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ASIA INVESTMENT FINANCE GROUP LIMITED

亞投金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 33)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016**

The board (the “Board”) of directors (the “Directors”) of Asia Investment Finance Group Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended December 31, 2016, together with the comparative figures for the previous year as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended December 31, 2016

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Revenue	2&3	122,128	67,360
Cost of sales		(100,232)	(61,309)
Gross profit		21,896	6,051
Other revenue and other net income		12,850	1,748
Operating expenses		(103,746)	(36,876)
Loss from operations		(69,000)	(29,077)

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Finance costs			
On bank borrowings		–	(9)
Other loan advances		–	(21,032)
Notional interest	16	<u>(5,302)</u>	<u>(8,506)</u>
		(5,302)	(29,547)
Other non-operating expenses			
Share of loss of an associate		(1,027)	(3,428)
Loss on disposal of an associate	5	(8,052)	–
Loss on deregistration of subsidiaries	4	<u>(9,714)</u>	–
		(18,793)	(3,428)
Loss before impairment and taxation		(93,095)	(62,052)
Impairment loss on goodwill		–	(1,993)
Impairment loss on prepayment		(20,000)	–
Impairment loss on a trade receivable		<u>–</u>	<u>(715)</u>
Loss before taxation	6	(113,095)	(64,760)
Income tax expense	7	<u>–</u>	–
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	4	(9)	–
Exchange differences on translating foreign operations		<u>(10,640)</u>	<u>(5,105)</u>
Total comprehensive loss for the year		<u>(123,744)</u>	<u>(69,865)</u>
Loss for the year attributable to:			
Equity shareholders of the Company		(113,355)	(64,182)
Non-controlling interests		<u>260</u>	<u>(578)</u>
		(113,095)	(64,760)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the Company		(123,052)	(68,392)
Non-controlling interests		<u>(692)</u>	<u>(1,473)</u>
		(123,744)	(69,865)
Dividends	8	N/A	N/A
Loss per share			
— Basic	9	<u>HK1.28 cents</u>	<u>HK1.14 cents</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	Note	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		29,882	4,391
Intangible assets		18,388	–
Deposit paid	13	16,000	–
Goodwill	18	3,000	18,863
Interest in an associate		–	15,072
Deferred tax assets		1,879	–
		<u>69,149</u>	<u>38,326</u>
Current assets			
Inventories		7,672	30,931
Trading securities	10	98,297	–
Loan receivables	11	155,596	–
Trade receivables	12	23,640	8,579
Prepayments, deposits and other receivables	13	163,718	164,707
Tax recoverable		580	498
Client trust bank balance		2,592	–
Cash and cash equivalents		103,831	116,760
		<u>555,926</u>	<u>321,475</u>
Total Assets		<u><u>625,075</u></u>	<u><u>359,801</u></u>
Capital and reserves			
Share capital	17	936,807	736,807
Reserves		(468,246)	(452,705)
		<u>468,561</u>	<u>284,102</u>
Equity attributable to shareholders of the Company		468,561	284,102
Non-controlling interests		14,411	24,284
		<u>482,972</u>	<u>308,386</u>
Total Equity		<u>482,972</u>	<u>308,386</u>
Non-current liabilities			
Deferred tax liabilities		52	34
		<u>52</u>	<u>34</u>

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Current liabilities			
Amount due to a director		–	1,515
Trade payables	<i>14</i>	10,437	3,229
Accruals and other payables	<i>15</i>	38,975	46,637
Convertible bonds	<i>16</i>	92,639	–
		<u>142,051</u>	<u>51,381</u>
Total Equity and Liabilities		<u>625,075</u>	<u>359,801</u>
Net current assets		413,875	270,094
Total assets less current liabilities		483,024	308,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. 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. Note 1(c) and 1(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these 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.

(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 HKFRS 14	Annual improvements to HKFRSs 2012–2014 cycle Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable of Methods 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 and New Standards 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
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 16	Leases ³
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 1 January 2017, with earlier application permitted.

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

³ Effective for annual periods beginning on or after 1 January 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.

2. 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 <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue						
External sales	<u>572</u>	<u>4,797</u>	<u>7,179</u>	<u>69,696</u>	<u>39,884</u>	<u>122,128</u>
Capital expenditure of property, plant and equipment	<u>83</u>	<u>16</u>	<u>567</u>	<u>899</u>	<u>103</u>	<u>1,668</u>
Depreciation	<u>9</u>	<u>1</u>	<u>576</u>	<u>558</u>	<u>28</u>	<u>1,172</u>
Result						
Segment results	<u>(14,149)</u>	<u>39</u>	<u>(3,676)</u>	<u>(492)</u>	<u>(5,949)</u>	<u>(24,227)</u>
Interest revenue						1,067
Other income						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						<u>(8,052)</u>
Loss before taxation						(113,095)
Income tax						<u>-</u>
Loss for the year						<u>(113,095)</u>

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 metals and minerals HK\$'000	Assets Management HK\$'000	Total HK\$'000
Revenue					
External sales	<u>3,751</u>	<u>61,036</u>	<u>2,573</u>	<u>–</u>	<u>67,360</u>
Capital expenditure of property, plant and equipment	<u>–</u>	<u>1,526</u>	<u>–</u>	<u>21</u>	<u>1,547</u>
Depreciation	<u>138</u>	<u>1,022</u>	<u>–</u>	<u>–</u>	<u>1,160</u>
Result					
Segment results	<u>(3,050)</u>	<u>(1,777)</u>	<u>(2,812)</u>	<u>(1,888)</u>	<u>(9,527)</u>
Interest revenue					494
Other income					1,254
Unallocated corporate expenses					(21,298)
Interest expenses					(29,547)
Impairment loss on goodwill					(1,993)
Impairment loss on a trade receivable					(715)
Share of loss of an associate					<u>(3,428)</u>
Loss before taxation					(64,760)
Income tax					<u>–</u>
Loss for the year					<u>(64,760)</u>

Three customers amounted to HK\$22,451,000, HK\$9,484,000 and HK\$6,892,000 respectively from trading of party products business had 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 were delivered.

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

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 intangible assets and goodwill; and the location of operations, in the case of interest in an associate.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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 income, other gains and losses, and finance cost. 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 <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
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						<u>625,075</u>
LIABILITIES						
Segment liabilities	7,227	81	-	3,210	21,244	31,762
Bank borrowings						-
Unallocated corporate liabilities						110,341
Consolidated total liabilities						<u>142,103</u>

Year ended December 31, 2015

	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Assets Management <i>HK\$'000</i>	Total <i>HK\$'000</i>
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					<u>63,969</u>
Consolidated total assets					<u><u>359,801</u></u>
LIABILITIES					
Segment liabilities	-	3,229	-	-	3,229
Bank borrowings					-
Unallocated corporate liabilities					<u>48,186</u>
Consolidated total liabilities					<u><u>51,415</u></u>

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, prepaid lease payments, other receivables, bank balances and cash; and
- all liabilities are allocated to operating segments other than certain other payables and bank borrowings.

3. REVENUE

An analysis of revenue is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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	<u><u>122,128</u></u>	<u><u>67,360</u></u>

4. LOSS ON DEREGISTRATION OF SUBSIDIARIES

During the year, three subsidiaries, 上海驂駟投資管理有限公司, 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	40
	<hr/>
Net assets	18,903
Release of translation reserve upon deregistration of foreign subsidiaries	(9)
Release of non-controlling interest upon deregistration of foreign subsidiaries	(9,180)
Loss on deregistration of subsidiaries, net	(9,714)
	<hr/>
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Net cash flow arising on deregistration:	
Bank balances and cash	-
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The subsidiaries deregistered during the year ended 31 December 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.

5. LOSS ON DISPOSAL OF AN ASSOCIATE

During the year, the Group disposed of the below 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 issue and paid up capital	Proportion of ownership interest	Principal activity
Power Team International (HK) Limited	Hong Kong	46,250,000 ordinary shares	Group's effective interest held indirectly 40%	Investment holdings

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
	<hr/>
Net asset value of the associate as at date of disposal	35,113
	<hr/>
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
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	8,052
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	<hr/>

6. LOSS BEFORE TAXATION

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditor's remuneration	888	700
Cost of inventories included in cost of sales	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 a rented premise	26,537	8,594
Net exchange loss	612	145
Impairment loss on a trade receivable	—	715
Impairment loss on goodwill	—	1,993
Impairment loss on prepayment	20,000	—
Loss on disposal of an associate	8,052	—
Loss on deregistration of subsidiaries	9,714	—
Reversal of impairment loss on other receivables	(3,279)	—
Reversal of impairment loss on inventories	(3,945)	—
Unrealised gain on fair value changes in trading securities	(1,124)	—

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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 People's Republic of China and overseas are charged at the appropriate current rates of taxation ruling in the relevant countries.

8. 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).

9. 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 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss attributable to equity shareholders	<u>(113,355)</u>	<u>(64,182)</u>
	2016 <i>'000 shares</i>	2015 <i>'000 shares</i>
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 issue of shares through subscriptions	868,852	2,378,082
Effect of issue of shares through placing	<u>601,093</u>	<u>–</u>
At the end of the year	<u>8,838,017</u>	<u>5,620,933</u>

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.

10. TRADING SECURITIES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trading securities		
— Listed equity shares listed in Hong Kong	<u>98,297</u>	<u>–</u>

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.

11. LOAN RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loan receivables from money lending business	118,000	–
Loan advanced to other third parties	37,596	–
	<u>155,596</u>	<u>–</u>

Loan receivables bear interest at rates, 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. There is no overdue balance as at December 31, 2016.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Repayable:		
Within 1 year	155,596	–

12. TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables arising from dealing in securities:		
— Clients arising from dealing in securities	4,672	–
— Clearing house	3,060	–
	<u>7,732</u>	<u>–</u>
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
	<u>24,535</u>	<u>9,294</u>
Less: Allowance of doubtful debts (<i>Note 12(d)</i>)	895	715
	<u>23,640</u>	<u>8,579</u>

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) The ageing analysis of trade receivables based on the date of the invoice and net of provision of impairment loss is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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
	<u>16,088</u>	<u>8,579</u>

- (b) Trade receivables neither past due nor impaired

	Trade receivables from securities brokerage and assets management <i>HK\$'000</i>	Trade receivables from money lending business <i>HK\$'000</i>	Trade receivables from provision of credit guarantee service and investment income <i>HK\$'000</i>	Trade receivables from trading of party products <i>HK\$'000</i>	Trade receivables from trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 various securities exchanges transacted on the last two or three 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 <i>HK\$'000</i>	Trade receivables from money lending business <i>HK\$'000</i>	Trade receivables from credit guarantee service and investment income <i>HK\$'000</i>	Trade receivables from trading of party products <i>HK\$'000</i>	Trade receivables from trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
	<u>-</u>	<u>2,814</u>	<u>396</u>	<u>6,376</u>	<u>-</u>	<u>9,586</u>
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
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,132</u>	<u>-</u>	<u>2,132</u>

Trade receivables from cash and custodian clients which are past due but not impaired represent client trades on various securities exchanges which are unsettled beyond the settlement date. When the cash and custodian clients fail to settle on the settlement date, the Group has the rights to force-sell the collateral underlying the securities transactions. The outstanding trade receivables from cash and custodian clients as at December 31, 2016 (2015: Nil) are considered past due but not impaired after taking into consideration the recoverability from the collateral. The collateral held against these receivables is publicly traded securities.

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 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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	<u>-</u>	<u>715</u>
As at December 31	<u>895</u>	<u>715</u>

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 an amount of HK\$715,000 of the credit guarantee service and investment business was uncollectible and was provided for the year ended December 31, 2015.

(e) Impaired trade receivables

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

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.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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 People's Republic of China.

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.

14. TRADE PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables arising from dealing in securities:		
— Clients arising from dealing in securities	2,864	—
— Clearing house	1,980	—
— Client's money	2,383	—
	<u>7,227</u>	—
Trade payables arising from trading of party products	<u>3,210</u>	3,229
	<u><u>10,437</u></u>	<u><u>3,229</u></u>

The ageing analysis of trade payables is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
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
	<u><u>3,210</u></u>	<u><u>3,229</u></u>

The trade payables arising from trading of party products are non-interest bearing and 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.

15. ACCRUALS AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accrued salaries and bonus	9,946	6,732
Trade deposits received	—	35,764
Accrued expenses and other payables	29,029	4,141
	<u><u>38,975</u></u>	<u><u>46,637</u></u>

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

16. 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 of 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	<u>(102,000)</u>
At December 31, 2015	–
Convertible bond issued during the year	87,337
Imputed interest amortised	<u>5,302</u>
At December 31, 2016	<u><u>92,639</u></u>

17. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorized:		
As at December 31, 2014 and January 1, 2015	5,000,000	500,000
Increase during the year (<i>note c</i>)	5,000,000	500,000
As at December 31, 2015 and January 1, 2016	10,000,000	1,000,000
Increase during the year (<i>note f</i>)	90,000,000	9,000,000
As at December 31, 2016	100,000,000	10,000,000
Issued and fully paid:		
As at December 31, 2014 and January 1, 2015	2,992,400	299,240
Issue of new shares upon conversion of convertible bond (<i>note b</i>)	408,000	40,800
Issue of new shares through placing (<i>note d</i>)	4,000,000	400,000
Repurchase during the year (<i>note e</i>)	(32,328)	(3,233)
As at December 31, 2015 and January 1, 2016	7,368,072	736,807
Issue of new shares through subscriptions (<i>note g</i>)	1,000,000	100,000
Issue of new shares through placing (<i>note h</i>)	1,000,000	100,000
As at December 31, 2016	9,368,072	936,807

- (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 places at HK\$0.1 per placing shares.
- (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\$0.2 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.

18. BUSINESS COMBINATION

During the year, the Group acquired 100% shares of 2 subsidiaries at a consideration of approximately HK\$33,539,000 in total. The below tables summarize the consideration paid for these subsidiaries and the fair value of assets 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.

	<i>HK\$'000</i>
Consideration as at June 2, 2016:	
Cash	9,323
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	–
Trade and other receivables	128
Cash at bank and on hand	722
Intangible assets	5,500
Accruals	(27)
Total identifiable net assets	<u>6,323</u>
Goodwill	<u>3,000</u>

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

The revenue included in the profit or loss since June 2, 2016 contributed by AIF Asset Management Limited was approximately HK\$337,000. AIF Asset Management Limited also contributed a net loss of HK\$1,019,000 approximately 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.

	<i>HK\$'000</i>
Consideration as at August 12, 2016:	
Cash	24,216
	<u>24,216</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	3
Deferred tax assets	1,862
Trade and other receivables	15,320
Cash at bank and on hand (including client trust bank balance)	89,399
Intangible assets	12,388
Accruals	(94,756)
	<u>(94,756)</u>
Total identifiable net assets	<u>24,216</u>
Goodwill	<u>–</u>

Acquisition related costs of approximately HK\$1,676,000 have been charged to operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.

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

Impact of acquisitions on the results of the Group

Included in the loss for the year is approximately HK\$1,019,000 attributable to the additional business generated by AIF Asset Management Limited, and approximately HK\$2,798,000 attributable to AIF Securities Limited. Revenue for the year includes approximately HK\$337,000 in respect of AIF Asset Management Limited and approximately HK\$704,000 in respect of AIF Securities Limited.

Had these business combinations been affected at 1 January 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 were 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 were 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 were 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, legal, professional and consultancy fees and rental of office premises.

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).

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 who is a substantial shareholder 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 "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.

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 Securities and Futures Ordinance ("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 a sales and purchase agreement in relation to the acquisition of 24% equity interest in 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 announcement, the completion of this transaction is still subjected to the fulfillment of agreed conditional precedents. Therefore, the transaction has not 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 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.

Prospects

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 a sale and purchase agreement with independent third parties, for the acquisition of 24% equity interest in 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. 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, Company entered into a sale and purchase agreement with independent third parties, for the acquisition of 24% equity interest in 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 announcement, the completion of this transaction is still subjected to the fulfillment of agreed condition precedents. Therefore, the transaction has not 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).

OTHER INFORMATION

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.

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 Mr. 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.

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.

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.

Donation

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

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.

Publication of Annual Results and Annual Report

This announcement is published on the websites of the Company (www.aifgroup.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended December 31, 2016 containing all the information required under the Listing Rules will be dispatched to the Company's shareholders and will be posted on the above websites in due course.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the year. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board
Asia Investment Finance Group Limited
Wei Jiafu
Executive Director

Hong Kong, March 28, 2017

As at the date of this announcement, the Board comprises five executive Directors, namely Ms. Cheung Kwan, Mr. Wei Jiafu, Mr. Huang Shenglan, Mr. Cheng Wen and Mr. Wong Kwong Sum; and three independent non-executive Directors, namely Mr. Anthony Espina, Mr. Wong Tin Yau, Kelvin and Mr. Ho Chun Chung, Patrick.