections covering a five-year period approved by senior management.

The valuation used the discounted cash flow approach and is based on a five-year performance projection and certain key assumptions (updated with latest market data) including a sustainable growth rate of 3% and a discount rate of 20.22% which is determined based on estimated performance, management's expectations for the market development and future business plan. The discount rate used reflects specific risks relating to securities brokerage and assets management business.

Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted income and gross margin. Such estimation is based on management's expectations for the market development and efficiency improvement.

18. INTEREST IN AN ASSOCIATE

The following list contains the associate which is an unlisted corporate entity of which the quoted market price is not available:

Name of associate	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest	Principal activity
Power Team International (HK) Limited	Hong Kong	46,250,000 ordinary shares	– (2015: 40%)	Investment holdings

The above associate is disposed of during the year. The loss on disposal is approximately HK$8,052,000 (Note 7).

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Power Team International (HK) Limited	
	2016	2015
	$'000	$'000
Gross amounts of the associate *(Note a)*		
Current assets	**–**	7,443
Non-current assets	**–**	30,800
Current liabilities	**–**	(564)
Equity	**–**	37,679
Result before disposal		
Revenue	**–**	–
Loss for the period/year	**(2,567)**	(8,571)
Total comprehensive loss	**(2,567)**	(8,571)
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**–**	37,679
Group's effective interest	**0%**	40%
Group's share of net assets of the associate	**–**	15,072
Carrying amount in the consolidated financial statements	**–**	15,072

Note a: During the year, the Group disposed of the associate. The gross amounts of the associate is therefore regarded as nil.

19. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2016	2015
	HK$'000	HK$'000
Raw materials	**4,453**	3,964
Work-in-progress	**1,977**	2,051
Finished goods	**1,242**	24,916
	7,672	30,931

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	2016	2015
	HK$'000	HK$'000
Carrying amount of inventories sold	**100,198**	57,154

During the year ended December 31, 2016, there was a refund from a supplier regarding the inventories previously impaired. As a result, a reversal of impairment loss on inventories of HK$3,945,000 (2015: Nil) has been recognized.

20. TRADING SECURITIES

	2016	2015
	HK$'000	HK$'000
Trading securities		
— Listed equity shares listed in Hong Kong	**98,297**	–

The trading securities are initially recognized at fair value. The Group holds the trading securities for trading purpose. At the end of each reporting period the fair value is re-measured, with any resultant gain or loss being recognized in profits or loss. The fair value is measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

21. LOAN RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Loan receivables from money lending business	**118,000**	–
Loan advanced to other third parties	**37,596**	–
	155,596	–

Loan receivables bear interest at rates ranged from 12% p.a. to 20% p.a., and with credit periods, mutually agreed between the contracting parties. The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk. The Group holds collateral against several loan receivables. There is no overdue balance as at December 31, 2016. No history of default was noticed.

The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2016 **HK$'000**	2015 HK$'000
Repayable:		
Within 1 year	**155,596**	–

22. TRADE RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Trade receivables arising from dealing in securities:		
— Clients arising from dealing in securities	**4,672**	–
— Clearing house	**3,060**	–
	7,732	–
Trade receivables arising from money lending business	**2,814**	–
Trade receivables arising from credit guarantee service and investment income	**1,111**	715
Trade receivables arising from trading of party products	**12,878**	8,579
	24,535	9,294
Less: Allowance of doubtful debts *(Note 22(d))*	**895**	715
	23,640	8,579

Customers from trading of party products are usually offered a credit period of up to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

(a) An ageing analysis of trade receivables is as follows:

	2016	2015
	HK$'000	HK$'000
Within 30 days	**7,451**	5,915
31 to 60 days	**5,741**	1,818
61 to 90 days	**1,836**	764
Over 90 days	**1,060**	82
	16,088	8,579

(b) Trade receivables neither past due nor impaired

	Trade receivables from securities brokerage and assets management HK$'000	**Trade receivables from money lending business HK$'000**	**Trade receivables from provision of credit guarantee service and investment income HK$'000**	**Trade receivables from trading of party products HK$'000**	**Trade receivables from trading of metals and minerals HK$'000**	**Total HK$'000**
As at December 31, 2016						
Neither past due nor impaired	**7,552**	**–**	**–**	**6,502**	**–**	**14,054**
As at December 31, 2015						
Neither past due nor impaired	–	–	–	6,447	–	6,447

Trade receivables from securities brokerage and assets management represent trade receivables from cash and custodian clients which are neither past due nor impaired represent unsettled client trades or securities exchanges transacted on the last two business days prior to the end of the reporting year. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these trade receivables.

Trade receivables from trading of party products and provision of credit guarantee service that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

(c) Trade receivables past due but not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Trade receivables from securities brokerage and assets management HK$'000	Trade receivables from money lending business HK$'000	Trade receivables from credit guarantee service and investment income HK$'000	Trade receivables from trading of party products HK$'000	Trade receivables from trading of metals and minerals HK$'000	Total HK$'000
As at December 31, 2016						
Less than 1 month past due	**–**	**–**	**–**	**4,634**	**–**	**4,634**
1 to 3 months past due	**–**	**2,814**	**396**	**1,704**	**–**	**4,914**
Over 3 months	**–**	**–**	**–**	**38**	**–**	**38**
	–	**2,814**	**396**	**6,376**	**–**	**9,586**
As at December 31, 2015						
Less than 1 month past due	–	–	–	1,406	–	1,406
1 to 3 months past due	–	–	–	644	–	644
Over 3 months	–	–	–	82	–	82
	–	–	–	2,132	–	2,132

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Impairment losses on trade receivables

	2016	2015
	HK$'000	HK$'000
Movement in the allowance for bad and doubtful debts:		
As at January 1	**715**	–
Addition from acquisition of a subsidiary	**180**	–
Allowance for bad and doubtful debts	**–**	715
As at December 31	**895**	715

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

For the year ended December 31, 2016, addition in allowance for bad and doubtful debts of HK$180,000 was arising from acquisition of a subsidiary, while the amount of HK$715,000 was a provision for an individual debtor of the credit guarantee service and investment business since the management discovered that the amount of HK$715,000 would not be recovered, it is considered to be uncollectible and an impairment loss was provided in the year ended December 31, 2015.

(e) Impaired trade receivables

	Trade receivables from securities brokerage and assets management HK$'000	**Trade receivables from money lending business HK$'000**	**Trade receivables from credit guarantee service and investment income HK$'000**	**Trade receivables from trading of party products HK$'000**	**Trade receivables from trading of metals and minerals HK$'000**	**Total HK$'000**
As at December 31, 2016						
Trade receivables	**180**	**–**	**715**	**–**	**–**	**895**
Less: impairment	**(180)**	**–**	**(715)**	**–**	**–**	**(895)**
	–	**–**	**–**	**–**	**–**	**–**
As at December 31, 2015						
Trade receivables	–	–	715	–	**–**	715
Less: impairment	–	–	(715)	–	**–**	(715)
	–	–	–	–	–	–

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Trade deposits and other receivables *(Note a)*	**149,030**	138,326
Deposit paid for acquisition *(Note b)*	**16,000**	–
Prepayments	**6,447**	22,316
Rental, utility and sundry deposits	**7,716**	3,794
Staff advances	**525**	271
	179,718	164,707
Less: Non-current portion *(Note b)*	**16,000**	–
	163,718	164,707

Note a: The amount includes trade deposits of approximately HK$19,000,000 for credit guarantee service business (2015: approximately HK$52,350,000 for purchase of metals and minerals) and entrusted loan of approximately HK$96,142,000 (2015: approximately HK$78,602,000).

Note b: The amount represents the deposit paid for the acquisition of 24% issued share capital of a company which is principally engaged in the insurance brokerage business of life, casualty and health projects to individuals and business in the PRC.

As mentioned in Note 6 during the year ended December 31, 2016, three subsidiaries, 上海駿馴投資管理有限公司, 上海世諾資訊技術有限公司 and 世稷資產管理(上海)有限公司, in which the Group had effective interest of 51%, were deregistered. The management considered all the prepayments, deposits and other receivables regarding these deregistered subsidiaries are irrecoverable. In relation to this, impairment loss on prepayments HK$20 million was recognised in profit or loss during the year ended December 31, 2016.

The carrying amounts of prepayments, deposits and other receivables at the end of the reporting period approximated their fair value. All of the prepayments, trade deposits and other receivables are expected to be recovered, or recognized as expenses within one year.

24. CLIENT TRUST BANK BALANCE

The Group receives and holds monies deposited by clients and other institutions in the course of the conduct of the regulated activities of securities brokerage. These clients' monies are maintained in one trust bank account. The Group has recognised the corresponding trade payables to respective clients (Note 28).

25. CASH AND CASH EQUIVALENTS

	2016	2015
	HK$'000	HK$'000
Cash and bank balances	**103,831**	116,760
Cash and cash equivalents in the statement of cash flows	**103,831**	116,760

Cash and cash equivalents in the consolidated cash flow statements as at December 31, 2016 and 2015 were approximately HK$103,831,000 and HK$116,760,000 respectively.

Cash and cash equivalents include short-term bank deposit, carrying interest at prevailing market rates.

26. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
As at January 1, 2015	5,000,000	500,000
Increase during the year *(Note c)*	5,000,000	500,000
As at December 31, 2015 and January 1, 2016	10,000,000	1,000,000
Increase during the year *(Note f)*	90,000,000	9,000,000
As at December 31, 2016	100,000,000	10,000,000
Issued and fully paid:		
As at January 1, 2015	2,992,400	299,240
Issuance of new shares upon conversion of convertible bond *(Note b)*	408,000	40,800
Issuance of new shares through placing *(Note d)*	4,000,000	400,000
Repurchase during the year *(Note e)*	(32,328)	(3,233)
As at December 31, 2015 and January 1, 2016	7,368,072	736,807
Issuance of new shares through subscriptions *(Note g)*	1,000,000	100,000
Issuance of new shares through placing *(Note h)*	1,000,000	100,000
As at December 31, 2016	9,368,072	936,807

Notes:

(a) The Company has a share option scheme, under which the Company may grant options to any employee or director to subscribe for shares in the Company, up to a maximum of 10% of the issued share capital of the Company (absolute maximum number of share option: 936,807,200 shares). No share option was granted during the year and there was no outstanding share option as at December 31, 2016.

(b) HK$510,000,000 convertible bonds of the Company were converted into 408,000,000 shares during the year ended December 31, 2015.

(c) The authorized share capital of the Company increased from HK$500,000,000 to HK$1,000,000,000 by the creation of an additional 5,000,000,000 shares and the placing of shares were approved by shareholders at the extraordinary general meeting on April 21, 2015.

(d) On February 23, 2015, the Company entered into a placing agreement with a placing agent to place up to 4,000,000,000 placing shares at the placing price of HK$0.1 per placing share, a discount of approximately 13.79% to the closing price of HK$0.116 per share as quoted on the Stock Exchange on February 18, 2015. On May 29, 2015, 4,000,000,000 placing shares were placed to not less than six placees at HK$0.1 per placing share.

(e) In July 2015, 32,328,000 shares were repurchased on the Stock Exchange of Hong Kong Limited, in aggregate amount of HK$3.3 million at the price per share between HK$0.097 and HK$0.110, and cancelled in August 2015.

(f) The authorised share capital of the Company increased from HK$1,000,000,000 to HK$10,000,000,000 by the creation of an additional 90,000,000,000 shares. The increase in authorised share capital was approved by shareholders at the annual general meeting on June 27, 2016.

(g) 1,000,000,000 ordinary shares of the Company were subscribed at the subscription price of HK$0.1 per share on February 18, 2016 pursuant to an extraordinary resolution passed on January 25, 2016.

(h) On April 29, 2016, the Company entered into a placing agreement with a placing agent to place up to 1,000,000,000 placing shares at the placing price HK$0.2 per placing share, a discount of approximately 15.61% to the closing price of HK$0.237 per share as quoted on the Stock Exchange on May 25, 2016, 1,000,000,000 placing shares were placed to not less than six placees at HK$0.2 per placing share.

27. RESERVES

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible bond reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At January 1, 2015	2,482,389	31,971	572,848	(3,399,721)	(312,513)
Convertible bond redemption	–	–	(48,856)	48,856	–
Issuance cost of new shares upon conversion of convertible bonds	484,591	–	(525,391)	–	(40,800)
Issuance cost of new shares through placing	(4,403)	–	–	–	(4,403)
Repurchase	(95)	–	–	–	(95)
Deferred tax arising from conversions of convertible bond	–	–	1,399	–	1,399
Total comprehensive loss for the year	–	–	–	(24,635)	(24,635)
At December 31, 2015 and January 1, 2016	**2,962,482**	**31,971**	**–**	**(3,375,500)**	**(381,047)**
Issuance cost of new shares through placing	**94,848**	**–**	**–**	**–**	**94,848**
Issuance of convertible bonds	**–**	**–**	**12,663**	**–**	**12,663**
Total comprehensive loss for the year	**–**	**–**	**–**	**(194,451)**	**(194,451)**
At December 31, 2016	**3,057,330**	**31,971**	**12,663**	**(3,569,951)**	**(467,987)**

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to 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) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.

(iii) Capital reserve

Capital reserve of the Group represents the difference between the nominal values of the ordinary shares issued by the Company and the share capital of Silver Pattern Limited acquired through the share swap pursuant to the Reorganisation.

(iv) Contributed surplus

Contributed surplus represents the excess of the fair value of the shares of Silver Pattern Limited determined on the basis of the consolidated net assets of Silver Pattern Limited at the due of the Reorganisation over the normal value of the shares issued by the Company in exchange thereof.

(v) Convertible bond reserve

The convertible bond reserve represents the unexercised equity component of the convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible bond.

(vi) Statutory reserve

The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to equity holders. The percentages to be appropriated to such statutory reserve are determined according to relevant regulations in the PRC. Enterprises in Mainland China are required to transfer at least 10% of their profit after taxation to the statutory surplus reserve until the balance of the reserve is equal to 50% of their registered capital.

(vii) Distributability of reserves

At December 31, 2016, no reserves were available for distribution to equity shareholders of the Company (2015: Nil).

28. TRADE PAYABLES

	2016 **HK$'000**	2015 HK$'000
Trade payables arising from dealing in securities:		
— Clients arising from dealing in securities	**2,864**	–
— Clearing house	**1,980**	–
— Clients' monies	**2,383**	–
	7,227	–
Trade payables arising from trading of party products	**3,210**	3,229
	10,437	3,229

The ageing analysis of trade payables from trading of party products is as follows:

	2016	2015
	HK$'000	HK$'000
0 to 30 days	**1,925**	1,671
31 to 60 days	**603**	1,157
61 to 90 days	**379**	113
Over 90 days	**303**	288
	3,210	3,229

No ageing analysis is disclosed for the segment of securities brokerage and assets management. In the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these trade payables.

The trade payables are non-interest bearing and particularly trade payables from trading of party products are normally settled on 90-day terms. The carrying amounts of the trade payables at the end of the reporting period approximated their fair values.

29. ACCRUALS AND OTHER PAYABLES

	2016	2015
	HK$'000	HK$'000
Accrued salaries and bonuses	**9,946**	6,732
Trade deposits received	**–**	35,764
Accrued expenses and other payables *(Note a)*	**29,029**	4,141
	38,975	46,637

The carrying amounts of accruals and other payables at the end of the reporting period approximated their fair values.

Note a: The amount includes approximately HK$19.1 million payable to an independent third party company which settled the trade payable on behalf of the Group (2015: Nil). It also includes approximately HK$3.1 million amount due to an ex-director in a subsidiary.

30. DEFERRED TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Deferred tax liabilities/(assets) recognised:

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

	Depreciation allowance in excess of the related depreciation	**Unused tax losses**	**Convertible bond**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2015	52	(18)	1,399	1,433
Credited to reserve	–	–	(1,399)	(1,399)
At December 31, 2015	52	(18)	–	34
Addition due to acquisition of subsidiaries *(Note 33)*	(1,861)	–	–	(1,861)
At December 31, 2016	(1,809)	(18)	–	(1,827)

	2016	2015
	HK$'000	HK$'000
Deferred tax assets recognised	**1,879**	18
Deferred tax liabilities recognised	**52**	52

Deferred tax assets have not been recognised in respect of the tax losses of HK$56,573,000 approximately (2015: HK$30,486,000 approximately) as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the near future.

31. CONVERTIBLE BONDS

On August 27, 2010, the Company issued convertible bond with an aggregated principal amount of HK$3,243,750,000 with a term of five years as consideration for the acquisition of 90% beneficial interest in Harmonic Strait Financing Guarantee Co., Limited (和協海峽融資擔保有限公司). The bond is unsecured and carries zero coupon interest rate. The bond is convertible into ordinary shares of the Company at a conversion price of HK$1.25 per conversion share at any time during the period commencing from the date of issue of convertible bond.

At the initial recognition on August 27, 2010 which was the issue date of the convertible bond, the fair value of the embedded derivatives portion of the convertible bond were determined by an independent professional valuer, Asset Appraisal Limited, using the binominal options pricing model; the liability component of the convertible bond at the issue date is the residual amount after recognising the fair value of the embedded derivatives and subsequently carried at amortised cost using an effective interest rate of 14% per annum.

This convertible bond has been fully redeemed as at December 31, 2015.

On February 18, 2016, the Company issued two-year convertible bond at 0% coupon rate with principal amount of HK$100,000,000 to the subscriber. The annualized effective interest rate is 7%. Based on the initial conversion price of HK$0.1 per conversion share, a maximum of 1,000,000,000 conversion shares would be allotted and issued upon exercise of the conversion rights attaching to the convertible bond in full.

If no bond holders exercise their conversion rights on maturity date, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date.

	Liability portion HK$'000
At January 1, 2015	93,494
Imputed interest amortised	8,506
Redemption	(102,000)
At December 31, 2015	–
Convertible bonds issued during the year	87,337
Imputed interest amortised	5,302
At December 31, 2016	92,639

32. ACQUISITION OF ASSET THROUGH ACQUISITION OF A SUBSIDIARY

On March 16, 2016, the Group acquired AIF Finance Limited for 100% at a consideration of HK$500,000. Details of the acquisition are as follows:

	HK$'000
Net asset of AIF Finance Limited acquired:	
Intangible assets — Money lending license	500
Net assets	500
Cash consideration paid and net cash outflow in respect of acquisition of subsidiary	500

33. BUSINESS COMBINATION

During the year ended December 31, 2016, the Group acquired 100% shares of 2 subsidiaries at a consideration of approximately HK$33,539,000 in total. The subsidiaries were acquired so as to continue the expansion of the Group's securities brokerage and assets management business. The acquisitions have been accounted for by business combination using purchase method. The below tables summarize the consideration paid for these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition date.

(a) On June 2, 2016, the Group acquired AIF Asset Management Limited (formerly known as Amicus Asset Management Limited) for 100% at a consideration of HK$9,323,000 approximately.

	HK$'000
Consideration as at June 2, 2016:	
Cash	9,323
Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade and other receivables	128
Cash at bank and on hand	722
Intangible assets	5,500
Accruals	(27)
Total identifiable net assets	6,323

The receivables acquired (which principally comprised trade receivables) in the transaction with a fair value HK$128,000 approximately had gross contractual amount of HK$128,000 approximately. At acquisition date, there is no contractual cash flows not expected to be collected.

Goodwill *(Note 17)*	3,000

Net cash outflow in respect of acquisition of the subsidiary

	HK$'000
Consideration paid in cash	9,323
Less: Cash and cash equivalents balances acquired	(722)
	8,601

Acquisition related costs of approximately HK$301,000 have been charged to operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2016.

Goodwill arose in the acquisition of AIF Asset Management Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of AIF Asset Management Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The revenue included in the consolidated statement of profit or loss and other comprehensive income since June 2, 2016 contributed by AIF Asset Management Limited was approximately HK$337,000. AIF Asset Management Limited also contributed net loss of approximately HK$1,019,000 over the same period.

(b) On August 12, 2016, the Group acquired AIF Securities Limited (formerly known as Treasure Securities Limited) for 100% at a consideration of HK$24,216,000 approximately.

	HK$'000
Consideration as at August 12, 2016:	
Cash	24,216
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	3
Deferred tax assets	1,861
Trade and other receivables	15,320
Client trust bank balance	84,488
Cash at bank and on hand	4,911
Intangible assets	12,388
Accruals	(94,755)
Total identifiable net assets	24,216

The receivables acquired (which principally comprised trade receivables) in the transaction with a fair value of HK$89,399,000 approximately had gross contractual amount of HK$89,579,000 approximately. The best estimate at acquisition date of the contractual cash flows not expected to be collected is HK$180,000 approximately.

Goodwill *(Note 17)*	–

Net cash outflow in respect of acquisition of the subsidiary

	HK$'000
Consideration paid in cash	24,216
Less: Cash and cash equivalents balances acquired	(4,911)
	19,305

Acquisition related costs of approximately HK$1,076,000 have been charged to operating expenses in the consolidated statement of profit or loss for the year ended December 31, 2016.

The revenue included in the profit or loss since August 12, 2016 contributed by AIF Securities Limited was approximately HK$704,000. AIF Securities Limited also contributed net loss of approximately HK$2,798,000 over the same period.

Impact of acquisitions on the results of the Group during the year ended December 31, 2016

Had these business combinations been affected at January 1, 2016, the revenue of the Group would have been HK$2,628,000 approximately, and the loss for year would have been HK$6,987,000 approximately. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

(c) On November 3, 2015, for the purpose of development of assets management related business, the Group acquired 51% equity interests in 上海驂騆投資管理有限公司 from a third party at a consideration of HK$10,000,000, which was satisfied by the cash. 上海驂騆投資管理有限公司 is engaged in the provision of internet financial platform in the PRC related to the asset management product. This subsidiary was acquired as to develop the assets management business in the PRC.

The acquisition has been accounted for by business combination using purchase method. The effect of the acquisition is summarised as follows:

	HK$'000
Consideration as at November 3, 2015:	
Cash	10,000

Recognised amounts of identifiable assets acquired and liabilities assumed

	HK$'000
Bank balance and cash	596
Total identifiable net assets	596

Goodwill arising on acquisition

	HK$'000
Consideration attributable to acquisition	10,000
Net assets acquired	(596)
Non-controlling interests	9,459
Goodwill arising on acquisition	18,863

Net cash inflow on acquisition of subsidiaries

	HK$'000
Consideration paid in cash	(10,000)
Bank balances and cash acquired	596
Cash outflow on acquisition of subsidiaries	(9,404)

Impact of acquisitions on the results of the Group

Included in the loss for the year is loss of HK$384,394 attributable to the businesses undertaken by 上海驂騆投資管理有限公司. There is no revenue recognised for the year.

Had these business combinations been effected at January 1, 2015, the loss for the year from continuing operations would have been HK$384,394 which is equal to the loss for the year as 上海驂騆投資管理有限公司. The vendor had absorbed all the operating losses of it.

34. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has five (2015: four) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Securities brokerage and assets management

— Money lending business

— Credit guarantee and investment business

— Trading of party products

— Trading of metals and minerals

(a) Segment Revenues and Results

The disclosure and allocation basis among operating segments were varied from previous year because the segment of assets management business was considered to be significant in future, the comparatives are therefore consistently presented in this regard.

The following is an analysis of the Group's revenue and results by operation segment:

Year ended December 31, 2016

	Securities brokerage and assets management HK$'000	Money lending business HK$'000	Credit guarantee and investment business HK$'000	Trading of party products HK$'000	Trading of metals and minerals HK$'000	Total HK$'000
Revenue						
External sales	572	4,797	7,179	69,696	39,884	122,128
Capital expenditure of property, plant and equipment	83	16	567	899	103	1,668
Depreciation	9	1	576	558	28	1,172
Reversal of impairment loss on other receivables	–	–	3,279	–	–	3,279
Reversal of impairment loss on inventories	–	–	–	–	3,945	3,945
Unrealized gain on fair value changes in trading securities	1,124	–	–	–	–	1,124
Loss on disposal of property, plant and equipment	29	–	–	225	–	254
Result						
Segment results	(14,149)	39	(3,676)	(492)	(5,949)	(24,227)
Interest income						1,067
Other revenue and other net expenses						11,783
Unallocated corporate expenses						(57,623)
Interest expenses						(5,302)
Impairment loss on prepayment						(20,000)
Loss on deregistration of subsidiaries						(9,714)
Share of loss of an associate						(1,027)
Loss on disposal of an associate						(8,052)
Loss before taxation						(113,095)
Income tax						–
Loss for the year						(113,095)

Revenue from one customer amounted to approximately HK$39,884,000 from trading of metals and minerals business had contributed over 10% of the total sales of the Group.

Year ended December 31, 2015

	Credit guarantee and investment business HK$'000	Trading of party products HK$'000	Trading of metal and minerals HK$'000	Assets Management HK$'000	Total HK$'000
Revenue					
External sales	3,751	61,036	2,573	–	67,360
Capital expenditure of property, plant and equipment	–	1,526	–	21	1,547
Depreciation	138	1,022	–	–	1,160
Loss on disposal of property, plant and equipment	5	58	–	–	63
Result					
Segment results	(3,050)	(1,777)	(2,812)	(1,888)	(9,527)
Interest income					494
Other revenue and other net expenses					1,254
Unallocated corporate expenses					(21,298)
Interest expenses					(29,547)
Impairment loss on goodwill					(1,993)
Impairment loss on trade receivable					(715)
Share the loss of an associate					(3,428)
Loss before taxation					(64,760)
Income tax					–
Loss for the year					(64,760)

Revenue from three customers amounted to HK$22,451,000 and HK$9,484,000 and HK$6,892,000 respectively are from the trading of party products business, which contributed over 10% of the total sales of the Group.

Geographic information

Revenue

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	2016	2015
	HK$'000	HK$'000
Hong Kong	75,065	61,036
Mainland China	47,063	6,324
Total	122,128	67,360

Specified non-current assets

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

	2016	2015
	HK$'000	HK$'000
Hong Kong	49,379	19,110
Mainland China	1,891	19,216
Total	51,270	38,326

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment profit represents the profit earned by each segment without allocation of administrative expenses, other revenue, other gains and losses, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

(b) Segment Assets and Liabilities

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

Year ended December 31, 2016

	Securities brokerage and assets management HK$'000	Money lending business HK$'000	Credit guarantee and investment business HK$'000	Trading of party products HK$'000	Trading of metals and minerals HK$'000	Total HK$'000
ASSETS						
Segment assets	**34,295**	**154,161**	**115,819**	**21,778**	**30,942**	**356,995**
Bank balances and cash (included restricted cash)						**106,423**
Unallocated corporate assets						**161,657**
Consolidated total assets						**625,075**
LIABILITIES						
Segment liabilities	**7,227**	**81**	**–**	**3,210**	**21,244**	**31,762**
Unallocated corporate liabilities						**110,341**
Consolidated total liabilities						**142,103**

Year ended December 31, 2015

	Credit guarantee and investment business HK$'000	Trading of party products HK$'000	Trading of metal and minerals HK$'000	Assets Management HK$'000	Total HK$'000
ASSETS					
Segment assets	67,777	17,702	92,250	1,343	179,072
Bank balances and cash (included restricted cash)					116,760
Unallocated corporate assets					63,969
Consolidated total assets					359,801
LIABILITIES					
Segment liabilities	–	3,229	–	–	3,229
Unallocated corporate liabilities					48,186
Consolidated total liabilities					51,415

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

— all assets are allocated to operating segments other than certain plant and equipment, other receivables, bank balances and cash; and

— all liabilities are allocated to operating segments other than certain other payables and bank borrowings.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment in subsidiaries		**47,471**	46,971
Current assets			
Prepayments, deposits and other receivables		**17,755**	5,046
Amounts due from subsidiaries		**499,490**	305,457
Cash and cash equivalents		**6**	3
		517,251	310,506
Total Assets		**564,722**	357,477
Capital and reserves			
Share capital	26	**936,807**	736,807
Reserves	27	**(467,987)**	(381,047)
		468,820	355,760
Current liabilities			
Accruals and other payables		**3,263**	1,717
Convertible bonds		**92,639**	–
		95,902	1,717
Total Equity and Liabilities		**564,722**	357,477
Net current assets/(liabilities)		**421,349**	308,789
Total assets less current liabilities		**468,820**	355,760

36. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

(a) Other related party transactions

	2016	2015
	HK$'000	HK$'000
Consultancy fee paid	**1,800**	–

Consultancy fee paid to a related party was charged at a negotiated value.

(b) Compensation of key management of the Group:

	2016	2015
	HK$'000	HK$'000
Salaries, allowance and other benefits	**15,333**	5,436
Contributions to defined contribution retirement plans	**50**	38
	15,383	5,474

Note 1: The key management referred to those mentioned in the Directors and senior management section of this report.

Note 2: Further details of post-employment benefits and directors' and employees' emoluments are included in note 12 & 13 to the consolidated financial statements. Total remuneration is included in "staff costs" (see note 8).

(c) Financing arrangements

	2016	2015
	HK$'000	HK$'000
Amount due to a director *(note a)*	**–**	1,515

Note a: The amount is unsecured, interest-free and repayable on demand.

37. COMMITMENTS

(a) Capital Commitments

As at December 31, 2016, the Group had HK$40 million capital commitments (2015: HK$6.1 million) as it had entered into an agreement in relation to the acquisition of 24% equity interest in an insurance brokerage company.

(b) Operating Lease Commitments

The Group leases office premises under operating lease arrangements. At the end of each reporting period, the Group had future aggregate minimum lease payment under non-cancellable operating leases arrangements as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**17,597**	16,754
In the second to fifth year, inclusive	**17,651**	18,247
	35,248	35,001

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Group's major financial instruments include, cash and cash equivalents, trade receivables, deposits and other receivables, loan receivables, trading securities, amount due to a director, trade payable, other payables and convertible bond. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The Group does not hold or issue derivate financial instruments either for hedging or trading purposes. The policies on how to mitigate these risks are set out as below.

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. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Fair values of financial assets and liabilities:

Financial instruments not measured at fair value

At the end of the reporting period, the fair values of the Group's financial assets and liabilities not measured at fair value are not materially different from their carrying amount due to their short term nature.

Financial instruments measured at fair value

Group's valuation process

The fair values of financial assets are measured with reference to quoted market prices.

Fair value hierarchy

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

Assets measured at fair value:

	Quoted prices in active markets (Level 1) HK$'000
As at December 31, 2016	
Trading securities	
— Listed equity securities	98,297
As at December 31, 2015	
Trading securities	
— Listed equity securities	–

(a) Financial instruments in Level 1

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets and financial liabilities held by the Group is the current bid price.

(i) Credit risk

Credit risk arises from the possibility that the counterparty to transaction is unwilling or unable to fulfill its obligation thereby incurring financial loss to the Group.

— Trade and other receivables

As at December 31, 2016, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

In respect of trade and other receivables, in order to minimise risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of customers' financial position and condition are performed on all customers periodically. In addition, credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are usually due within 90 days from the date of billing. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collaterals from customers.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At December 31, 2016, the Group has a certain concentration of credit risk as approximately equals to 20.9% (2015: 41.6%) and 53.5% (2015: 85.7%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

— Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with the financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

— Financial guarantee

It represents financing guarantee to customers under the financial guarantee business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

— Loan receivables

As at December 31, 2016, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

In respect of loan receivables, in order to minimise risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of customers' financial position and condition are performed on all customers periodically. In addition, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are usually due within 180 days from the date of loan agreement. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. The Group obtains collaterals from several customers.

In respect of loan receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At December 31, 2016, the Group has a certain concentration of credit risk at approximately 23.8% (2015: Nil) and 91.8% (2015: Nil) of the total loan receivables due from the Group's largest customer and the five largest customers respectively.

(ii) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due.

The Group is responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Sources of liquidity are daily reviewed by the Group to ensure the availability of sufficient liquid funds to meet all obligation. Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows in strict compliance with statutory requirements. This is achieved by monitoring the liquidity position of the individual companies within the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with the statutory requirement such as the Hong Kong Securities and Futures (Financial Resources) Rules.

The following liquidity risk tables set out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group is required to pay.

	As at December 31, 2016					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Amount due to a director	–	–	–	–	–	–
Trade payables	10,437	–	–	–	10,437	10,437
Accruals and other payables	38,975	–	–	–	38,975	38,975
Convertible bond	92,639	–	–	–	92,639	92,639
	142,051	–	–	–	142,051	142,051

	As at December 31, 2015					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Amount due to a director	1,515	–	–	–	1,515	1,515
Trade payables	3,229	–	–	–	3,229	3,229
Accruals and other payables	46,637	–	–	–	46,637	46,637
Convertible bond	–	–	–	–	–	–
	51,381	–	–	–	51,381	51,381

(iii) *Interest rate risk*

The Group's interest rate risk arises primarily from cash and cash equivalents, loan receivables and bank borrowings. Bank balances expose the Group to cash flow interest rate risk; while loan receivables and convertible bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arises.

(1) Interest rate profile

The effective interest rate of convertible bonds is disclosed in note 31. The interest rates of loan receivables is disclosed in note 21.

(2) Sensitivity analysis

At December 31, 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated losses by approximately HK$1,064,000 (2015: HK$1,167,000 approximately). Other components of consolidated equity would not be affected (2015: Nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2015.

(iv) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi.

(1) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The Group is mainly exposed to the fluctuation of United States dollars and Renminbi.

		December 31, 2016	
	US$'000	**RMB'000**	**HK$'000**
Cash and cash equivalents	**213**	**180**	**15,414**
Trade and other receivables	**956**	**36**	**–**
Trade and other payables	**(22)**	**(2,248)**	**–**
Overall exposure arising from recognised assets and liabilities	**1,147**	**(2,032)**	**15,414**

		December 31, 2015	
	US$'000	RMB'000	HK$'000
Cash and cash equivalents	582	1,566	16,665
Trade and other receivables	131	130,425	–
Trade and other payables	–	(32,879)	–
Overall exposure arising from recognised assets and liabilities	713	99,112	16,665

Management closely monitors currency risk position to ensure that the net exposure is kept at an acceptable level.

(2) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	December 31, 2016		December 31, 2015	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated losses HK$'000
Renminbi	**5%**	**50**	5%	4,150
	(5%)	**(50)**	(5%)	(4,150)
USD	**5%**	**(83)**	5%	36
	(5%)	**83**	(5%)	(36)
HKD	**5%**	**771**	5%	833
	(5%)	**(771)**	(5%)	(833)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015.

(v) Equity price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group is exposed to price risk arising from individual equity investment classified as financial assets held for trading. The directors of the Company manage the exposure by closely monitoring the portfolio of investments.

The management estimates that reasonable possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and held other variables constant, the impacts to the profit for the year are as follows:

	2016	2015
	HK$'000	HK$'000
Loss for the year		
Decrease by 10%	**(1,622)**	–
Increase by 10%	**1,622**	–

(b) Capital risk management

The primary objective of the Group's capital risk management is to ensure that it maintains a strong credit rating and healthy capital ratios 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. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives or policies during the year.

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as net debt divided by total equity. Net debt is calculated as convertible bond less cash and cash equivalents. Total equity represents equity attributable to the equity shareholders of the Group.

Another subsidiary of the Group operated in the PRC is subject to the capital requirements under《融資性擔保公司暫行管理規定》. The subsidiary is required to maintain a minimum paid up capital of RMB50,000,000.

All licensed corporations within the Group complied with their required liquid capital during the year ended December 31, 2016.

39. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year, as discussed below.

(i) Impairment of property, plant and equipment

The recoverable amount of an asset is the greater of its net selling price 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, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(ii) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based on periodic evaluation of the recoverability of the trade and other receivables. The estimates are based on the ageing of the trade and other receivables and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

(iii) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. If the carrying amount exceeds the estimated value in use of the cash generating unit, additional impairment allowance may be required.

(iv) Estimated net realisable value of inventories

The Group's management writes down slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventories will be written down where events or changes in circumstances indicates that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of the inventories and revision on the amount of inventories written down in the period in which such estimate has been changed is required to be made.

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

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

40. EVENTS AFTER THE REPORTING PERIOD

(i) Acquisition of equity interest in an insurance brokerage company

The Company entered into an agreement with the vendors on December 22, 2016, pursuant to which the Group has conditionally agreed to acquire and the vendors have conditionally agreed to sell the shares, representing 24% issued share capital of the acquisition target which is principally engaged in the insurance brokerage business of life, casualty and health insurance projects to individuals and businesses in the PRC. Up to the date of this report, the completion of this transaction is still subject to the fulfillment of agreed condition precedents. Therefore, the transaction has not been completed.

(ii) Framework agreement in respect of a proposed acquisition

On March 15, 2017, a wholly-owned subsidiary of the Company, B&R Security International Company Limited entered into the framework agreement with the vendors, pursuant to which the subsidiary intended to purchase and the vendors intended to sell 20% of the total issued shares of the target company, which is incorporated in Hong Kong with limited liability and is principally engaged in provision of integrated security service solutions in Hong Kong, Macau and overseas countries. Details of the proposed acquisition could be referred to the announcement dated March 15, 2017.

FINANCIAL SUMMARY

The financial results and the assets and liabilities of the Group for the last five years are summarised as follows:

Results	**Year ended December 31, 2016 HK$'000**	Year ended December 31, 2015 HK$'000	Year ended December 31, 2014 HK$'000	Year ended December 31, 2013 HK$'000 (Restated)	Year ended December 31, 2012 HK$'000
Turnover	**122,128**	67,360	130,365	144,829	270,296
Loss before taxation	**(113,095)**	(64,760)	(79,394)	(95,956)	(2,966,579)
Income tax (expenses)/credit	**–**	–	(223)	8	(9,799)
Loss for the year from continuing operations	**(113,095)**	(64,760)	(79,617)	(95,948)	(2,976,378)
Discontinued operation					
— Profit/(Loss) from discontinued operations	**–**	–	2,070	(1,477)	–
Loss for the year	**(113,095)**	(64,760)	(77,547)	(97,425)	(2,976,378)
Attributable to:					
— Equity shareholders of the Company	**(113,355)**	(64,182)	(75,131)	(96,663)	(2,981,612)
— Non-controlling interests	**260**	(578)	(2,416)	(762)	5,234
	(113,095)	(64,760)	(77,547)	(97,425)	(2,976,378)

	As at December 31, 2016 HK$'000	As at December 31, 2015 HK$'000	As at December 31, 2014 HK$'000	As at December 31, 2013 HK$'000	As at December 31, 2012 HK$'000
Assets and liabilities					
Total assets	**625,075**	359,801	225,737	255,305	325,658
Total liabilities	**(142,103)**	(51,415)	(250,720)	(271,078)	(245,451)
Total equity	**482,972**	308,386	(24,983)	(15,773)	80,207