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

2017

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)*
Wei Jiafu *(Resigned with effect from March 29, 2018)*
Huang Shenglan *(Resigned with effect from June 16, 2017)*
Cheng Wen *(Resigned with effect from July 25, 2017)*
Wong Kwong Sum
Liu Hu *(Appointed on November 29, 2017)*

Non-executive Director

Wang Angel Yunxiao *(Co-Chairperson)*
(Appointed on July 13, 2017 and retired with effect from March 20, 2018)

Independent Non-executive Directors

Anthony Espina
Wong Tin Yau, Kelvin
(Resigned with effect from February 14, 2018)
Ho Chun Chung, Patrick
Ge Ming *(Appointed on May 9, 2017)*

Executive Committee

Cheung Kwan *(Chairperson)*
Wei Jiafu *(Resigned with effect from March 29, 2018)*
Huang Shenglan *(Resigned with effect from June 16, 2017)*
Cheng Wen *(Resigned with effect from July 25, 2017)*
Wong Kwong Sum
Liu Hu *(Appointed on November 29, 2017)*

Audit Committee

Anthony Espina *(Chairman)*
Wong Tin Yau, Kelvin
(Resigned with effect from February 14, 2018)
Ho Chun Chung, Patrick
Ge Ming *(Appointed on May 9, 2017)*

Remuneration Committee

Ho Chun Chung, Patrick *(Chairman)*
Anthony Espina
Wong Tin Yau, Kelvin
(Resigned with effect from February 14, 2018)
Ge Ming *(Appointed on May 9, 2017)*

Nomination Committee

Ho Chun Chung, Patrick *(Chairman)*
Anthony Espina
Wong Tin Yau, Kelvin
(Resigned with effect from February 14, 2018)
Cheung Kwan *(Appointed on January 10, 2017)*
Wong Kwong Sum
Ge Ming *(Appointed on May 9, 2017)*

Risk Management Committee

Wei Jiafu *(Chairman) (Appointed on January 10, 2017 and resigned with effect from March 29, 2018)*
Wong Kwong Sum *(Chairman) (Appointed as a member and chairman on March 29, 2018)*
Cheung Kwan
Huang Shenglan *(Resigned with effect from June 16, 2017)*
Cheng Wen *(Resigned with effect from July 25, 2017)*
Liu Hu *(Appointed on November 29, 2017)*

Authorised Representatives

Wong Kwong Sum
Chen Kwok Wang *(Resigned with effect from September 25, 2017)*
Wong Wai Keung, Frederick *(Appointed on September 25, 2017 and resigned with effect from November 3, 2017)*
Tsang King Sun *(Appointed on November 3, 2017)*

Company Secretary

Chen Kwok Wang *(Resigned with effect from September 25, 2017)*
Wong Wai Keung, Frederick *(Appointed on September 25, 2017 and resigned with effect from November 3, 2017)*
Tsang King Sun *(Appointed on November 3, 2017)*

Website

www.aifgroup.com

CORPORATE INFORMATION

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

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

P.C. Woo & Co.
12/F, Prince's Building
Central
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, 2017 ("Current Year"), the Hong Kong financial market was supported by improved sentiment after the US Federal Reserve signaled a less hawkish stance on future rate rises. However, the rising crisis over North Korea's nuclear ambitions, the uncertainty on the new US President's proposed stimulus policies and the risk of a possible market correction may weigh on the sentiments of the global financial markets.

At the Hong Kong market, the Hang Seng Index closed at 29,919 at the end of December 2017, compared with 22,001 at the end of December 2016 and funds raised from IPOs on the Main Board in FY2017 increased as compared with FY2016. Despite recorded a 32% increase in average market daily turnover, prices and turnover for second-tier stocks, retail investors wary about the sustainability and prospects of the market loony.

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. For the Current Year, the operations of the Group's businesses were diverse.

After completing the acquisition of a licensed fund management company and a licensed stockbroker company in 2016, the Group has the licences (Type 1, 2, 4, 5 and 9) under the Securities and Futures Ordinance ("SFO"). During the year, the Group's securities brokerage and asset management businesses have commenced its full operation with relatively high initial operation cost. The securities funding business is tapping into the stock market. On the other hand, our subsidiary which is in possession of a money lenders licence had commenced the money lending business in the investment and finance market sectors in Hong Kong with satisfactory results. The Group continues to grow its business and operations by fully utilizing its licences regulated under the SFO.

Securities brokerage and asset management

The Group acquired a licensed asset management company and a licensed stockbroker company in year 2016. The operations and businesses of the asset management company and stockbroker company has commenced in the Current Year.

The revenue for securities brokerage and asset management were approximately HK$1.64 million for the Current Year (2016: approximately HK$0.57 million). The businesses were at its full scale of operation and the Group will seek for business opportunities for future expansion.

Money lending business

The licensed money lender subsidiary had commenced its business operations in Hong Kong since last year. The Group commenced its money lending business by lending loans in the amount of approximately HK$104.8 million (2016: approximately HK$118.0 million) as at December 31, 2017. The income from term loans for the Current Year were approximately HK$12.92 million (2016: approximately HK$4.80 million).

Credit guarantee and investment business

The Group is involved in credit guarantee and investment business in Mainland China and the revenue of this segment was approximately HK$1.55 million (2016: approximately HK$7.18 million). The Group grant loans to companies with pledge of collateral assets in Mainland China for interest income.

Trading of party products

The Group is involved in trading of party products and the revenue of this segment was approximately HK$61.29 million (2016: approximately HK$69.70 million). The Group traded party products with several major and stable customers.

Trading of metals and minerals

The Group is involved in trading of metals and minerals in Mainland China and the revenue of this segment was approximately HK$99.33 million (2016: approximately HK$39.88 million). The trading of metals and minerals is on indent basis and is traded occasionally.

FINANCIAL REVIEW

During the Current Year, the Group's revenue was approximately HK$176.73 million, representing an increase of approximately 44.7% compared with approximately HK$122.13 million for the year ended December 31, 2016 ("Prior Year"). The increase in revenue was mainly due to contribution from trading of metals and mineral business and trading of party products.

Gross profit in the Current Year was approximately HK$21.67 million, representing a decrease of approximately 1.1% compared with approximately HK$21.90 million in the Prior Year. In terms of gross profit margin, the current figure was approximately 12.3%, representing a decrease of approximately 31.3% from approximately 17.9% in the Prior Year. The decrease in both gross profit and gross profit margin was mainly due to the increase of revenue on trading of metals and minerals which has a lower gross profit margin than other business segments.

Operating expenses during the year ended December 31, 2017 was approximately HK$113.03 million, representing an increase of approximately 8.9% from approximately HK$103.75 million for the year ended December 31, 2016. Such increase was mainly attributable to increase in share option expenses approximately HK$8.97 million (2016: Nil), and human resources expenses of approximately HK$43.29 million (2016: approximately HK$39.18 million).

Impairment loss on other receivables was approximately HK$38.24 million for the Current Year (2016: Nil). The Group holds several collateral against other receivables in 2017. However, the legal title of certain collateral is uncertain, impairment loss of approximately HK$38.24 million has been recognised during the year.

Finance costs during the year ended December 31, 2017 were approximately HK$7.41 million, representing an increase of approximately 39.8% from approximately HK$5.30 million for the year ended December 31, 2016. Such increase was mainly due to an increase in the effective interest of convertible bond.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2017, net current assets were approximately HK$241.34 million (December 31, 2016: approximately HK$413.88 million). The Group's current ratio was approximately 2.44 (December 31, 2016: approximately 3.91), based on current assets of approximately HK$409.18 million and current liabilities of approximately HK$167.84 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, 2017, the Group's gearing ratio was zero (as at December 31, 2016: zero). As at December 31, 2017, the Group had cash and bank balances of approximately HK$78.46 million (as at December 31, 2016: approximately HK$103.83 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, 2017, the Group had prepayments, deposits and other receivables of approximately HK$135.99 million, which represented a decrease of approximately HK$65.32 million or approximately 32.45% from approximately HK$201.31 million as at December 31, 2016. As at December 31, 2017, the Group had RMB5.00 million (equivalent to approximately HK$6.00 million) capital commitments (December 31, 2016: approximately HK$40 million) which relates to the establishment of an asset management company in Chongqing, China. The operating lease commitment for the Group as at December 31, 2017 was approximately HK$39.68 million (December 31, 2016: approximately HK$35.20 million).

The trading securities of approximately HK$34.39 million as at December 31, 2017 (December 31, 2016: approximately HK$98.30 million) referred to the equitable securities listed in Hong Kong held by the Group as part of treasury operations and short-term investment.

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

As at December 31, 2017, the authorised share capital of the Company was HK$10,000,000,000 divided into 100,000,000,000 shares of HK$0.1 each, and the issued share capital of the Company was HK$932,717,200 divided into 9,327,172,000 shares of HK$0.1 each.

Shares of 35,000,000 and 5,900,000 were repurchased on the market during the year and cancelled on May 15, 2017 and July 20, 2017 respectively.

At the end of the Reporting Period, there was an outstanding principal amount of HK$100,000,000 of convertible bond which was granted pursuant to the subscription agreement dated November 5, 2015 (the "Subscription Agreement"). Based on the Subscription Agreement, 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 (the "Convertible Bonds") in the principal amount of HK$100,000,000 to the subscriber, Internet Finance Investment Co. Ltd. ("Internet Finance"), a company which is wholly owned by Ms. Cheung Kwan (a substantial shareholder and an executive Director of the Company).

According to the terms and conditions of the bonds, the bonds bear a zero interest rate and will mature in the 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.

On January 10, 2018, the Company and Internet Finance entered into a deed of variation (the "Deed of Variation"), pursuant to which it is agreed that, subject to the fulfillment of conditions precedent, the maturity date of the outstanding Convertible Bonds in the principal amount of HK$100,000,000 will be extended from February 18, 2018 to February 18, 2019.

On March 20, 2018, the Deed of Variation has been approved by the independent shareholders at the extraordinary general meeting of the Company. As at the date of this report, all conditions precedent have been fulfilled.

Details of the above transactions had been disclosed in the circulars issued by the Company dated January 8, 2016 and February 28, 2018, and the announcements issued by the Company dated February 18, 2016, January 10, 2018 and March 20, 2018 respectively.

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 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 year, the Group had completed an acquisition of 24% equity interest in an insurance brokerage company at a consideration of HK$56.00 million. The acquired associate is principally engaged in the insurance brokerage business of life, casualty and health insurance projects to individuals and businesses in the Mainland China.

CONTINGENT LIABILITIES

As at December 31, 2017, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENT

As at December 31, 2017, the Group had RMB5.00 million (equivalent to approximately HK$6.00 million) capital commitment contracted for but not provided for in the financial statement which relates to the establishment of an asset management company in Chongqing, China.

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

HUMAN RESOURCES

As at December 31, 2017, the Group had 58 employees (December 31, 2016: 97 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

At the annual general meeting of the Company held on June 26, 2017, the shareholders of the Company approved the adoption of a new share option scheme (the "2017 Share Option Scheme") which takes effect from June 26, 2017 (the "Commencement Date") and the termination of the share option scheme adopted by the Company on October 30, 2007 (the "2007 Share Option Scheme") at the same time. Upon the termination of the 2007 Share Option Scheme, no further Options will be offered or granted but the provisions of the 2007 Share Option Scheme will remain in full force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2007 Share Option Scheme.

The purpose of the 2017 Share Option Scheme is to provide incentives or rewards to Participants of the 2017 Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Participants (as defined in the 2017 Share Option Scheme) include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any distributor, contractor, business partner, promoter, service provider, customer, supplier, consultant, agent and adviser or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the 2017 Share Option Scheme will remain in force for ten (10) years from the Commencement Date.

In the AGM held on June 26, 2017, the upper limit of issuable shares under this newly adopted share option scheme is 933,307,200 option shares, representing 10% of the issued share capital on that date.

On July 27, 2017 and November 29, 2017, the Company granted an aggregate of 930,000,000 and 200,000,000 share options respectively under the 2017 Share Option Scheme to certain eligible persons to subscribe for a total of 930,000,000 and 200,000,000 ordinary shares of HK$0.1 each respectively in the share capital of the Company (the "Share(s)") at an exercise price of HK$0.15 per Share.

On August 1, 2017, three consultants, who have been granted an aggregate of 270,000,000 Share Options on July 27, 2017, tendered their resignation as the Group's consultants under their respective consultancy service agreements on July 31, 2017, with those 270,000,000 Share Options surrendered with immediate effect. Such resignation was accepted by the Company and the offer for the grant of the aforesaid 270,000,000 Share Options lapsed accordingly.

As at December 31, 2017, there were a total of 110,307,200 Shares options, representing approximately 1.18% of the issued Shares, available for issue under the Scheme.

PROSPECTS

Integration Financial Platform of Licensed Corporations under the 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 licences subsidiaries carrying on Type 1 (Dealing in securities), Type 4 (Advising on securities) and Type 9 (Asset management) regulated activities under the SFO. During the Current Year, the Group has successfully obtained Type 2 (Dealing in Futures Contracts) and Type 5 (Advising on Futures Contracts) licences and the licences have been granted by the Securities and Futures Commission on July 31, 2017.

The integrated financial platform of licensed corporation under SFO commenced its full operations in the Current Year and the Group will continues to expand our client foundation, services base and financial income.

Cooperation with Government and Strategic Partners under the Scope of "Belt and Road"

(i) With reference to the announcement on September 14, 2016, the Company entered into a MOU with Kazyna Capital Management Joint Stock Company, a joint stock company incorporated in the Republic of Kazakhstan ("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.

    The Company and KCM are under negotiation for the joint establishment of the Hong Kong Kazakhstan Logistics & Growth Fund.

(ii) With reference to the announcement on January 10, 2017, the Company entered into the Cooperative Framework Agreement with Huaining Government in relation to the proposed formation of the Industry Development Fund with contribution not less than RMB7 million and not more than RMB10 million as the controlling shareholder of general partner of the Industry Development Fund.

    As at the date of this report, the Cooperation Framework Agreement has lapsed.

(iii) With reference to the announcement on June 7, 2017 and November 7, 2017. The Company entered into a memorandum of understanding with CITIC and Kazyna Capital Management Joint Stock Company ("KCM") and China-Eurasian Economic Cooperation Fund ("CEF") in relation to the proposed joint establishment of Eurasian Nurly (Bright) Investment Fund, formerly known as the China-Kazakhstan Nurly Investment Fund (the "Fund") with target capitalization of USD300 million in response to development opportunities arising from the national strategy of "Belt and Road" initiative.

CITIC is a large state-owned multinational conglomerate established under the laws of China with a wide range of businesses covering finance, resources and energy, manufacturing, engineering contracting and real estate as well as others.

KCM was established by the government of the Republic of Kazakhstan in accordance with legislation of the Republic of Kazakhstan as a joint stock company in 2007. KCM is wholly owned by Baiterek National Management Holding JSC, the ultimate principal shareholder of which is the government of the Republic of Kazakhstan. Also, KCM is a sovereignty fund managing the flow of direct investments in project companies through its participation in private equity funds with the aim to ensure diversification, modernization and sustainable development of the national economy of Kazakhstan.

China Huaneng Group ("China Huangeng") is a key state-owned company established with the approval of the State Council of China. The Company is mainly engaged in development, investment, construction, operation and management of power sources; production and sale of power and heat; development, investment, construction, production, and sale of business and products related to finance, energy transportation, renewable energy, and environmental protection; industrial investment, operation and management.

The major sponsors of CEF are The Export-Import Bank of China and Bank of China. Their mission is to enhance the regional economic cooperation of The Shanghai Cooperation Organization and also to promote the construction of the Silk Road Economic Belt. In September 2014, President Xi Jinping announced the commencement of CEF during the Shanghai Cooperation Organization Summit Meeting held in Dushanbe.

As at the date of this report, the Company, CITIC, KCM, China Huaneng and CEF are under negotiation for the proposed joint establishment of the Fund.

Exploration of New Business Development under "Belt and Road"

With reference to the announcement on March 15, 2017 and July 26, 2017, B&R Security International Company Limited ("B&R"), being a wholly-owned subsidiary of the Company, 北京德威保安服務有限公司 (Beijing DeWe Security Services Co., Limited) (the "Vendor") and 德威控股集團有限公司 (DeWe Holding Group Limited) (the "Guarantor") entered into a framework agreement (the "Framework Agreement") on March 15, 2017 in relation to the proposed acquisition of Hong Kong DeWe Security Services Co., Limited by B&R (the "Proposed Acquisition"), which is valid for 90 working days from the date of the Framework Agreement. On July 26, 2017, the Company, the Vendor and the Guarantor have entered into a side letter to extend the validity period of the Framework Agreement to October 31, 2017 (or such later date as may be agreed between the Company, the Vendor and the Guarantor), as further time is required by the Company and the Vendor to discuss and negotiate details of the formal agreement in relation to the Proposed Acquisition.

On October 31, 2017, the Vendor and the Guarantor entered into a 2nd side letter to extend the validity period of the Framework Agreement to November 30, 2017 (or such other date as agreed by all parties).

As at the date of this report, the Company and Vendor are under negotiation for the Proposed Acquisition despite the lapse of the validity period of the Framework Agreement.

Exploration of New Business Development on Health care

The Company considers that the population in China is increasingly aging and the elderly care resources are very limited. With the economic growth in China and the growing middle class, the general public becomes more health conscious. The Company plans to operate a health center in China. The management believes that the health care industry in China provides abundant business opportunities and is beneficial to the long-term development of the Company.

EVENTS AFTER REPORTING PERIOD

(i) On January 10, 2018, the Company entered into a non-legally binding memorandum of understanding with China Universities Media Holdings Limited (中國高校傳媒控股有限公司) (the "Intended Vendor") pursuant to which the Intended Vendor intended to sell and the Company intended to acquire the entire issued share capital of China Universities Media Limited (中國高校傳媒有限公司).

(ii) On January 10, 2018, the Company and Internet Finance entered into the Deed of Variation, pursuant to which it is agreed that, subject to the fulfillment of conditions precedent, the maturity date of the outstanding Convertible Bonds in the principal amount of HK$100,000,000 will be extended from February 18, 2018 to February 18, 2019. Such transaction was approved by the independent shareholders at the extraordinary general meeting of the Company on March 20, 2018. As at the date of this report, all conditions precedent have been fulfilled.

Save for the above proposed alteration, all other terms and conditions of the outstanding Convertible Bonds shall remain unchanged.

(iii) On January 23, 2018, the Company acquired a subsidiary in Fushau, China in order to develop its health care business.

(iv) On February 8, 2018, the Company and the Shenzhen Institutes of Advanced Technology which was Jointly established by the Chinese Academy of Sciences, the People's Government of Shenzhen Municipality and the Chinese University of Hong Kong entered into a capital injection agreement, to establish a project company to develop and manufacture new type of high performance and low-cost potassium-ion battery technology, pursuant to which the Company will inject a sum of RMB21,000,000 (equivalent to approximately HK$25,968,600) into the project company and further injections will be based on product development. The Shenzhen Institutes of Advanced Technology will transfer its legal ownership in the intellectual property rights which value would not be less than the amount injected by the Company.

FINAL DIVIDEND

The Board did not recommend any final dividend for the Current Year (December 31, 2016: Nil).

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Cheung Kwan *(張軍)*, aged 61, 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 69, 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 was an executive director of Burwill Holdings Limited (Stock code: 0024.HK) between December 2015 to June 2017.

Mr. Wong Kwong Sum *(黃光森)*, aged 51, 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.

Mr. Liu Hu *(劉虎)*, aged 50, was appointed as the Executive Director of the Company on November 29, 2017. Mr. Liu is currently the director of Hong Kong New Smart Energy Group Limited, AIF Asset Management Limited and AIF Securities Limited, wholly-owned subsidiaries of the Company. Mr. Liu received a Master's degree in business administration from Murdoch University in March 2001. Mr. Liu has nearly 25 years of experience in banking, securities, funds and asset management, and excels in banking facility, investment banking and offshore finance businesses. Mr. Liu has previously worked for various banks. In addition, he has held managerial positions in various security companies, during which he undertook various IPO projects in Mainland China, and was responsible for organizing and completing the underwriting work as the lead underwriter for Shandong Gold Mining Co., Ltd. and the underwriting work as a joint lead underwriter for China Unicom Network Communications Limited. Mr. Liu enjoys close collaboration relationships with Chinese financial institutions, large state-owned enterprises and Chinese-owned financial institutions and enterprises anchored in Hong Kong, as well as ample experience in business practices related to financial institutions, corporate management and capital operations.

Independent Non-executive Directors

Mr. Anthony Espina *(艾秉禮)*, aged 69, 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 ATF Bank in Kazakhstan. From July 4, 2014 to May 29, 2017, Mr. Espina was 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 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.

Mr. Ho Chun Chung, Patrick *(何振琮)*, aged 54, 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 is currently an independent Non-executive director of Ling Yui Holdings Limited (stock code: 784) and A&S Group (Holdings) Limited (stock code: 1737). 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.

Mr. Ge Ming *(葛明)*, aged 65, was appointed as an Independent Non-executive Director of the Company on May 9, 2017. Mr. Ge is a Certified Public Accountant and a senior fellow of the Chinese Institute of Certified Public Accountants. Mr. Ge is also a senior accountant as certified by the Ministry of Finance of the PRC and an overseas member of the Society of Chinese Accountants & Auditors. Mr. Ge graduated with a Master's degree in Accountancy from the Research Institute for Fiscal Science, Ministry of Finance of the PRC, after his study during the period from 1979 to 1982. Mr. Ge has over 31 years of experience in the field of auditing and advisory services and has assisted in the listing of various PRC companies on the Stock Exchange. Mr. Ge has been an independent non-executive director of Ping An Insurance (Group) Company of China Ltd. (Stock code: 2318) since June 2015. Mr. Ge was a partner of Ernst & Young Hua Ming LLP and retired from his position in August 2014.

Mr. Ge also served as an independent non-executive director of Shunfeng Photovoltaic International Limited (Stock code: 1165) from January 2011 to February 2013. Mr. Ge has been appointed as an independent non-executive director of Credit China FinTech Holdings Limited (Stock code: 8207) from year 2014 to present.

SENIOR MANAGEMENT

Mr. Tsang King Sun *(曾敬燊)*, aged 34, was appointed as the company secretary of the Company with effect from November 3, 2017. Mr. Tsang is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Business Administration (Hons) degree in Accounting from The Hong Kong Polytechnic University. Mr. Tsang has worked in several international audit firms and gained extensive experience in accounting, auditing practices and financial management. Mr. Tsang worked as an executive director (from July 2011 to November 2013) and the company secretary (from July 2011 to March 2014) of China Household Holdings Limited (Stock Code: 692), and an executive director and the company secretary (from December 2014 to August 2017) and the chief financial officer (from April 2015 to August 2017) of China Finance Investment Holdings Limited (Stock Code: 875).

The directors present their annual report and the audited consolidated financial statements for the year ended December 31, 2017.

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, 2017 as set out in the section headed "Management Discussion and Analysis" on the page 4 to 11 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 recognises 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, 2017 are set out in the note 29 to the consolidated financial statements.

DONATION

No donation was made by the Group during the year (2016: HK$3 million).

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 15 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 27 to the consolidated financial statements.

DIRECTORS

Executive Directors

Cheung Kwan *(Chairperson)*
Wei Jiafu *(Resigned with effect from March 29, 2018)*
Huang Shenglan *(Resigned with effect from June 16, 2017)*
Cheng Wen *(Resigned with effect from July 25, 2017)*
Wong Kwong Sum
Liu Hu *(Appointed on November 29, 2017)*

Non-executive Director

Wang Angel Yunxiao *(Co-Chairperson)*
(Appointed on July 13, 2017 and retired with effect from March 20, 2018)

Independent Non-executive Directors

Anthony Espina
Wong Tin Yau, Kelvin *(Resigned with effect from February 14, 2018)*
Ho Chun Chung, Patrick
Ge Ming *(Appointed on May 9, 2017)*

According to Article 130, Mr. Wong Kwong Sum as Executive director and Mr. Anthony Espina and Mr. Ge Ming as Independent Non-Executive Directors, shall retire from office at Annual 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, 2017, 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	Class of Share	Percentage to the issued share capital of the Company
Cheung Kwan	Beneficial Owner	1,450,000,000 (long position)	Shares	15.55%
	Interest of a controlled corporate	2,000,000,000 (long position)	Shares and Convertible bonds *(note (i) and (ii))*	21.44%
	Beneficial Owner	250,000,000 (long position)	Share option *(note (iii))*	2.68%
Espina Anthony	Beneficial Owner	9,000,000 (long position)	Share option *(note (iii))*	0.10%
Ge Ming	Beneficial Owner	9,000,000 (long position)	Share option *(note (iii))*	0.10%
Ho Chun Chung, Patrick	Beneficial Owner	9,000,000 (long position)	Share option *(note (iii))*	0.10%
Liu Hu	Beneficial Owner	50,000,000 (long position)	Share option *(note (iii))*	0.54%
Wang Angel Yunxiao	Beneficial Owner	90,000,000 (long position)	Share option *(note (iii))*	0.96%
Wei Jiafu	Beneficial Owner	30,000,000 (long position)	Share option *(note (iii))*	0.32%
Wong Kwong Sum	Beneficial Owner	10,000,000 (long position)	Share option *(note (iii))*	0.11%
Wong Tin Yau, Kelvin	Beneficial Owner	9,000,000 (long position)	Share option *(note (iii))*	0.10%

Note (i): 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 (ii): 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, held by Internet Finance Investment Co., Ltd.

Note (iii): These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in section headed "SHARE OPTION SCHEME" below.

Save as disclosed above, as at December 31, 2017, 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, 2017, the Company had no Chief Executive Officer.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director, as at December 31, 2017, 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, 2017 was 9,327,172,000.

Name	**Nature of Interests**	**Number of shares**	**Percentage to the issued share capital of the Company**
Internet Finance Investment Co., Ltd	Beneficial Owner *(Note)*	2,000,000,000 (long position)	21.44%

Note: 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 TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed herein, there was no transaction, arrangement or 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 or an entity connected with 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Group's controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMPLOYEES AND REMUNERATION POLICIES

The remuneration policy of the senior management of the Group is set up by the remuneration committee of the Company (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, 2017, the Group had 58 employees (2016: 97 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 26, 2017; 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 21 days from the date upon which the offer of the grant of option is made. A non-refundable nominal consideration of HK$1.00 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 June 26, 2017.

Details of the share options granted and summary of movements of the outstanding share options for the year ended December 31, 2017 under the Share Option Scheme are as follows:

					Number of share options				
Category of Participant	**Date of grant**	**Exercise price (HK$)**	**Closing price of Shares immediately before the date of grant (HK$)**	**Exercise period**	**As at 1 January 2017**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**As at 31 December 2017**
Directors									
Cheung Kwan*	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	–	250,000,000	–	–	250,000,000
Wang Angel Yunxiao	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	–	90,000,000	–	–	90,000,000
Wei Jiafu	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	–	30,000,000	–	–	30,000,000
Wong Kwong Sum	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	–	10,000,000	–	–	10,000,000
Anthony Espina	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	–	9,000,000	–	–	9,000,000
Wong Tin Yau, Kelvin	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	–	9,000,000	–	–	9,000,000
Ho Chun Chung, Patrick	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	–	9,000,000	–	–	9,000,000
Ge Ming	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	–	9,000,000	–	–	9,000,000
Liu Hu	29 November 2017	0.15	0.103	29 November 2017 to 28 November 2020	–	25,000,000	–	–	25,000,000
	29 November 2017	0.15	0.103	29 November 2018 to 28 November 2020	–	25,000,000	–	–	25,000,000
Employees	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	–	51,000,000	–	37,000,000	14,000,000
	29 November 2017	0.15	0.103	29 November 2017 to 28 November 2020	–	75,000,000	–	–	75,000,000
	29 November 2017	0.15	0.103	29 November 2018 to 28 November 2020	–	75,000,000	–	–	75,000,000
Other eligible participants	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	–	91,000,000	–	–	91,000,000
	27 July 2017	0.15	0.069	1 January 2018 to 26 July 2020	–	51,000,000	–	–	51,000,000
	27 July 2017	0.15	0.069	1 January 2019 to 26 July 2020	–	51,000,000	–	–	51,000,000

* The share options were conditionally granted and are subject to the approval of the shareholders of the Company, and such approval was obtained on March 20, 2018.

During the year, no share options were cancelled.

The total number of Shares available for issue under the Share Option Scheme was 110,307,200 as at December 31, 2017, representing 1.18% of the issued Share Capital (9,327,172,000 Shares) of the Company as at the date of this report.

The Company operates the Scheme for providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 28 to the consolidated financial statements.

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 33 to the consolidated financial statements.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Save for the Company's purchases of its own shares on the Stock Exchange as disclosed below, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended December 31, 2017.

		Purchase consideration per share		
Month	**Number of shares repurchased**	**Highest HK$**	**Lowest HK$**	**Aggregate consideration paid (before expenses) HK$**
March	26,500,000	0.082	0.076	2,076,300
March	8,500,000	0.075	0.071	619,400
July	5,900,000	0.075	0.073	436,749

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.

MANAGEMENT CONTRACT

No contract for the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

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 63.7% and 69.3%, respectively (2016: 39.6% and 51.4%). For the Current Year, the percentages of sales attributable to the Group's largest customer and 5 largest customers combined were 56.2% and 84.3%, respectively (2016: 32.7% and 68.7%). 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 2017 Interim Report of the Company is set out below:

Ms. Wang Angel Yunxiao was appointed as a Non-Executive Director and Co-Chairperson on July 13, 2017 and retired with effect from March 20, 2018.

Mr. Liu Hu has been appointed as an executive director and members of the Executive Committee and Risk Management Committee of the Board with effect from November 29, 2017.

Dr. Wong Tin Yau, Kelvin resigned as an Independent Non-Executive Director, a member of Audit Committee, a member of Remuneration Committee and a member of Nomination Committee with effect from February 14, 2018.

Dr. Wei Jiafu resigned as an executive Director, a member of the Executive Committee and the chairman and a member of the Risk Management Committee of the Board with effect from March 29, 2018.

Mr. Wong Kwong Sum, an executive Director, has been appointed as a member and the chairman of the Risk Management Committee of the Board on March 29, 2018.

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended December 31, 2017 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 consolidated financial statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (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, 2017.

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 26, 2017 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

Wong Kwong Sum
Executive Director

Hong Kong
March 28, 2018

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, 2017 to December 31, 2017, 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, 2017 to December 31, 2017, nine Board meetings and one Annual General Meeting held on June 26, 2017 ("2017 AGM") were held and the attendance of each director is set out as follows:

	Number of Attendance	
Directors	**Board Meetings**	**2017 AGM**
Executive Directors		
Cheung Kwan *(Chairperson)*	4/9	0/1
Wei Jiafu *(Resigned with effect from March 29, 2018)*	8/9	1/1
Huang Shenglan *(Resigned with effect from June 16, 2017) (note 1)*	3/3	N/A
Cheng Wen *(Resigned with effect from July 25, 2017) (note 2)*	3/3	0/1
Wong Kwong Sum	9/9	1/1
Liu Hu *(Appointed on November 29, 2017) (note 3)*	N/A	N/A
Non-executive Director		
Wang Angel Yunxiao *(Co-Chairperson)* *(Appointed on July 13, 2017 and retired with effect from March 20, 2018) (note 4)*	0/3	N/A
Independent Non-executive Directors		
Anthony Espina	4/9	1/1
Ho Chun Chung, Patrick	7/9	0/1
Wong Tin Yau, Kelvin *(Resigned with effect from February 14, 2018)*	7/9	1/1
Ge Ming *(Appointed on May 9, 2017) (note 5)*	5/6	1/1

Two executive Directors and one Independent Non-executive Director were unable to attend 2017 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. Mr. Huang Shenglan was resigned with effect from June 16, 2017, and he was eligible to attend 3 board meetings, and was not eligible to attend 2017 AGM.

2. Mr. Cheng Wan was resigned with effect from July 25, 2017, and he was eligible to attend 3 board meetings and the 2017 AGM.

3. Mr. Liu Hu was appointed on November 29, 2017 and he was not eligible to attend board meetings and the 2017 AGM.

4. Ms. Wang Angel Yunxiao was appointed on July 13, 2017 and she was eligible to attend 3 board meetings, but was not eligible to attend the 2017 AGM.

5. Mr. Ge Ming was appointed on May 9, 2017 and he was eligible to attend 6 board meetings, but was not eligible to attend the 2017 AGM.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended December 31, 2017, 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. Ho Chun Chung, Patrick being the Independent Non-executive Director did not attend the AGM held on June 26, 2017 due to his prior engagements.

Pursuant to E.1.2 of the CG Code, the chairman of the Board should attend the AGM. Ms. Cheung Kwan, the chairperson of the Board, was absent from the Company's AGM held on June 26, 2017 due to other business commitments. Dr. Wei Jiafu, executive Director chaired the AGM pursuant to the Articles of Association of the Company and was available to answer questions.

NON-EXECUTIVE DIRECTOR 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. Mr. Ge Ming was appointed for two years commencing from May 9, 2017. No service contract were signed between the Non-executive Director, Wang Angel Yunxiao and the Company.

The Executive Director, Dr. Wei Jiafu resigned with effect from March 29, 2018. An Independent Non-executive Director, Dr. Wong Tin Yau, Kelvin resigned with effect from February 14, 2018. The Non-executive Director, Wang Angel Yunxiao retired with effect from March 20, 2018.

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, 2017 to December 31, 2017, ten Executive Committee meetings were held. The attendance of each member of Executive Committee is set out as follows:

Directors	Number of Attendance/ Number of Executive Committee Meeting(s) held
Executive Directors	
Cheung Kwan *(Chairperson)*	9/10
Wei Jiafu *(Resigned with effect from March 29, 2018)*	10/10
Huang Shenglan *(Resigned with effect from June 16, 2017) (note 1)*	5/6
Cheng Wen *(Resigned with effect from July 25, 2017) (note 2)*	6/8
Wong Kwong Sum	10/10
Liu Hu *(Appointed on November 29, 2017) (note 3)*	N/A

Notes:

1. Mr. Huang Shanglan resigned with effect from June 16, 2017 and he was eligible to attend 6 Executive Committee meetings.

2. Mr. Cheng Wen resigned with effect from July 25, 2017 and he was eligible to attend 8 Executive Committee meetings.

3. Mr. Liu Hu was appointed with effect from November 29, 2017 and he was not eligible to attend the 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 five Independent Non-executive Directors, namely Mr. Ho Chun Chung, Patrick, Mr. Anthony Espina, Dr. Wong Tin Yau, Kelvin (resigned with effect from February 14, 2018), Mr. Ge Ming (appointed on May 9, 2017) and Mr. Liu Hu (appointed on November 29, 2017). 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, 2017 to December 31, 2017, five Remuneration Committee meetings were held. The attendance of each member of Remuneration Committee is set out as follows:

Directors	**Number of Attendance/ Number of Remuneration Committee Meeting(s) held**
Independent Non-executive Directors	
Ho Chun Chung, Patrick *(Chairman)*	5/5
Anthony Espina	3/5
Wong Tin Yau, Kelvin *(resigned with effect from February 14, 2018)*	5/5
Ge Ming *(appointed on May 9, 2017) (note 1)*	2/2
Executive Directors	
Liu Hu *(appointed on November 29, 2017) (note 2)*	N/A

During 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. Mr. Ge Ming was appointed on May 9, 2017 and he was eligible to attend 2 Remuneration Committee meetings.

2. Mr. Liu Hu was appointed on November 29, 2017 and he was not eligible to attend the 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	5
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 four Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Ho Chun Chung, Patrick, Dr. Wong Tin Yau, Kelvin (resigned with effect from February 14, 2018) and Mr. Ge Ming (appointed on May 9, 2017). 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, 2017 to December 31, 2017, three Audit Committee meetings were held to consider and approve the audited consolidated financial statements for the year ended December 31, 2016 and the unaudited consolidated financial statements for the six months ended June 30, 2017. The attendance of each member of Audit Committee is set out as follows:

Directors	Number of Attendance/ Number of Audit Committee Meeting(s) held
Independent Non-executive Directors	
Anthony Espina *(Chairman)*	3/3
Ho Chun Chung, Patrick	3/3
Wong Tin Yau, Kelvin *(resigned with effect from February 14, 2018)*	3/3
Ge Ming *(appointed on May 9, 2017) (note 1)*	1/1

Notes:

1. Mr. Ge Ming was appointed with effect from May 9, 2017 and he was eligible to attend 1 Audit Committee meeting.

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 four Independent Non-executive Directors, namely Mr. Ho Chun Chung, Patrick, Mr. Anthony Espina, Dr. Wong Tin Yau, Kelvin (resigned with effect from February 14, 2018) and Mr. Ge Ming (appointed on May 9, 2017); and two Executive Directors, Ms. Cheung Kwan (appointed on January 10, 2017) 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, 2017 to December 31, 2017, four Nomination Committee meetings were held. The attendance of each member of Nomination Committee is set out as follows:

Directors	**Number of Attendance/ Number of Nomination Committee Meeting(s) held**
Independent Non-executive Directors	
Ho Chun Chung, Patrick *(Chairman)*	4/4
Anthony Espina	2/4
Wong Tin Yau, Kelvin *(resigned with effect from February 14, 2018)*	4/4
Ge Ming *(appointed on May 9, 2017) (note 1)*	2/2
Executive Directors	
Cheung Kwan	1/4
Wong Kwong Sum	4/4

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

Notes:

1. Mr. Ge Ming was appointed with effect from May 9, 2017 and he was eligible to attend 2 Nomination Committee meetings.

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. Members of the Risk Management Committee comprise the following Executive Directors namely, Dr. Wei Jiafu (resigned with effect from March 29, 2018), Ms. Cheung Kwan and Mr. Liu Hu (appointed on November 29, 2017). Dr. Wei Jiafu has been the Chairman of the Risk Management Committee until March 29, 2018, subsequent to which Mr. Wong Kwong Sum was appointed as 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, 2017 to December 31, 2017, three Risk Management Committee meetings were held. The attendance of each member of Risk Management Committee is set out as follows:

Directors	**Number of Attendance/ Number of Risk Management Committee Meeting(s) held**
Executive Directors	
Wei Jiafu *(Chairman) (Resigned with effect from March 29, 2018)*	3/3
Cheung Kwan	3/3
Huang Shenglan *(Resigned with effect from June 16, 2017) (note 1)*	2/2
Cheng Wen *(Resigned with effect from July 25, 2017) (note 2)*	2/2
Liu Hu *(appointed on November 29, 2017) (note 3)*	N/A
Wong Kwong Sum *(appointed on March 29, 2018) (note 4)*	N/A

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

Internal Control and Risk Management

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

The Group, during the year has engaged a professional firm as an independent advisor to hold an annual internal control review to aid the Group in ensuring the internal control is functioning adequately.

Notes:

1. Mr. Huang Shanglan resigned with effect from June 16, 2017 and he was eligible to attend 2 Risk Management Committee meetings.

2. Mr. Cheng Wen resigned with effect from July 25, 2017 and he was eligible to attend 2 Risk Management Committee meetings.

3. Mr. Liu Hu was appointed on November 29, 2017 and he was not eligible to attend the Risk Management Committee meetings.

4. Mr. Wong Kwong Sum was appointed on March 29, 2018 and he was not eligible to attend the 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 2017 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	930
Non-audit services	220
	1,150

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 Kwang Sum as Executive Director and Mr. Anthony Espina and Mr. Ge Ming as Independent Non-executive Directors shall retire from office at Annual 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 recognises 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, 2017 is summarized below:

	Attending seminar(s)/ programme(s)/conference(s)/ reading material relevant to the business or directors' duties
Executive Directors	
Cheung Kwan	✓
Wei Jiafu *(resigned with effect from March 29, 2018)*	✓
Huang Shenglan *(resigned with effect from June 16, 2017)*	N/A
Cheng Wen *(resigned with effect from July 25, 2017)*	N/A
Liu Hu *(appointed on November 29, 2017)*	✓
Wong Kwong Sum	✓
Non-executive Director	
Wang Angel Yunxiao *(Co-Chairperson) (appointed on July 13, 2017 and retired with effect from March 20, 2018)*	✓
Independent Non-executive Directors	
Anthony Espina	✓
Wong Tin Yau, Kelvin *(resigned with effect from February 14, 2018)*	✓
Ho Chun Chung, Patrick	✓
Ge Ming *(appointed on May 9, 2017)*	✓

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. Tsang King Sun ("Mr. Tsang") was appointed as the Company secretary and Chief Financial Officer of the Company on November 3, 2017. The biographical details of Mr. Tsang 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. Tsang has taken no less than 15 hours of relevant professional training during the financial year ended December 31, 2017.

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, 2017, 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 adequate and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control systems.

The Company engaged ZHONGHUI ANDA Risk Services Limited ("ZHONGHUI ANDA Risk") as the internal control consultant, to perform an independent internal control review to assess the effectiveness of the financial, operational and compliance controls, and risk management functions of the Company and the Group's major subsidiaries on a rotation basis. The Audit Committee and the Board, having discussed with ZHONGHUI ANDA Risk and reviewed the internal control review report compiled by ZHONGHUI ANDA Risk, were reasonably satisfied that no material deficiencies or inadequacies existed or identified for the financial year ended 31 December 2017.

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 recognised 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

During the Current Year, there has been no change in the Company's constitutional documents.

On behalf of the Board

Wong Kwong Sum
Executive Director

Hong Kong
March 28, 2018

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

(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 121, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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
Goodwill and other intangible asset impairment assessment — Securities brokerage and assets management segment Refer to note 16 and note 18 in the consolidated financial statements	
At December 31, 2017, the Group's statement of financial position includes goodwill and intangible assets with indefinite useful lives amounting to approximately HK$3 million and approximately HK$18 million respectively. Goodwill and other intangible assets with indefinite useful lives are entirely attributable to the acquisition of subsidiaries in securities brokerage and assets management segment. This segment incurred loss in the year ended December 31, 2017. 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 discounted 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.	We have performed the following procedures to address this key audit risk: — 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.

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment on loan receivables Refer to note 22 in the consolidated financial statements The Money Lending Business has loan receivables of approximately HK$105 million as at December 31, 2017. We identified recoverability of loan receivables as a key audit matter due to its significance to the Group's consolidated financial position and the involvement of the management judgment and estimates in evaluating the recoverability of the Group's loan receivables at the end of the reporting period. As disclosed in note 22 to the consolidated financial statements, in determining whether there is objective evidence of impairment loss on loan receivables, the management considers the settlement records, ageing analysis and subsequent settlements of the loan receivables in evaluating the recoverability of the loan receivables. As disclosed in note 22 to the consolidated financial statements, as at December 31, 2017, the Group's loan receivables amounting to approximately HK$105 million, which contributed approximately 20% of total assets of the Group. The Group has not provided any impairment loss on loan receivables as at December 31, 2017.	Our procedures in relation to management's impairment assessment included: — Obtaining an understanding of the management's assessment in the recoverability of loan receivables; — Understanding key controls of the Group relating to the recoverability of loan receivables; — Obtaining and testing the accuracy of the ageing analysis of loan receivables as at December 31, 2017 on a sample basis, to loan agreements; — Assessing the reasonableness of the management's assessment on the recoverability of loan receivables based on the settlement records, ageing analysis and subsequent settlements of the loan receivables; and — Testing the subsequent settlements, on a sample basis, to the bank receipts.

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment on interest in an associate Refer to note 19 in the consolidated financial statement During the year, the Group acquired 24% equity interest of an insurance broker in the PRC. This investment is accounted for as an associate using the equity method, because of the significant influence that comes from the shareholding. The carrying amount of the interest in this associate is approximately HK$52 million as at December 31, 2017. The associate incurred loss for the period ended December 31, 2017 after the Group's acquisition. This has increased the risk that the carrying amount of interest in the associate may be impaired. The Group engaged an independent external valuer to assist in the valuation of the recoverable amount of interest in the associate. The recoverable amount of the associate has been determined with reference to its value in use. Management concluded that there is no impairment in respect of the carrying amount of interest in an associate. This conclusion was based on a discount cash flow that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth.	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.

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 purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	Note	**2017 HK$'000**	2016 HK$'000
Revenue	3 & 36	**176,728**	122,128
Cost of sales		**(155,059)**	(100,232)
Gross profit		**21,669**	21,896
Other revenue and other net (loss)/income	4	**(3,998)**	9,571
Operating expenses		**(113,030)**	(103,746)
Loss from operations		**(95,359)**	(72,279)
Finance costs			
Other borrowings		**(924)**	–
Notional interest		**(6,485)**	(5,302)
	5	**(7,409)**	(5,302)
Other non-operating expenses			
Share of loss of an associate	19	**(3,813)**	(1,027)
Loss on disposal of an associate	8	**–**	(8,052)
Gain on disposal of subsidiaries	7	**222**	–
Loss on deregistration of subsidiaries	6	**–**	(9,714)
		(3,591)	(18,793)
Loss before impairment and taxation		**(106,359)**	(96,374)
Impairment loss on prepayment		**–**	(20,000)
(Impairment loss)/reversal of impairment loss on other receivables	24	**(34,774)**	3,279
Loss before taxation		**(141,133)**	(113,095)
Income tax expense	10	**(1,827)**	–
Loss for the year		**(142,960)**	(113,095)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	Note	2017 HK$'000	2016 HK$'000
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)
Release of translation reserve upon disposal of foreign subsidiaries	7	**8**	–
Exchange differences on translating foreign operations		**11,886**	(10,640)
Total comprehensive loss for the year		**(131,066)**	(123,744)
Loss for the year attributable to:			
Equity shareholders of the Company		**(141,274)**	(113,355)
Non-controlling interests		**(1,686)**	260
		(142,960)	(113,095)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the Company		**(130,590)**	(123,052)
Non-controlling interests		**(476)**	(692)
		(131,066)	(123,744)
Dividends	11	**N/A**	N/A
Loss per share			
— Basic	12	**HK1.51 cents**	HK1.28 cents
— Diluted		**N/A**	N/A

The notes on pages 51 to 121 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**30,199**	29,882
Intangible assets	16	**18,388**	18,388
Deposit paid	24	**12,624**	16,000
Goodwill	18	**3,000**	3,000
Interest in an associate	19	**52,187**	–
Deferred tax assets	32	**–**	1,879
		116,398	69,149
Current assets			
Inventories	20	**31,860**	7,672
Trading securities	21	**34,392**	98,297
Loan receivables	22	**104,836**	118,000
Trade receivables	23	**14,163**	23,640
Prepayments, deposits and other receivables	24	**135,991**	201,314
Tax recoverable		**130**	580
Client trust bank balance	25	**9,345**	2,592
Cash and cash equivalents	26	**78,460**	103,831
		409,177	555,926
Total Assets		**525,575**	625,075
Capital and reserves			
Share capital	27	**932,717**	936,807
Reserves		**(588,918)**	(468,246)
Equity attributable to shareholders of the Company		**343,799**	468,561
Non-controlling interests		**13,935**	14,411
Total Equity		**357,734**	482,972
Non-current liabilities			
Deferred tax liabilities	32	**–**	52
		–	52

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Note	2017 HK$'000	2016 HK$'000
Current liabilities			
Trade payables	30	**14,901**	10,437
Accruals and other payables	31	**53,816**	38,975
Convertible bonds	33	**99,124**	92,639
		167,841	142,051
Total Equity and Liabilities		**525,575**	625,075
Net current assets		**241,336**	413,875
Total assets less current liabilities		**357,734**	483,024

Approved and authorised for issue by the Board of Directors on March 28, 2018.

On behalf of the board

Wong Kwong Sum — *Director*

Liu Hu — *Director*

The notes on pages 51 to 121 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

	Attributable to equity shareholders of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Translation reserve** HK$'000	**Share option reserve** HK$'000	**Capital reserve** HK$'000	**Convertible bond reserve** HK$'000	**Statutory reserve** HK$'000	**Accumulated losses** HK$'000	**Subtotal** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 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
At December 31,2016 and January 1, 2017	936,807	3,057,330	(2,918)	–	(15,000)	12,663	3,420	(3,523,741)	468,561	14,411	482,972
Grant of share options	–	–	–	8,970	–	–	–	–	8,970	–	8,970
Lapsed of share options	–	–	–	(484)	–	–	–	484	–	–	–
Repurchase of shares	(4,090)	948	–	–	–	–	–	–	(3,142)	–	(3,142)
Total comprehensive loss for the year	–	–	10,684	–	–	–	–	(141,274)	(130,590)	(476)	(131,066)
At December 31, 2017	932,717	3,058,278	7,766	8,486	(15,000)	12,663	3,420	(3,664,531)	343,799	13,935	357,734

The notes on pages 51 to 121 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2017

	Note	2017 HK$'000	2016 HK$'000
Operating activities			
Loss before taxation for the year		**(141,133)**	(113,095)
Adjustments for:			
Bank interest income		**(183)**	(1,067)
Dividend income		**(419)**	(2,106)
Interest expenses on other borrowings		**924**	–
Interest expenses on convertible bond		**6,485**	5,302
Share of loss of an associate		**3,813**	1,027
Depreciation		**6,494**	4,052
Equity settled share option expenses		**8,970**	–
Loss on disposal of property, plant and equipment		**343**	249
Gain on disposal of trading securities	4	**(9,664)**	(1,504)
Gain on disposal of subsidiaries	7	**(222)**	–
Impairment loss on prepayment		**–**	20,000
Impairment loss/(reversal of impairment loss) on other receivables		**34,774**	(3,279)
Unrealised loss/(gain) on fair value changes in trading securities	4	**14,472**	(1,124)
Loss on disposal of an associate	8	**–**	8,052
Loss on deregistration of subsidiaries	6	**–**	9,714
Reversal of impairment loss on inventories	4	**–**	(3,945)
Operating loss before changes in working capital		**(75,346)**	(77,724)
(Increase)/Decrease in inventories		**(24,188)**	23,259
Decrease/(Increase) in trading securities		**59,517**	(95,669)
Increase in loan and interest receivables		**(25,081)**	(155,596)
Decrease/(Increase) in trade receivables		**77,591**	(348)
Decrease/(Increase) in prepayments, deposits and other receivables		**3,376**	(10,194)
(Increase)/Decrease in client trust bank balance		**(6,753)**	81,897
Increase/(Decrease) in trade payables		**6,364**	(8,548)
Increase/(Decrease) in accruals and other payables		**18,018**	(86,695)
Cash generated from/(used in) operations		**33,498**	(329,618)
Profits tax refund		**450**	–
Net cash generated from/(used in) operating activities		**33,948**	(329,618)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2017

	Note	2017 HK$'000	2016 HK$'000
Investing activities			
Purchase of property, plant and equipment		**(7,138)**	(30,754)
Interest received		**183**	1,067
Dividend received		**–**	2,106
Deposit paid for acquisition of equity interest		**(12,624)**	(16,000)
Acquisition of an associate		**(56,000)**	–
Net cash outflow arising on disposal of subsidiaries	7	**(20)**	–
Acquisition of subsidiaries		**–**	(28,406)
Net proceeds from disposal of an associate		**–**	5,993
Net cash used in investing activities		**(75,599)**	(65,994)
Financing activities			
Interest paid		**(925)**	–
Decrease in amount due to a director		**–**	(1,515)
Advanced from other payables		**8,659**	–
Repurchase of shares		**(3,142)**	–
Issuance of shares through subscription		**–**	100,000
Issuance of shares through placing		**–**	194,848
Issuance of convertible bond		**–**	100,000
Net cash generated from financing activities		**4,592**	393,333
Net decrease in cash and cash equivalents		**(37,059)**	(2,279)
Cash and cash equivalents at beginning of year		**103,831**	116,760
Effect of exchange rate changes		**11,688**	(10,650)
Cash and cash equivalents at end of year	26	**78,460**	103,831

The notes on pages 51 to 121 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 for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in this report.

(b) Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2017 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 41.

(c) Amendments, New Standards and Interpretations issued and effective for the year ended December 31, 2017

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, 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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 this report.

(d) Possible impact of Amendments, New Standards and Interpretations issued but not yet effective for the year ended December 31, 2017.

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[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 & HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets 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.

— For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows and discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification. Currently, the Group revises the effective interest rates for non-substantial modification of financial liabilities with no gain/loss being recognised 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 directors of the Company anticipate that the application of HKFRS 9 in the future will have an impact to the Group as the expected credit loss model will result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, the directors of the Company consider the impact of early provision of credit losses (if any in future) will not be significantly affecting the financial performance and financial position of the Group based on analysis of the Group's existing business model.

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 investments in equity securities and 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;

— intangible assets; 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 is 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.

(iii) Share-based payments

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

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

(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.

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

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

(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 reclassified to 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:

	2017 HK$'000	2016 HK$'000
Credit guarantee service and investment income	**1,552**	7,179
Sales of party products	**61,294**	69,696
Sales of metals and minerals	**99,325**	39,884
Brokerage commission income and assets management income	**1,639**	572
Interest income from money lending business	**12,918**	4,797
Total	**176,728**	122,128

4. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2017 HK$'000	2016 HK$'000
Dividend income	**419**	2,106
Bank interest income	**183**	1,067
Sundry income	**578**	437
Net exchange loss	**(27)**	(612)
Unrealised (loss)/gain on fair value changes in trading securities	**(14,472)**	1,124
Realised gain on disposal of trading securities	**9,664**	1,504
Loss on disposal of property, plant and equipment	**(343)**	–
Reversal of impairment loss on inventories	**–**	3,945
	(3,998)	9,571

5. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest expenses on loan advances	**864**	–
Margin interest	**60**	–
Imputed interest expenses on convertible bond	**6,485**	5,302
Total interest expenses on financial liabilities not at fair value through profit or loss	**7,409**	5,302

6. LOSS ON DEREGISTRATION OF SUBSIDIARIES

During the last year, three subsidiaries, 上海駿馳投資管理有限公司, 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 recognised impairment loss on prepayment of HK$20,000,000 during the year ended December 31, 2016.

7. GAIN ON DISPOSAL OF SUBSIDIARIES

During the year, 北京盛世騰雲國際貿易有限公司 and 中國磁源節能有限公司, in which the Group had effective interest of 100%, were disposed of.

The net liabilities of the subsidiaries disposed of, where appropriate, at the relevant date were as follows:

	中國磁源節能有限公司 2017 *HK$'000*	北京盛世騰雲國際貿易有限公司 2017 *HK$'000*
Non-current assets		
Property, plant and equipment	–	78
Intangible assets	–	107
	–	185
Current assets		
Trade receivables	–	6,624
Prepayment, deposit paid and other receivables	–	6,676
Cash and cash equivalents	–	20
	–	13,320
Total assets	–	13,505
Current liabilities		
Trade payables	–	1,900
Receipt in advance	–	2,323
Other payables	19	9,464
Tax payable	–	29
	19	13,716
Net liabilities disposed of	(19)	(211)
Release of translation reserve upon disposal of foreign subsidiaries	–	8
Gain on disposal of subsidiaries	19	203
	–	–
Net cash flow arising on disposal		
Cash consideration received	–	–
Bank balances and cash	–	(20)
	–	(20)

The subsidiaries disposed of during the year ended December 31, 2017 contributed approximately HK$13,465,000 to the Group's revenue and contributed a net loss of approximately HK$204,000 to the Group's operating results.

8. LOSS ON DISPOSAL OF AN ASSOCIATE

During the year ended December 31, 2015, 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 last year, the Group disposed of the 40% equity interest in the associate.

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

9. LOSS BEFORE TAXATION

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

	2017	2016
	HK$'000	HK$'000
Auditor's remuneration	**930**	888
Cost of inventories included in cost of sales *(Note 20)*	**155,048**	100,198
Depreciation	**6,494**	4,052
Loss on disposal of property, plant and equipment	**343**	249
Staff costs:		
— Salaries, wages and other benefits (including directors' emoluments)	**42,773**	38,759
— Contributions to defined contribution retirement plans	**517**	422
— Share-based payment expenses	**6,370**	–
Operating lease charges on a rented premise	**23,594**	26,537
Consultancy fee	**5,155**	7,523
Share-based payment to non-employees	**2,600**	–
Donation	**–**	3,000
Legal and professional fee	**5,402**	7,852
Net exchange loss *(Note 4)*	**27**	612
Impairment loss/(reversal of impairment loss) on other receivables	**34,774**	(3,279)
Reversal of impairment loss on inventories *(Note 4)*	**–**	(3,945)
Unrealised loss/(gain) on fair value changes in trading securities *(Note 4)*	**14,472**	(1,124)
Realised gain on disposal of trading securities	**(9,664)**	(1,504)

10. 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:

	2017	2016
	HK$'000	HK$'000
Hong Kong Profits Tax		
Provision for the year	**–**	–
Deferred tax		
Reversal of temporary differences	**1,827**	–
	1,827	–

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2016: 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.

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

	2017	2016
	HK$'000	HK$'000
Loss before taxation	**(141,133)**	(113,095)
Notional tax on loss before taxation, calculated at the applicable tax rate 16.5% (2016: 16.5%)	**(23,287)**	(18,661)
Effect of different tax rate in other country	**(2,256)**	(612)
Tax effect of income not subject to taxation	**(363)**	(26,648)
Tax effect of expenses not deductible for taxation purposes	**12,220**	5,213
Tax effect of prior year's tax losses utilized in this year	**–**	(2)
Unused tax losses not recognised	**14,236**	41,236
Tax effect of origination and reversal of temporary differences	**1,277**	(294)
Others	**–**	(232)
Income tax expense	**1,827**	–

11. DIVIDENDS

The Board of the Company did not recommend any final dividend for the year ended December 31, 2017. No dividend was paid during the year (2016: Nil).

12. 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.

	2017	2016
	HK$'000	HK$'000
Loss attributable to equity shareholders	**(141,274)**	(113,355)

	2017	2016
	'000 shares	'000 shares
Weighted average number of ordinary shares		
At the beginning of the year	**9,368,072**	7,368,072
Effect of repurchase	**(29,200)**	–
Effect of issue of shares through subscriptions	**–**	868,852
Effect of issue of shares through placing	**–**	601,093
	9,338,872	8,838,017

Total ordinary shares outstanding at December 31, 2017 was 9,327,172,000 shares (2016: 9,368,072,000 shares).

(b) Diluted loss per share

Diluted loss 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 dilutive potential ordinary shares are the share options and convertible bonds. Since the impact of conversion of share options and convertible bonds on loss per share is anti-dilutive, diluted loss per share was not presented in both years.

13. 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.

14. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY

(a) Directors' remuneration is disclosed as follows:

	For the year ended December 31, 2017					
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Discretionary Bonus HK$'000	Contribution to retirement scheme HK$'000	Share-based payment HK$'000	Total HK$'000
Executive Directors						
Cheung Kwan	6,600	–	–	18	–	6,618
Wei Jiafu *(resigned with effect from March 29, 2018)*	1,960	–	–	–	539	2,499
Cheng Wen *(resigned with effect from July 25, 2017)*	1,285	–	–	10	–	1,295
Huang Shenglan *(resigned with effect from June 16, 2017)*	1,119	–	–	–	–	1,119
Wong Kwong Sum	670	–	–	18	180	868
Liu Hu *(appointed on November 29, 2017)*	106	–	–	2	844	952
Non-executive Directors						
Wang Angel Yunxiao *(appointed on July 13, 2017 and retired with effect from March 20, 2018)*	–	–	–	–	1,620	1,620
Independent Non-executive Directors						
Ho Chun Chung, Patrick	219	–	–	–	162	381
Anthony Espina	219	–	–	–	162	381
Ge Ming *(appointed on May 9, 2017)*	155	–	–	–	162	317
Wong Tin Yau, Kelvin *(resigned with effect from February 14, 2018)*	219	–	–	–	162	381
	12,552	–	–	48	3,831	16,431

As at December 31, 2017, share options have been granted and held by the directors under the Company's share option scheme (2016: Nil), details please refer to note 28.

For the year ended 31 December 2017, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

None of the directors has waived any emoluments for the year ended 31 December 2017 (2016: Nil).

	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

Note:

(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 ended December 31, 2016 after his resignation as the director of the Company.

(b) Individuals with highest emoluments

Of the five individuals with the highest paid in the Group, three (2016: two) were directors of the Company whose emoluments are disclosed in note 14(a) above. The emoluments of the remaining two (2016: three) individual was as follows:

	2017	2016
	HK$'000	HK$'000
Salaries and other benefits	**4,307**	5,183
Contributions to defined contribution retirement plans	**1,400**	38
Discretionary bonus	**54**	4,200
	5,761	9,421

Their emoluments were within the following bands:

	2017 Number of employees	2016 Number of employees
Below HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
Over HK$1,500,000	**2**	3

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

15. 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, 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 and January 1, 2017	3,959	648	2,313	114	2,300	27,000	36,334
Additions	5,130	46	1,941	21	–	–	7,138
Disposal	(852)	–	(59)	–	–	–	(911)
Exchange adjustments	–	–	34	–	30	–	64
At December 31, 2017	8,237	694	4,229	135	2,330	27,000	42,625
Accumulated depreciation							
At 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 and January 1, 2017	2,806	130	755	17	719	2,025	6,452
Charge for the year	2,266	136	691	24	677	2,700	6,494
Eliminated on disposal	(555)	–	(12)	–	–	–	(567)
Exchange adjustments	–	–	28	–	19	–	47
At December 31, 2017	4,517	266	1,462	41	1,415	4,725	12,426
Net book values							
At December 31, 2017	3,720	428	2,767	94	915	22,275	30,199
At December 31, 2016	1,153	518	1,558	97	1,581	24,975	29,882

16. 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	12,388	5,500	500	18,388
As at December 31, 2016, January 1, 2017 and December 31, 2017	12,388	5,500	500	18,388
Accumulated amortisation				
As at January 1, 2016, December 31, 2016, January 1, 2017 and December 31, 2017	–	–	–	–
Carrying values				
As at December 31, 2017	12,388	5,500	500	18,388
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, 2017 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, 2017 (2016: Nil).

17. 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
AIF International Great Trading Limited (formerly known as "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

Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activities
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
AIF Asset Management Limited	Hong Kong	HK$3,000,000	100%	Provision of securities advisory and asset management services
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.

	2017 **HK$'000**	2016 HK$'000
Non-controlling interests percentage	**10%**	10%
Current assets	**139,527**	136,060
Non-current assets	**29,750**	30,331
Current liabilities	**(4,936)**	(19,994)
Non-current liabilities	**–**	–
Net assets	**164,341**	146,397
Carrying amount of non-controlling interests	**16,434**	14,640
Revenue	**1,552**	5,484
Profit for the year	**8,132**	3,249
Total comprehensive income	**8,132**	3,249
Profit allocated to non-controlling interests	**813**	325
Dividend paid to non-controlling interests	**–**	–
Cash flows generated from/(used in) operating activities	**39,720**	(39,954)
Cash flows used in investing activities	**(9,921)**	(270)
Cash flows generated from financing activities	**–**	–

18. GOODWILL

	2017	2016
	HK$'000	HK$'000
At the beginning of the year	**3,000**	18,863
Arising from acquisition of subsidiaries	**–**	3,000
Arising from deregistration of subsidiaries	**–**	(18,863)
At the end of the year	**3,000**	3,000

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:

	2017	2016
	HK$'000	HK$'000
Securities brokerage and assets management business	**3,000**	3,000

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% (2016: 3%) and a discount rate of 20.78% (2016: 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 profit margin. Such estimation is based on management's expectations for the market development and efficiency improvement.

19. 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
Sunrise Insurance Broker Company Limited ("Sunrise Insurance")	PRC	RMB50,000,000	24%	Provision of insurance brokerage service

On June 30, 2017, the Group acquired 24% of the equity interest of Sunrise Insurance at a cash consideration of HK$56,000,000. Sunrise Insurance is principally engaged in provision of insurance brokerage service in the PRC. The investment in Sunrise Insurance, an insurance brokerage service provider in the PRC, enables the Group to have exposure to this market through local expertise.

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

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:

	Sunrise Insurance 2017 HK$'000
Gross amount of the associate	
Current assets	21,623
Non-current assets	5,258
Current liabilities	(25,816)
Equity	1,065
Post acquisition result	
Revenue	48,851
Loss for the period	(15,888)
Total comprehensive loss	(15,888)
Reconciled to the Group's interest in the associate	
Gross amounts of the net assets of the associate	1,065
Group's effective interest	24%
Group's share of net assets of the associate	256
Goodwill	51,931
Carrying amount in the consolidated financial statements	52,187

20. INVENTORIES

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

	2017	2016
	HK$'000	HK$'000
Raw materials	**4,489**	4,453
Work-in-progress	**1,426**	1,977
Finished goods	**25,945**	1,242
	31,860	7,672

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

	2017	2016
	HK$'000	HK$'000
Carrying amount of inventories sold	**155,048**	100,198

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 has been recognised.

21. TRADING SECURITIES

	2017	2016
	HK$'000	HK$'000
Trading securities		
— Listed equity shares listed in Hong Kong	**34,392**	98,297

The trading securities are initially recognised 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 recognised 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.

22. LOAN RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Loan receivables from money lending business	**104,836**	118,000

Loan receivables bear interest at rates ranged from 10% p.a. to 20% p.a. (2016: from 12.5% 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 balance outstanding as at December 31, 2017 is not overdue.

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

	2017	2016
	HK$'000	HK$'000
Repayable:		
Within 1 year	**104,836**	118,000

23. TRADE RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade receivables arising from dealing in securities:		
— Clients arising from dealing in securities	**772**	4,672
— Clearing house	**2,011**	3,060
	2,783	7,732
Interest receivables arising from money lending business	**326**	2,814
Trade receivables arising from credit guarantee service and investment income	**1,822**	1,111
Trade receivables arising from trading of party products	**9,947**	12,878
	14,878	24,535
Less: Allowance for bad and doubtful debts	**715**	715
Less: Allowance for bad debts from dealing in securities	**–**	180
	14,163	23,640

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 based on the date of the invoice and net of provision of impairment loss is as follows:

	2017	2016
	HK$'000	HK$'000
Within 30 days	**8,288**	15,003
31 to 60 days	**3,762**	5,741
61 to 90 days	**854**	1,836
Over 90 days	**1,259**	1,060
	14,163	23,640
Trade receivables from dealing in securities not past due	**2,783**	7,552
	11,380	16,088

(b) Trade receivables neither past due nor impaired

	Trade receivables from securities brokerage and assets management	**Trade receivables from money lending business**	**Trade receivables from provision of credit guarantee service and investment income**	**Trade receivables from trading of party products**	**Trade receivables from trading of metal and minerals**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at December 31, 2017						
Neither past due nor impaired	**2,783**	**–**	**667**	**6,487**	**–**	**9,937**
As at December 31, 2016						
Neither past due nor impaired	7,552	–	–	6,502	–	14,054

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, 2017						
Less than 1 month past due	**–**	**326**	**–**	**2,525**	**–**	**2,851**
1 to 3 months past due	**–**	**–**	**–**	**784**	**–**	**784**
Over 3 months	**–**	**–**	**440**	**151**	**–**	**591**
	–	**326**	**440**	**3,460**	**–**	**4,226**
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

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

	2017	2016
	HK$'000	HK$'000
Movement in the allowance for bad and doubtful debts:		
As at January 1	**895**	715
Addition from acquisition of a subsidiary	**–**	180
Uncollectible amounts written off	**(180)**	–
As at December 31	**715**	895

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.

As at December 31, 2017, HK$715,000 (2016: HK$895,000) was a provision for an individual debtor of the credit guarantee service and investment business (2016: Individual debtors of the credit guarantee and investment business and securities brokerage and assets management business) since the management considered that the amount HK$715,000 (2016: 895,000) would not be recovered.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade deposits and other receivables *(Note a)*	**169,722**	199,127
Deposit paid for acquisition *(Note b & c)*	**12,624**	16,000
Prepayments	**4,707**	6,447
Rental, utility and sundry deposits	**8,753**	7,716
Staff advances	**84**	525
	195,890	229,815
Less: Impairment loss on other receivables *(Note d)*	**47,275**	12,501
Less: Non-current portion *(Note b & c)*	**12,624**	16,000
	135,991	201,314

Note a: The amount includes trade deposits of approximately HK$13,500,000 (2016: approximately HK$19,000,000) for purchase of metals and minerals, deposit of approximately HK$46,800,000 for credit guarantee service business (2016: Nil), other receivables of approximately HK$30,245,000 (2016: approximately HK$15,657,000) from trading of metals and minerals and entrusted loan of approximately HK$26,413,000 (2016: approximately HK$96,142,000).

Note b: During the year ended December 31, 2017, the amount of HK$8,000,000 represents the earnest money for the proposed acquisition of 20% issued share capital of a company incorporated in Hong Kong which is principally engaged in provision of integrated security service solutions in Hong Kong, Macau and overseas countries. The remaining amount of approximately HK$4,624,000 (equivalent to EUR500,000) represents the earnest money for the purposed establishment of a joint venture company with an independent third party in relation to investments in the field of new energy.

Note c: During the year ended December 31, 2016, the amount of approximately HK$16,000,000 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 insurance brokerage company became an associate of the Group during the year.

Note d: Impairment losses on other receivables

	2017	2016
	HK$'000	HK$'000
Movement in the allowance for bad and doubtful debts:		
As at January 1	**12,501**	12,501
Addition from uncollectible amounts	**38,244**	–
Less: Reversal of impairment loss on other receivable *(Note e)*	**(3,470)**	–
As at December 31	**47,275**	12,501

As at December 31, 2017, approximately HK$38,244,000 (2016: Nil) was a provision for an independent third party of the credit guarantee service and investment business due to the legal title of certain collateral is uncertain. As a result, impairment loss has be recognised during the period.

Note e: Other receivables of approximately HK$3,470,000 as recovered during the year due to the victory in the court order. As a result, a reversal of impairment loss has been recognised in profit or loss.

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK$40,931,000 (2016: approximately HK$21,646,000). The remaining amount are expected to be recovered or recognised as expense within one year.

25. 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 30).

26. CASH AND CASH EQUIVALENTS

	2017 **HK$'000**	2016 HK$'000
Cash and bank balances	**78,460**	103,831
Cash and cash equivalents in the statement of cash flows	**78,460**	103,831

Cash and cash equivalents in the consolidated cash flow statements as at December 31, 2017 and 2016 were approximately HK$78,460,000 and HK$103,831,000 respectively.

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

Reconciliation of liabilities arising from financing activities

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

	Accruals and other payables HK$'000	**Convertible bonds** HK$'000	**Total** HK$'000
At January 1, 2017	–	92,639	92,639
Changes from financing cash flows:			
Interests paid	(925)	–	(925)
Advanced from other payables	8,659	–	8,659
Total changes from financing cash flows	7,734	–	7,734
Other changes:			
Imputed interest	925	6,485	7,410
At December 31, 2017	8,659	99,124	107,783

27. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
As at December 31, 2015 and January 1, 2016	10,000,000	1,000,000
Increase during the year *(Note b)*	90,000,000	9,000,000
As at December 31, 2016, January 1, 2017 and December 31, 2017	100,000,000	10,000,000
Issued and fully paid:		
As at January 1, 2016	7,368,072	736,807
Issue of new shares through subscriptions *(Note c)*	1,000,000	100,000
Issue of new shares through placing *(Note d)*	1,000,000	100,000
As at December 31, 2016 and January 1, 2017	9,368,072	936,807
Repurchase during the year *(Note e)*	(40,900)	(4,090)
As at December 31, 2017	9,327,172	932,717

(a) The Company has a share option scheme, under which the Company may grant options to any employee or director to subscribe for shares of the Company, up to a maximum of 10% of the issued share capital of the Company (absolute maximum number of share option: 932,717,200 (2016: 936,807,200 shares)). 610,000,000 share options were granted during the year and there were 573,000,000 outstanding share options as at December 31, 2017.

(b) 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.

(c) 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.

(d) 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.

(e) During the year, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
March 2017	8,500,000	0.075	0.071	619
March 2017	26,500,000	0.082	0.076	2,076
July 2017	5,900,000	0.075	0.073	437
	40,900,000			3,132

An aggregate of 40,900,000 shares were repurchased in aggregate amount of approximately HK$3.1 million and cancelled in May and July 2017.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a new share option scheme (the "2017 Share Option Scheme") which takes effect from June 26, 2017 (the "Commencement Date") and the termination of the share option scheme adopted by the Company on October 30, 2007 (the "2007 Share Option Scheme") at the same time. Upon the termination of the 2007 Share Option Scheme, no further Options will be offered or granted but the provisions of the 2007 Share Option Scheme will remain in full force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2007 Share Option Scheme.

The purpose of the 2017 Share Option Scheme is to provide incentives or rewards to Participants of the 2017 Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Participants (as defined in the 2017 Share Option Scheme) include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any distributor, contractor, business partner, promoter, service provider, customer, supplier, consultant, agent and adviser or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the 2017 Share Option Scheme will remain in force for ten (10) years from the Commencement Date.

(a) Details of the movement of the outstanding share options under the Share Option Scheme during the year ended December 31, 2017 are as follows:

					Number of share options				
Category of participants	**Date of grant**	**Exercise price**	**Vesting date**	**Exercisable period**	**As at January 1, 2017**	**Granted**	**Exercised**	**Lapsed**	**As at December 31, 2017**
		HK$						*(Note i)*	
Executive Director Wei Jiafu	July 27, 2017	0.15	July 27, 2017	From July 27, 2017 to July 26, 2020	–	30,000,000	–	–	30,000,000
Executive Director Wong Kwong Sum	July 27, 2017	0.15	July 27, 2017	From July 27, 2017 to July 26, 2020	–	10,000,000	–	–	10,000,000
Non-executive Director Wang Angel Yunxiao	July 27, 2017	0.15	July 27, 2017	From July 27, 2017 to July 26, 2020	–	90,000,000	–	–	90,000,000
Independent non-executive director Anthony Espina	July 27, 2017	0.15	July 27, 2017	From July 27, 2017 to July 26, 2020	–	9,000,000	–	–	9,000,000
Independent non-executive director Wong Tin Yau, Kelvin	July 27, 2017	0.15	July 27, 2017	From July 27, 2017 to July 26, 2020	–	9,000,000	–	–	9,000,000
Independent non-executive director Ho Chun Chung, Patrick	July 27, 2017	0.15	July 27, 2017	From July 27, 2017 to July 26, 2020	–	9,000,000	–	–	9,000,000

Category of participants	Date of grant	Exercise price HK$	Vesting date	Exercisable period	Number of share options: As at January 1, 2017	Granted	Exercised	Lapsed *(Note i)*	As at December 31, 2017
Independent non-executive director									
Ge Ming	July 27, 2017	0.15	July 27, 2017	From July 27, 2017 to July 26, 2020	–	9,000,000	–	–	9,000,000
Executive Director									
Liu Hu	November 29, 2017	0.15	November 29, 2017	From November 29, 2017 to November 28, 2020	–	25,000,000	–	–	25,000,000
Executive Director									
Liu Hu	November 29, 2017	0.15	November 29, 2018	From November 29, 2018 to November 28, 2020	–	25,000,000	–	–	25,000,000
Consultants	July 27, 2017	0.15	July 27, 2017	From July 27, 2017 to July 26, 2020	–	91,000,000	–	–	91,000,000
Consultants	July 27, 2017	0.15	January 1, 2018	From January 1, 2018 to July 26, 2020	–	51,000,000	–	–	51,000,000
Consultants	July 27, 2017	0.15	January 1, 2019	From January 1, 2019 to July 26, 2020	–	51,000,000	–	–	51,000,000
Staff	July 27, 2017	0.15	July 27, 2017	From July 27, 2017 to July 26, 2020	–	51,000,000	–	(37,000,000)	14,000,000
Staff	November 29, 2017	0.15	November 29, 2017	From November 29, 2017 to November 28, 2020	–	75,000,000	–	–	75,000,000
Staff	November 29, 2017	0.15	November 29, 2018	From November 27, 2018 to November 28, 2020	–	75,000,000	–	–	75,000,000
					–	610,000,000	–	(37,000,000)	573,000,000

Notes

i. The staff's share options lapsed since they resigned from the Company during the year.

ii. The share-based payment expense of approximately HK$8,970,000 (2016: Nil) was recognised in profit or loss.

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Date of grant	**July 27, 2017**	**November 29, 2017**
Fair value at measurement date	HK$0.017	HK$0.017
Share price	HK$0.07	HK$0.10
Exercise price	HK$0.15	HK$0.15
Expected volatility	83.19%	80.16%
Option life	3 years	3 years
Expected dividend	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	0.898%	1.403%

The expected volatility is based on the historic volatility. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

29. RESERVES

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible bond reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and January 1, 2017	**3,057,330**	**31,971**	**12,663**	**–**	**(3,569,951)**	**(467,987)**
Repurchase of shares	**948**	**–**	**–**	**–**	**–**	**948**
Grant of share options	**–**	**–**	**–**	**8,970**	**–**	**8,970**
Lapsed of share options	**–**	**–**	**–**	**(484)**	**484**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(128,407)**	**(128,407)**
At December 31, 2017	**3,058,278**	**31,971**	**12,663**	**8,486**	**(3,697,874)**	**(586,476)**

(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, 2017, no reserves were available for distribution to equity shareholders of the Company (2016: Nil).

(viii) Share option reserve

The share option reserve represents the recognition of the value of equity-settled share-based payments provided to non-employee and employees, including key management personnel, as part of the remuneration. Please refer to note 28 for further details.

30. TRADE PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables arising from dealing in securities:		
— Clients arising from dealing in securities	**2,006**	2,864
— Clearing house	**711**	1,980
— Clients' money	**9,202**	2,383
	11,919	7,227
Trade payables arising from trading of party products	**2,982**	3,210
	14,901	10,437

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

	2017 HK$'000	2016 HK$'000
0 to 30 days	**2,145**	1,925
31 to 60 days	**641**	603
61 to 90 days	**196**	379
Over 90 days	**–**	303
	2,982	3,210

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.

31. ACCRUALS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Accrued salaries and bonus	**8,601**	9,946
Trade deposits received	**23,170**	–
Accrued expenses and other payables	**22,045**	29,029
	53,816	38,975

The carrying amounts of accruals and other payables at the end of the reporting period approximated their fair values. All of the accrued salaries and bonus, accrued expenses and other payables are expected to be settled or recognised as income within one year.

32. 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**	**Total**
	HK$'000	HK$'000	HK$'000
At January 1, 2016	52	(18)	34
Addition due to acquisition of subsidiaries	(1,861)	–	(1,861)
At December 31, 2016	(1,809)	(18)	(1,827)
Reversal of temporary differences	1,809	18	1,827
At December 31, 2017	–	–	–

	2017	2016
	HK$'000	HK$'000
Deferred tax assets recognised	**–**	(1,879)
Deferred tax liabilities recognised	**–**	52

Deferred tax assets have not been recognised in respect of the tax losses of HK$96,371,000 approximately (2016: HK$56,573,000 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.

33. CONVERTIBLE BONDS

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.

On January 10, 2018, the Company and the Bondholder entered into the Deed of Variation, pursuant to which it is agreed that, subject to the fulfillment of conditions precedent, the maturity date of the outstanding Convertible Bonds in the principal amount of HK$100,000,000 will be extended from February 18, 2018 to February 18, 2019.

	Liability portion HK$'000
At January 1, 2016	–
Convertible bond issued during the year	87,337
Imputed interest amortised	5,302
At December 31, 2016	92,639
Imputed interest amortised	6,485
At December 31, 2017	99,124

34. 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

35. 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 18)*	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 18)*	–

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.

36. 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 (2016: five) 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 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 costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

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

Year ended December 31, 2017

	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						
Sales	2,006	12,918	1,552	61,294	99,325	177,095
Inter-segment revenue	(367)	–	–	–	–	(367)
External sales	1,639	12,918	1,552	61,294	99,325	176,728
Capital expenditure of property, plant and equipment	7,071	–	–	67	–	7,138
Depreciation	5,404	3	456	613	18	6,494
Impairment loss on other receivables	–	–	9,920	–	24,854	34,774
Loss on disposal of property, plant and equipment	343	–	–	–	–	343
Result						
Segment results	(17,284)	(377)	(16,027)	(1,811)	(4,103)	(39,602)
Bank interest income						183
Gain on disposal of subsidiaries						222
Realized gain on disposal of trading securities						9,664
Unrealized loss on fair value change in trading securities						(14,472)
Unallocated corporate expenses						(76,936)
Share option expenses						(8,970)
Finance costs						(7,409)
Share of loss of an associate						(3,813)
Loss before taxation						(141,133)
Income tax						(1,827)
Loss for the year						(142,960)

One customer amounted to approximately HK$99,325,000 from trading of metals and minerals business had contributed over 10% of the total sales of the Group.

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)
Bank interest income						1,067
Other income						11,783
Unallocated corporate expenses						(57,623)
Finance costs						(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)

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.

(b) Segment Assets and Liabilities

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

Year ended December 31, 2017

	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	**43,176**	**107,806**	**82,315**	**19,027**	**67,131**	**319,455**
Bank balances and cash (included restricted cash)						**87,805**
Unallocated corporate assets						**118,315**
Consolidated total assets						**525,575**
LIABILITIES						
Segment liabilities	**13,531**	**837**	**3,604**	**2,982**	**34,896**	**55,850**
Unallocated corporate liabilities						**111,991**
Consolidated total liabilities						**167,841**

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

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, deferred tax assets, trading securities, tax recoverable, certain prepayments, deposits and other receivables and bank balances and cash; and

— all liabilities are allocated to operating segments other than certain other payables, deferred tax liabilities and convertible bonds.

(c) 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.

	2017 HK$'000	2016 HK$'000
Hong Kong	**75,851**	75,065
Mainland China	**100,877**	47,063
Total	**176,728**	122,128

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.

	2017 HK$'000	2016 HK$'000
Hong Kong	**50,793**	49,379
Mainland China	**52,981**	1,891
Total	**103,774**	51,270

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment in subsidiaries		**47,861**	47,471
Current assets			
Prepayments, deposits and other receivables		**10,033**	17,755
Amounts due from subsidiaries		**388,494**	499,490
Cash and cash equivalents		**19**	6
		398,546	517,251
Total Assets		**446,407**	564,722
Capital and reserves			
Share capital	27	**932,717**	936,807
Reserves	29	**(586,476)**	(467,987)
		346,241	468,820
Current liabilities			
Accruals and other payables		**1,042**	3,263
Convertible bonds		**99,124**	92,639
		100,166	95,902
Total Equity and Liabilities		**446,407**	564,722
Net current assets		**298,380**	421,349
Total assets less current liabilities		**346,241**	468,820

38. RELATED PARTY TRANSACTIONS

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

(a) Other related party transactions

	2017	2016
	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:

	2017	2016
	HK$'000	HK$'000
Salaries, allowance and other benefits	**12,552**	15,333
Contributions to defined contribution retirement plans	**48**	50
Share-based payment	**3,831**	–
	16,431	15,383

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 13 & 14 to the consolidated financial statements. Total remuneration is included in "staff costs" (see note 9).

The related party transactions did not constitute connected transactions (including continuing connected transactions) as defined in Chapter 14A of the Listing Rules.

39. COMMITMENTS

(a) Capital Commitments

As at December 31, 2017, the Group had RMB5.0 million (equivalent to approximately HK$6.00 million) capital commitments contracted but not provided for in the financial statements which relate to the establishment of an asset management company in Chongqing, China.

For details please refer to announcement dated October 27, 2017.

As at December 31, 2016, the Group had HK$40 million capital commitments 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:

	2017	2016
	HK$'000	HK$'000
Within one year	**19,454**	17,597
In the second to fifth year, inclusive	**18,816**	17,651
Beyond five years	**1,423**	–
	39,693	35,248

40. 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, 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, currency risk and equity price 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, 2017	
Trading securities	
— Listed equity securities	34,392
As at December 31, 2016	
Trading securities	
— Listed equity securities	98,297

(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 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, 2017, the maximum exposure to credit risk is represented by the carrying amount of trade and other receivables 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, 2017, the Group has a certain concentration of credit risk as approximately equals to 28.3% (2016: 20.9%) and 76.0% (2016: 53.5%) 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. At December 31, 2017, the Group has a certain concentration of credit risk as approximately 41.7% (2016: Nil) and 91.7% (2016: Nil) of the total financial guarantee was provided to the Group's largest customer and the five largest customers respectively.

— Loan receivables

As at December 31, 2017, the maximum exposure to credit risk is represented by the carrying amount of loan receivables 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 to 365 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, 2017, the Group has a certain concentration of credit risk at approximately 27.6% (2016: 31.4%) and 100% (2016: 100%) 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, 2017					
	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**
Trade payables	**14,901**	**–**	**–**	**–**	**14,901**	**14,901**
Accruals and other payables	**53,816**	**–**	**–**	**–**	**53,816**	**53,816**
Convertible bond	**100,000**	**–**	**–**	**–**	**100,000**	**99,124**
	168,717	**–**	**–**	**–**	**168,717**	**167,841**

	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
Trade payables	10,437	–	–	–	10,437	10,437
Accruals and other payables	38,975	–	–	–	38,975	38,975
Convertible bond	100,000	–	–	–	100,000	92,639
	149,412	–	–	–	149,412	142,051

(iii) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, loan receivables and convertible bonds. 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 33. The interest rates of loan receivables are disclosed in note 22.

(2) Sensitivity analysis

At December 31, 2017, 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$878,000 (2016: approximately HK$1,064,000). Other components of consolidated equity would not be affected (2016: 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 2016.

(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 ("US$"), Renminbi ("RMB") and Hong Kong dollars.

(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, Renminbi and Hong Kong dollars.

	December 31, 2017		
	US$	**RMB**	**HK$**
	HK$'000	**HK$'000**	**HK$'000**
Cash and cash equivalents	**3,039**	**2,535**	**4,290**
Trade and other receivables	**5,353**	**1,095**	**–**
Trade and other payables	**–**	**(6,379)**	**–**
Overall exposure arising from recognised assets and liabilities	**8,392**	**(2,749)**	**4,290**

	December 31, 2016		
	US$	RMB	HK$
	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	1,640	201	15,414
Trade and other receivables	7,361	40	–
Trade and other payables	(169)	(2,513)	–
Overall exposure arising from recognised assets and liabilities	8,832	(2,272)	15,414

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, 2017		December 31, 2016	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK$'000
Renminbi	**5%**	**(93)**	5%	(93)
	(5%)	**93**	(5%)	93
United States dollars	**5%**	**376**	5%	382
	(5%)	**(376)**	(5%)	(382)
Hong Kong dollars	**5%**	**215**	5%	771
	(5%)	**(215)**	(5%)	(771)

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 2016.

(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:

	2017	2016
	HK$'000	HK$'000
Loss for the year		
Decrease by 10%	**(2,872)**	(8,208)
Increase by 10%	**2,872**	8,208

(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, 2017.

41. 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 non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, or in the case of intangible assets with indefinite useful lives, the recoverable amount of the asset is determined annually. Calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(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 and loan receivables. The estimates are based on the ageing of the receivables and the historical write-off experience, net of recoveries as well as the value of collaterals, if any. 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.

(v) *Valuation of share options granted*

The fair value of share options granted is estimated using the binomial lattice model at the date of grant by an independent valuer. The binomial lattice model requires input of subjective assumptions such as expected stock price volatility and dividend yield. Changes in the subjective input may materially affect the fair value estimates.

(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.

42. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to confirm with the current year's presentation.

43. EVENTS AFTER THE REPORTING PERIOD

(i) On January 10, 2018, the Company entered into a non-legally binding memorandum of understanding with China Universities Media Holdings Limited (中國高校傳媒控股有限公司) (the "Intended Vendor") pursuant to which the Intended Vendor intended to sell and the Company intended to acquire the entire issued share capital of China Universities Media Limited (中國高校傳媒有限公司).

(ii) On January 10, 2018, the Company and Internet Finance entered into the Deed of Variation, pursuant to which it is agreed that, subject to the fulfillment of conditions precedent, the maturity date of the outstanding Convertible Bonds in the principal amount of HK$100,000,000 will be extended from February 18, 2018 to February 18, 2019. Such transaction was approved by the independent shareholders at the extraordinary general meeting of the Company on March 20, 2018. As at the date of this report, all conditions precedent have been fulfilled.

Save for the above proposed alteration, all other terms and conditions of the outstanding Convertible Bonds shall remain unchanged.

(iii) On February 8, 2018, the Company and the Shenzhen Institutes of Advanced Technology which was Jointly established by the Chinese Academy of Sciences, the People's Government of Shenzhen Municipality and the Chinese University of Hong Kong entered into a capital injection agreement, to establish a project company to develop and manufacture new type of high performance and low-cost potassium-ion battery technology, pursuant to which the Company will inject a sum of RMB21,000,000 (equivalent to approximately HK$25,968,600) into the project company and further injections will be based on product development. The Shenzhen Institutes of Advanced Technology will transfer its legal ownership in the intellectual property rights which value would not be less than the amount injected by the Company.

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, 2017 HK$'000**	Year ended December 31, 2016 HK$'000	Year ended December 31, 2015 HK$'000	Year ended December 31, 2014 HK$'000	Year ended December 31, 2013 HK$'000 (Restated)
Turnover	**176,728**	122,128	67,360	130,365	144,829
Loss before taxation	**(141,133)**	(113,095)	(64,760)	(79,394)	(95,956)
Income tax (expenses)/credit	**(1,827)**	–	–	(223)	8
Loss for the year from continuing operations	**(142,960)**	(113,095)	(64,760)	(79,617)	(95,948)
Discontinued operation					
— Profit/(Loss) from discontinued operations	**–**	–	–	2,070	(1,477)
Loss for the year	**(142,960)**	(113,095)	(64,760)	(77,547)	(97,425)
Attributable to:					
— Equity shareholders of the Company	**(141,274)**	(113,355)	(64,182)	(75,131)	(96,663)
— Non-controlling interests	**(1,686)**	260	(578)	(2,416)	(762)
	(142,960)	(113,095)	(64,760)	(77,547)	(97,425)

	As at December 31, 2017 HK$'000	As at December 31, 2016 HK$'000	As at December 31, 2015 HK$'000	As at December 31, 2014 HK$'000	As at December 31, 2013 HK$'000
Assets and liabilities					
Total assets	**525,575**	625,075	359,801	225,737	255,305
Total liabilities	**(167,841)**	(142,103)	(51,415)	(250,720)	(271,078)
Total equity	**357,734**	482,972	308,386	(24,983)	(15,773)