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云 锋 金 融

Yunfeng Financial Group Limited

雲鋒金融集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

The board of directors (the “Board”) of Yunfeng Financial Group Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016. The unaudited condensed consolidated interim results have been reviewed by the Company’s audit committee and the Company’s independent auditor.

Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. Yu Feng (*Non-Executive Director*)

Executive Directors

Ms. Li Ting (*Chief Executive Officer*)
Mr. Huang Xin

Non-Executive Directors

Mr. Ko Chun Shun, Johnson
Mr. Huang Youlong
Ms. Hai Olivia Ou

Independent Non-Executive Directors

Mr. Lin Lijun
Mr. Qi Daqing
Mr. Chu Chung Yue, Howard
Dr. Wong Yau Kar, David, *GBS, JP*

AUDIT COMMITTEE

Mr. Chu Chung Yue, Howard (*Chairman*)
Mr. Lin Lijun
Mr. Qi Daqing
Dr. Wong Yau Kar, David, *GBS, JP*

REMUNERATION COMMITTEE

Mr. Lin Lijun (*Chairman*)
Mr. Qi Daqing
Mr. Huang Xin
Mr. Chu Chung Yue, Howard

NOMINATION COMMITTEE

Mr. Yu Feng (*Chairman*)
Mr. Lin Lijun
Mr. Qi Daqing
Mr. Chu Chung Yue, Howard

AUTHORISED REPRESENTATIVES

Ms. Li Ting
Mr. Chan Man Ko

COMPANY SECRETARY

Mr. Chan Man Ko

AUDITOR

KPMG
Certified Public Accountants

Corporate Information *(continued)*

BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
China Citic Bank International
China Construction Bank (Asia)
Bank of China (Hong Kong)
Bank of Communications

WEBSITE

<http://www.yff.com>

STOCK CODE

376

REGISTERED AND PRINCIPAL OFFICE

Suites 3201-3204
One Exchange Square
8 Connaught Place
Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Management Discussion and Analysis

The board of directors (the “Board”) of Yunfeng Financial Group Limited (the “Company”) submit herewith the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017 (the “First Half of 2017” or the “Period”), together with the comparative figures for the corresponding period in 2016 (the “Prior Period”).

Material event after reporting period

As disclosed in the announcement of the Company dated 17 August 2017, the Company and the other Asia investors and MassMutual International LLC, entered into the Share Purchase Agreement pursuant to which the Company has conditionally agreed to acquire 60% of the issued share capital of MassMutual Asia Limited. The portion of the consideration payable by the Company is HK\$7,860 million of which HK\$5,200 million will be satisfied by the issue of an aggregate of 800,000,000 shares of the Company at the issue Price of HK\$6.50 per share representing approximately 24.8% of the issued share capital of the Company as enlarged by the issue of the shares.

The long term vision of the Group is to leverage its fintech capabilities to develop a financial services ecosystem comprising information technology and online and offline platforms that offer a broad range of financial services and products along with high quality expert advice. This transaction is a milestone for the Group’s integration of existing financial technology services and traditional insurance business as well as its growth into a large financial group.

Management Discussion and Analysis (continued)

Business Review

Overview

For the First Half of 2017, the Group's major sources of revenue includes subscription fees and management fees for products launched by the Group, platform fees for distribution of third-parties products, administration fee for employees stock ownership plan management services, brokerage commission income and corporate advisory fee income, etc. In addition, the group generates other operating income and gains from its own general capital. The Group is still in the process of building its client base and scale of asset under management. The Group's revenue and other operating income were HK\$9.5 million and HK\$33.2 million respectively, representing a decrease of 65.3% and an increase of 137% compared to the Prior Period respectively. The decrease of revenue was mainly attributable to the decrease of consultancy and advisory revenue and securities brokerage commission during the Period. However, the operating income (mainly derived from Company's own capital fund management) increased significantly.

Apart from this, due to the increase in number of staff in 2016 and certain equipment and system contracts entered into in 2016, their related expenses are fully recorded in the First Half of 2017. The amortisation expense in relation to share awards granted by the Company in January 2017 is also recorded in the First Half of 2017. Therefore, overall operating expense is higher than that in the Prior Period. In addition, the fair values of certain financial assets (measured at fair value through profit or loss) held and disposed by the Group at 2017 Interim are lower than their values as at 31 December 2016, which resulted in a loss of HK\$82.6 million in the consolidated income statement. Taking into account of the above factors, the loss attributable to equity shareholders of the Company for the Period is HK\$236.6 million (Prior Period HK\$220.8 million).

Brokerage Business

In the First Half of 2017, the Group has launched "Youyu Stock" mobile application version 2.0 in May 2017 and upgraded the "Youyu Stock" website with the primary objective of improving the transaction process and presenting the account information in a more concise manner. Our new user interface design for both the mobile application and the website is able to 1) enhance the stability of the market price quotation function 2) provide more comprehensive information on companies and 3) improve the user experiences. The Group's brokerage business was affected by the Hong Kong stock market. The Group proactively increases promotion effort of "Youyu Stock" and strives to crystallise the result of such promotion in the second half of 2017. During the Period, the turnover of brokerage business amounted to HK\$457.6 million, representing a decrease of 62.7% as compared with the Prior Period.

Corporate Finance Consultancy Service

The Group's corporate finance business provides financial consultancy service primarily to Hong Kong listed companies. In the First Half of 2017, the Group has completed 18 financial consultancy projects. During the Period, this business segment recorded an income of HK\$5.4 million, representing a decrease of 78.5% as compared with the Prior Period.

Management Discussion and Analysis (*continued*)

Business Review (*continued*)

Employee Stock Ownership Plan Administration

In the First Half of 2017, the Group launched the “Youyu ekeeper” website to provide employee stock ownership plan administration service and complete a system connection with our strategic partner. The long-term business plan is to develop the sustainable business model and create synergistic impact for other business lines. The external employees under the employee stock ownership plan administration service are able to open accounts and inject their assets with Youyu Stock and Youyu Wealth for investment purpose. Overall, the Group considers Youyu ekeeper to be able to provide positive impact to trading volume and amount of asset under securities brokerage business and, as well as enhance customer loyalty to other business line of the Group.

Wealth Management

The Group successfully launched the “Youyu Wealth” online mobile application in April 2017. The application has received positive feedback and support from fund managers in the market as well as the social media. For the long-term development strategy, the “Youyu Wealth” mobile application will continue to enhance the fund product trading process and user experience by providing different investment performance data and up-to-date investment portfolio information.

On the other hand, our wealth management business has made substantive progress offline in fund management, investing and financing solution services. In the First Half of 2017, the Group has offered the following three offline fund products for subscriptions:

Name of offline fund products	Investment focus
Majik Access USD Fund 1 LP	Third-party managed private credit funds - directly or indirectly invest in credit and real estate-related debt market sectors
Majik Access USD Fund 2 LP	Third-party managed distressed assets funds - specialising in different distressed credit strategies
Majik Access USD Fund 3 LP	Third-party managed collateralised loan obligations - investing in senior secured first lien bank loans, second lien loans, unsecured loans, and other debt obligations

For the above fund products, we continued to attract new professional investors. For further growth in offline wealth management operation, we have successfully locked in a handful of rare investment targets including credit linked note and distressed fund investment opportunities being managed by the top tier managers in the field. As at 30 June 2017, the total capital commitment of the three offline products amounted to US\$113.8 million.

Management Discussion and Analysis *(continued)*

Business Review *(continued)*

General Capital Management

The Group adopted the following capital usage and management strategies:

- 1) To achieve positive synergies between the Company's capital management and growth of its asset management business, and to facilitate external fundraising for such products, the Company intends to provide seed capital, as a direct investor or co-investor in fund products and high-quality early-stage private equity products developed by the Company;
- 2) Used as standby capital to support the securities brokerage business and the securities financing business when needed;
- 3) Towards acquisition or development of projects related to the Company's personal wealth management business or financial technologies development or into opportunities that provide synergies with other businesses of the Company; and
- 4) For better effectiveness and returns in respect of the Company's capital management, and to improve cash flow management, the Company shall adopt a treasury management model that may involve (but shall not be limited to) holding fixed income instruments, high grade equity instruments and other financial investments.

For the First Half of 2017, the use of Group's general capital is as follows:

HK\$ million

	At 30 June 2017	At 31 December 2016	Change
Fixed bank deposits and cash <i>(note 1)</i>	3,603.9	4,164.7	-13.5%
Mutual fund investment <i>(note 2)</i>	298.8	-	-
Fixed income type of investment <i>(note 3)</i>	154.7	75.4	105.2%
Equity and option	6.5	210.3	-96.9%
Majik Access USD Fund 3 LP	194.5	-	-
	<u>4,258.4</u>	<u>4,450.4</u>	-4.3%

Note 1: The amount includes US\$25 million committed for investing in Majik Access USD Fund 1 LP.

Note 2: This includes investments in more than five mutual fund investments managed by different fund management companies with abundant international investment experiences. The investment portfolio of the mutual funds mainly comprised of fixed income securities and equity, with a higher proportion being fixed-income securities. The mutual funds are liquid assets and can be converted into cash upon request.

Note 3: This includes both perpetual capital and loan receivable.

Management Discussion and Analysis *(continued)*

Prospects

In the second half of year 2017, the Group will push forward on the completion of acquisition of share capital of MassMutual Asia Limited. In addition, the uncertainties surrounding the global economy are expected to continue plaguing the market in the second half of 2017. However, we will work together to withstand all the uncertainties and ramp up the effort to build up the client base and scale of asset under management. Our focus remains on improving the overall operating result of the Group through effective cost control and increase of revenue streams with different strategies based on market situations. We believe there is room for growth in every industry and market and the chance of succeeding in the market is always enhanced with excellent corporation and talent.

Financial result review

Significant financial information

Consolidated profit and loss analysis for the period ended 30 June

HK\$ million

	1H 2017	1H 2016	Change
Revenue	9.5	27.4	-65.3%
Other operating income and gains	33.2	14.0	137.1%
Net loss on financial assets and financial liabilities at fair value through profit or loss	(82.6)	(129.0)	-36.0%
Staff costs	(122.1)	(85.5)	42.8%
Other operating expenses	(70.1)	(59.5)	17.8%
	(232.1)	(232.6)	0.2%
Finance cost	(3.6)	-	-
Loss before taxation	(235.7)	(232.6)	1.3%
Income tax	(1.0)	11.6	-
Loss for the period	(236.7)	(221.0)	7.1%
Loss for the period attributable to:			
Equity shareholders of the Company	(236.6)	(220.9)	7.1%
Non-controlling interests	(0.1)	(0.1)	-
	(236.7)	(221.0)	7.1%

Management Discussion and Analysis *(continued)*

Financial result review *(continued)*

Revenue

For the First Half of 2017, revenue amounted to HK\$9.5 million (2016: HK\$27.4 million), representing a 65.3% decrease compared to that of the Prior Period as follows:

HK\$ million

	1H 2017	1H 2016	Change
Brokerage commission	0.6	2.3	-73.9%
Consultancy and advisory fees	5.4	25.1	-78.5%
Subscription fee income	1.1	-	-
Interest income from loan receivable	2.2	-	-
Other service revenue	0.2	-	-
	<u>9.5</u>	<u>27.4</u>	-65.3%

Other operating income and gains

For the First Half of 2017, other operating income and gains amounted to HK\$33.2 million (2016: HK\$14.0 million), representing a 137.1% increase compared to that of the Prior Period as follows:

HK\$ million

	1H 2017	1H 2016	Change
Bank and other interest income	27.3	12.9	111.6%
Handling and settlement fees	0.2	1.0	-80.0%
Dividend and distribution from available- for-sale financial assets	3.3	-	-
Miscellaneous income	0.7	0.1	600.0%
Gain on disposal of a subsidiary	0.8	-	-
Disposal gain of available-for-sale financial assets	0.9	-	-
	<u>33.2</u>	<u>14.0</u>	137.1%

Management Discussion and Analysis *(continued)*

Financial result review *(continued)*

Net loss on financial assets and financial liabilities at fair value through profit or loss

For the First Half of 2017, the net loss on financial assets and financial liabilities at fair value through profit or loss amounted to HK\$82.6 million (2016: HK\$129 million), representing a 36.0% decrease compared to that of Prior Period as follows:

HK\$ million

	1H 2017	1H 2016	Change
Net unrealised loss on financial assets at fair value through profit or loss	(16.3)	(85.4)	-80.9%
Net realised loss on financial assets at fair value through profit or loss	(64.7)	(43.6)	48.4%
Fair value change of financial liabilities at fair value through profit or loss	(1.6)	-	-
	<hr/>	<hr/>	
Total net loss on financial assets and financial liabilities at fair value through profit or loss	<u>(82.6)</u>	<u>(129.0)</u>	-36.0%

Management Discussion and Analysis *(continued)*

Financial result review *(continued)*

Net loss on financial assets and financial liabilities at fair value through profit or loss *(continued)*

The financial assets at fair value through profit or loss investments held by the Group are mainly listed equity instruments and derivative financial instruments. When comparing the historical acquisition cost to the fair value of the financial assets, the net realised gain on financial asset would have been HK\$73.1 million by the Group. However, all the financial assets were recorded and measured at fair value through profit or loss. For the Period, the fair values of financial assets at fair value through profit or loss held by the Group were lower than their fair values as at 31 December 2016. As a result, the Group recorded the net realised loss of HK\$64.7 million.

Staff costs

For the First Half of 2017, the staff costs amounted to HK\$122.1 million, including the amortisation of share based payment expense of HK\$44 million. Excluding the non-cash share based payment expense, the staff costs decreased by 6.9% compared to the Prior Period.

Other operating expenses

For the First Half of 2017, other operating expenses amounted to HK\$ 70.1 million, representing a 17.8% increase compared to that of the Prior Period as follows:

HK\$ million

	1H 2017	1H 2016	Change
Information, data and communication expenses	(16.1)	(13.3)	21.1%
Legal and professional fee expenses	(28.1)	(10.5)	167.6%
Operating lease and related charges in respect of properties	(14.8)	(8.8)	68.2%
Business promotion and marketing expenses	(2.5)	(11.7)	-78.6%
Depreciation and amortisation	(8.1)	(2.8)	189.3%
Net exchange gain / (loss)	12.5	(1.7)	-
Others	(13.0)	(10.7)	21.5%
	<u>(70.1)</u>	<u>(59.5)</u>	17.8%

Management Discussion and Analysis (continued)

Financial result review (continued)

Changes in owner's equity

HK\$ million

	2017
Balance at 1 January	4,444.1
Loss for the Period	(236.7)
Others	58.2
	<hr/>
Balance at 30 June	4,265.6
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Attributable to :	
- equity shareholders of the Company	4,264.6
- non-controlling interests	1.0
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Total equity	4,265.6
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As at 30 June 2017, equity attributable to shareholders of the Company per share is HK\$1.76 (31 December 2016: HK\$1.85).

Liquidity, financial resources and capital structure

As at 30 June 2017, the Group had fixed bank deposits with original maturity over 3 months and cash and cash equivalents amounting to HK\$3,603.9 million (31 December 2016: HK\$4,164.7 million), as well as recorded net assets of HK\$4,265.6 million, as compared to HK\$4,444.1 million reported at the year end of 2016. The Group generally financed its daily operations with internal resources and had no bank or other borrowings except for HK\$22.7 million of finance lease obligation as at 30 June 2017 (31 December 2016: nil) during the Period. The Group's gearing ratio as at 30 June 2017 is 0.005 (31 December 2016: minimal), which was measured as total debt including finance lease obligation to total shareholder's equity.

Foreign exchange risk

The Group has assets and liabilities denominated in currencies other than its functional currency and that are subject to fluctuation in foreign exchange amounts in the different currencies. The Group is exposed to currency risk arising from various currency exposures mainly to the extent of its bank balances in US dollar. Management of the Group monitors the foreign exchange exposure and will hedge significant foreign currency exposure should the need arise. During the First Half of 2017, the Group did not engage in the use of any financial instruments for hedging purposes, and there was no hedging instrument outstanding as at 30 June 2017.

Management Discussion and Analysis *(continued)*

Material acquisitions and disposals of subsidiaries and associates

The Group did not have any material acquisitions or disposals of subsidiaries and associates during the Period except those set out in note 13.

Charge on assets

At the end of the Period, the Group did not have any charges on assets, other than security deposits of HK\$45,000,000 for bank overdraft facilities.

Commitments

As at 30 June 2017, rental payments under non-cancellable operating leases on office premises amounted to HK\$34,760,000 (31 December 2016: HK\$44,992,000).

As at 30 June 2017, the Group has in total, a US\$84 million capital commitment (31 December 2016: US\$25 million) to third-party managed funds with US\$21.2 million (31 December 2016: US\$3.15 million) of capital having been contributed.

As disclosed in the announcement of the Company dated 4 February 2016, Reorient Financial Markets Limited (“Reorient Financial Markets”), a wholly owned subsidiary of the Company, entered into a joint venture agreement with Giant Investment Co., Ltd., and Jiangsu YuWell Technology Development Co., Ltd. (“Jiangsu Limited”) on that day. As disclosed in the circular of the Company dated 29 April 2016, the joint venture agreement was superseded and replaced by the amended and restated joint venture agreement entered among Reorient Financial Markets, Hangzhou Dr. Herbs Electronics Commerce Company Limited and Jiangsu Limited on 13 April 2016. Upon establishment of the joint venture company after obtaining all necessary approval as defined and disclosed in the circular, Reorient Financial Markets is committed to contribute RMB1,290,000,000 of the registered capital of the joint venture company.

Management discussion and analysis (*continued*)

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2017 and 31 December 2016.

Staffing and remuneration

As at 30 June 2017, the Group employed 230 full time employees mainly located in Hong Kong and the People's Republic of China and stringently abided by the relevant labour laws and regulations. To foster a motivated and skilled working team, the Group provides on-the-job training and competitive remuneration packages including salaries and discretionary bonuses for employees. During the Period, the Group also granted share award to provide incentives to the employees as set out in note 25.

The remuneration policy and package, including the share options and share awards (if any), of the Group's employees are maintained at market level and are reviewed annually by the management. There have been no significant changes in the employment, training or development policies of the Group since the publication of the annual report for the year ended 31 December 2016.

Events after reporting period

Details of events after reporting period are set out in note 31.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2017, the interests and short positions of each director of the Company (the "Director") and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, or known to the Company, were as follows:

Long positions in the ordinary shares of the Company ("Shares") and the underlying Shares:

Name of Director	Capacity/Nature of interests	Number of Shares held	
		Long position	Percentage of shareholding
Mr. Yu Feng (<i>note 1</i>)	Held by controlled corporation/Corporate interest	1,342,976,000	55.42%
Mr. Ko Chun Shun, Johnson (<i>note 2</i>)	Held by controlled corporation/Corporate interest	229,180,726	9.46%

Notes:

- (1) Mr. Yu Feng, Chairman of the Group and non-executive Director of the Company, was interested in 1,342,976,000 Shares through Jade Passion Limited ("Jade Passion"), a company which is owned as to 73.21% of its issued share capital by Key Imagination Limited ("Key Imagination"). 91% of the issued share capital of Key Imagination is owned by Yunfeng Financial Holdings Limited ("YFHL"), the issued share capital of which in turn, is owned as to 70.15% by Mr. Yu Feng.
- (2) Mr. Ko Chun Shun, Johnson, a non-executive Director of the Company, was interested in 229,180,726 Shares through Gainhigh Holdings Limited ("Gainhigh"). 100% of the issued share capital of Gainhigh was held by Insula Holdings Limited, a company wholly-owned by Mr. Ko Chun Shun, Johnson.

Long positions in the shares and the underlying shares of associated corporations:

Name of Associated Corporation	Name of Director	Capacity/ Nature of Interests	Number of Shares held in Associated Corporation	
			Long position	Percentage of shareholding
Yunfeng Financial Holdings Limited	Mr. Yu Feng	Beneficial owner/Beneficial interest	94	70.15%
Key Imagination Limited	Mr. Yu Feng (Note 1)	Held by controlled corporation/Corporate interest	9,100	91%
	Mr. Huang Xin (Note 2)	Held by controlled corporation/Corporate interest	900	9%
Jade Passion Limited	Mr. Yu Feng (Note 1)	Held by controlled corporation/Corporate interest	7,321	73.21%
	Mr. Huang Youlong (Note 3)	Held by controlled corporation/Corporate interest	2,679	26.79%

Notes:

- (1) Mr. Yu Feng, Chairman of the Group and non-executive Director of the Company was interested in 9,100 shares, representing 91% of equity interest in Key Imagination through YFHL, the substantial shareholder of the Company. Mr. Yu Feng was also interested in 7,321 shares, representing 73.21 % of equity interest in Jade Passion through Key Imagination. Both Key Imagination and Jade Passion are substantial shareholders of the Company.
- (2) Mr. Huang Xin, an executive Director of the Company, is the sole shareholder of Perfect Merit Limited which owns 900 shares, representing 9% of the equity interest in Key Imagination.
- (3) Mr. Huang Youlong, a non-executive Director of the Company, is the sole shareholder of Gold Ocean Investments Group Inc., which owns 2,679 shares, representing 26.79% equity interest in Jade Passion.

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

LONG-TERM INCENTIVE SCHEMES

The Company has adopted the share option scheme and share award schemes to recognise the contributions of certain employees and help to retain them for the Group's operations and further development.

Share Option Scheme

The share option scheme (the "Share Option Scheme") was adopted by the Company on 21 July 2011 with a useful life of ten years from the date of adoption. Summary of the Share Option Scheme is set out in the 2016 annual report.

During the six months ended 30 June 2017, no share options were granted and as at 30 June 2017, no share options were outstanding.

Share Award Schemes

The Board had approved the adoption of two share award schemes respectively on 30 October 2014 (the "2014 Share Award Scheme") and on 12 December 2016 (the "2016 Share Award Scheme").

The maximum number of shares that can be issued or purchased under the 2016 Share Award Scheme and the 2014 Share Award Scheme is 10% of the Shares in issue from time to time (i.e. 242,332,639 Shares, representing 10% of total issued Shares as at the date of this announcement).

2014 Share Award Scheme

Since the date of adoption of 2014 Share Award Scheme (i.e. 30 October 2014) (the "2014 Adoption Date") and up to the date of this announcement, a total of 9,330,239 Shares have been awarded under the 2014 Share Award Scheme, representing about 2.09% of the total number of Shares in issue as at the 2014 Adoption Date and about 0.39% of the total issued Shares as at the date of this announcement.

During the six months ended 30 June 2017, no Shares had been granted under the 2014 Share Award Scheme and as at 30 June 2017, 26,667 Shares were held by the trustee under the 2014 Share Award Scheme.

2016 Share Award Scheme

Since the date of adoption of 2016 Share Award Scheme (i.e. 12 December 2016) (the "2016 Adoption Date") and up to the date of this announcement, 9,330,239 Shares have been awarded pursuant to the 2014 Share Award Scheme while 23,990,000 Shares have been awarded pursuant to the 2016 Share Award Scheme, representing in aggregate about 1.39% of the total number of Shares in issue as at the 2016 Adoption Date and about 1.37% of the total issued shares as at the date of this announcement.

During the six months ended 30 June 2017, 20,190,000 Shares had been awarded under the 2016 Share Award Scheme and as at 30 June 2017, 23,990,000 Shares were held by the trustee under the 2016 Share Award Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in this announcement, at no time during the six months ended 30 June 2017 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouses and children under the age of 18) to acquire benefits by means of the acquisition of the shares or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 June 2017, the Company had been notified of the following substantial shareholders' and other persons' interests, being 5% or more of the Company's issued shares that are recorded in the register under Section 336 of the SFO.

Name of Substantial Shareholder	Capacity/ Nature of interests	Number of Shares held	
		Long position	Percentage of shareholding
Mr. Yu Feng (Note 1)	Held by controlled corporation/Corporate interest	1,342,976,000	55.42%
Yunfeng Financial Holdings Limited (Note 1)	Held by controlled corporation/Corporate interest	1,342,976,000	55.42%
Key Imagination Limited (Note 1)	Held by controlled corporation/Corporate interest	1,342,976,000	55.42%
Jade Passion Limited (Note 1)	Beneficial owner/Beneficial interest	1,342,976,000	55.42%
Mr. Ko Chun Shun, Johnson (Note 2)	Held by controlled corporation/Corporate interest	229,180,726	9.46%
Insula Holdings Limited (Note 2)	Held by controlled corporation/Corporate interest	229,180,726	9.46%
Gainhigh Holdings Limited (Note 2)	Beneficial owner/Beneficial interest	229,180,726	9.46%
Ms. Lian Yi (Note 3)	Held by controlled corporation/Corporate interest	167,872,000	6.93%
Clear Expert Limited (Note 3)	Held by controlled corporation/Corporate interest	167,872,000	6.93%
Violet Passion Holdings Limited (Note 3)	Beneficial owner/Beneficial interest	167,872,000	6.93%

Notes:

- (1) Mr. Yu Feng, Chairman of the Group and a non-executive Director of the Company was interested in 1,342,976,000 Shares through Jade Passion, a company which is owned as to 73.21% of its issued share capital by Key Imagination. 91% of the issued share capital of Key Imagination is owned by YFHL, the issued share capital of which in turn, is owned as to 70.15% by Mr. Yu Feng.
- (2) Mr. Ko Chun Shun, Johnson, a non-executive Director of the Company, was interested in 229,180,726 Shares through Gainhigh. 100% of the issued share capital of Gainhigh was held by Insula Holdings Limited, a company wholly-owned by Mr. Ko Chun Shun, Johnson.
- (3) Ms. Lian Yi was interested in 167,872,000 Shares through Violet Passion Holdings Limited, a wholly-owned subsidiary of Clear Expert Limited, which in turn is a company wholly-owned by Ms. Lian Yi.

Save as disclosed above, as at 30 June 2017, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

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

During the six months ended 30 June 2017, other than acting as an agent for clients of the Group, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

During the six months ended 30 June 2017, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code"), as set out in Appendix 14 to the Listing Rules, except for certain deviations which are summarised below:

(a) Code Provision A.4.1

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from this provision because the non-executive Directors and independent non-executive Directors do not currently have specific terms of appointment. However, the articles of association of the Company states that one-third of the Directors for the time being or, if the number is not a multiple of three, then, the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years at each annual general meeting, and offer themselves for re-election. As such, the Board considers that sufficient measures have been put in place to ensure the Company's corporate governance practice in this aspect provides sufficient protection for the interests of Shareholders to a standard commensurate with that of this code provision.

(b) Code Provision E.1.2

Due to other engagement, Mr. Yu Feng, the Chairman of the Group, was unable to attend the annual general meeting of the Company held on 21 June 2017.

(c) Code Provision C.2.5

Internal and external audit are regarded as the third line of defence in the Group's risk management and internal control systems and therefore the importance of such is highly regarded. Currently, the internal audit function is absent as the Group is still in transitional period in which internal policies and procedures are being formulated and established. Internal reviews are being conducted quite frequently, details of which are disclosed in the section headed "Risk Management and Internal Control" of the corporate governance report of the 2016 annual report. The Group also relies on any reports from the external audit to the management and the Audit Committee in relation to any detected significant deficiencies in the Group's internal control systems.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding director's securities transactions with terms no less exacting than the required standard set out in the Model Code. Upon enquiry by the Company, all the directors of the Company have confirmed that they have complied with the required standards as stated in the Model Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The audit committee of the Company is chaired by Mr. Chu Chung Yue, Howard, with members of Mr. Lin Lijun, Mr. Qi Daqing and Dr. Wong Yau Kar, David, *GBS, JP*. The audit committee of the Company has adopted the terms of reference which are in line with the CG Code.

This unaudited condensed consolidated interim financial results of the Group for the six months ended 30 June 2017 have been reviewed by the audit committee of the Company.

CHANGES OF DIRECTORS' INFORMATION

The Change of directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Ko Chun Shun, Johnson was re-designated from an executive director to a non-executive director of KuangChi Science Limited (Stock code: 00439) on 16 May 2017, a company listed on the Stock Exchange.

Mr. Lin Lijun was appointed as a non-executive director of Wenzhou Kangning Hospital Co., Ltd. (Stock code: 02120) on 14 June 2017, a company listed on the Stock Exchange.

Condensed consolidated income statement
for the six months ended 30 June 2017
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2017 (Unaudited) \$'000	2016 (Unaudited) \$'000
Revenue	4	9,457	27,441
Other operating income and gains	5	33,235	14,022
Net loss on financial assets and financial liabilities at fair value through profit or loss	6	(82,588)	(129,004)
Staff costs		(122,093)	(85,497)
Depreciation and amortisation		(8,134)	(2,833)
Other operating expenses		(62,013)	(56,682)
		(232,136)	(232,553)
Finance costs	7	(3,574)	-
Loss before taxation	7	(235,710)	(232,553)
Income tax	8	(989)	11,545
Loss for the period		(236,699)	(221,008)
Loss for the period attributable to:			
- Equity shareholders of the Company		(236,554)	(220,848)
- Non-controlling interests		(145)	(160)
		(236,699)	(221,008)
Loss per share attributable to equity shareholders of the Company			
Basic and diluted (<i>HK cents</i>)	9	(9.77)	(9.20)

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of
comprehensive income
for the six months ended 30 June 2017
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Loss for the period	(236,699)	(221,008)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of results of foreign operations	802	(391)
Available-for-sale financial assets: Change in fair value recognised during the period	14,333	-
Available-for-sale financial assets: Reclassification adjustment for amounts transferred to profit of loss	(869)	-
Total comprehensive income for the period	<u>(222,433)</u>	<u>(221,399)</u>
Total comprehensive income for the period attributable to:		
– Equity shareholders of the Company	(222,323)	(221,216)
– Non-controlling interests	(110)	(183)
	<u>(222,433)</u>	<u>(221,399)</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position at 30 June 2017

(Expressed in Hong Kong dollars)

	Note	At 30 June 2017 (Unaudited) \$'000	At 31 December 2016 (Audited) \$'000
Non-current assets			
Property and equipment	12	22,277	21,418
Goodwill and other intangible assets	12	39,274	21,512
Available-for-sale financial assets	15	741,976	99,853
Deferred tax assets		-	508
Other non-current assets	14	9,353	10,176
Total non-current assets		812,880	153,467
Current assets			
Financial assets at fair value through profit or loss	16	6,516	210,270
Loan receivable		78,061	-
Accounts receivable and accrued income	17	15,052	23,611
Other receivables, deposits and prepayments	18	22,069	15,024
Bank balance - trust and segregated accounts	19	359,721	358,544
Fixed bank deposits with original maturity over 3 months		1,771,925	524,187
Cash and cash equivalents	19	1,831,951	3,640,494
Total current assets		4,085,295	4,772,130
Current liabilities			
Accounts payable	20	366,181	370,677
Accrued expenses and other payables	21	46,727	55,483
Obligation under finance lease	23	7,443	842
Current taxation		51,850	53,087
Total current liabilities		472,201	480,089
Net current assets		3,613,094	4,292,041

Condensed consolidated statement of financial position
at 30 June 2017 *(continued)*
(Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2017 (Unaudited) \$'000	At 31 December 2016 (Audited) \$'000
Non-current liabilities			
Financial liabilities at fair value through profit or loss	22	145,049	-
Obligation under finance lease	23	15,282	1,385
Total non-current liabilities		<u>160,331</u>	<u>1,385</u>
NET ASSETS		<u>4,265,643</u>	<u>4,444,123</u>
EQUITY			
Share capital and other statutory capital reserves	24	4,629,094	4,499,548
Other reserves		(364,448)	(56,532)
		4,264,646	4,443,016
Non-controlling interests		997	1,107
TOTAL EQUITY		<u>4,265,643</u>	<u>4,444,123</u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity for the six months ended 30 June 2017

(Expressed in Hong Kong dollars)

	<i>Attributable to equity shareholders of the Company</i>										Non-controlling interests \$'000	Total \$'000
	Share capital \$'000	Shares held by share award scheme \$'000	Share-based payment reserve \$'000	Asset Revaluation reserve \$'000	Fair Value reserve \$'000	Exchange reserve \$'000	Statutory and capital Reserve \$'000	Retained profit/ (accumulated loss) \$'000	Sub total \$'000			
Balance at 1 January 2016	4,499,548	(8,042)	5,931	2,650	-	(102)	-	260,322	4,760,307	1,036	4,761,343	
Changes in equity for the six months ended 30 June 2016:												
Equity settled share-based transaction	-	-	1,599	-	-	-	-	-	1,599	-	1,599	
Shares vested under share award scheme	-	3,635	(3,635)	-	-	-	-	-	-	-	-	
Loss for the period	-	-	-	-	-	-	-	(220,848)	(220,848)	(160)	(221,008)	
Other comprehensive income for the period	-	-	-	-	-	(368)	-	-	(368)	(23)	(391)	
Balance at 30 June 2016 and 1 July 2016	4,499,548	(4,407)	3,895	2,650	-	(470)	-	39,474	4,540,690	853	4,541,543	
Changes in equity for the six months ended 31 December 2016:												
Equity settled share-based transaction	-	-	485	-	-	-	-	-	485	-	485	
Shares vested under share award scheme	-	4,310	(4,310)	-	-	-	-	-	-	-	-	
Gain/(Loss) for the period	-	-	-	-	-	-	-	(95,840)	(95,840)	306	(95,534)	
Other comprehensive income for the period	-	-	-	-	(2,141)	(178)	-	-	(2,319)	(52)	(2,371)	
Appropriation to statutory and capital reserves	-	-	-	-	-	-	219	(219)	-	-	-	
Balance at 31 December 2016 and 1 January 2017	4,499,548	(97)	70	2,650	(2,141)	(648)	219	(56,585)	4,443,016	1,107	4,444,123	
Changes in equity for the six months ended 30 June 2017:												
Share issued under share award scheme	129,546	(129,546)	-	-	-	-	-	-	-	-	-	
Equity settled share-based transactions	-	-	43,953	-	-	-	-	-	43,953	-	43,953	
Shares vested and cancelled under share award scheme	-	24,353	(26,039)	-	-	-	-	1,686	-	-	-	
Loss for the period	-	-	-	-	-	-	-	(236,554)	(236,554)	(145)	(236,699)	
Other comprehensive income for the period	-	-	-	-	13,464	767	-	-	14,231	35	14,266	
Appropriation to statutory and capital reserve	-	-	-	-	-	-	871	(871)	-	-	-	
Balance at 30 June 2017	4,629,094	(105,290)	17,984	2,650	11,323	119	1,090	(292,324)	4,264,646	997	4,265,643	

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows for the six months ended 30 June 2017

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2017 (Unaudited) \$'000	2016 (Unaudited) \$'000
Net proceeds from acquisition and disposal of financial assets at fair value through profit or loss		122,797	306,700
Increase in loan receivable		(77,805)	-
Increase in third-party interests in consolidated funds		23,155	-
Other cash flows arising from operating activities		(142,034)	(146,925)
Net cash (used in)/generated from operating activities		(73,887)	159,775
Investing activities			
Fixed deposits placed with banks		(1,247,738)	(900,443)
Proceed from disposal of available-for-sale investments		40,865	-
Purchase of available-for-sale investments		(667,306)	-
Proceed from disposal of a subsidiary		800	-
Other cash flows arising from investing activities		18,396	(4,169)
Net cash used in investing activities		(1,854,983)	(904,612)
Financing activities			
Proceeds from issue of preference shares by a subsidiary		120,265	-
Other cash flows arising from financing activities		(498)	-
Net cash generated from financing activities		119,767	-
Net decrease in cash and cash equivalents		(1,809,103)	(744,837)
Cash and cash equivalents at 1 January		3,640,494	4,162,922
Effect of foreign exchange rate changes		560	(1,894)
Cash and cash equivalents at 30 June	19	1,831,951	3,416,191

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial results

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

Yunfeng Financial Group Limited is a limited liability company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial report for the period ended 30 June 2017 comprises the Company and its subsidiaries (collectively the “Group”) and the Group’s interest in an associate.

The condensed consolidated interim financial report is unaudited, but has been reviewed by the Company’s audit committee and the Company’s independent auditor, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial report for the six months ended 30 June 2017 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the HKICPA. The condensed consolidated interim financial report should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2 Basis of preparation (*continued*)

(b) Basis of measurement

The measurement basis used in the preparation of the condensed consolidated interim financial report is the historical cost basis except that financial assets at fair value through profit or loss are stated at their fair values.

The condensed consolidated interim financial report is presented in Hong Kong dollars (“HKD”), and all values are stated to the nearest thousand (HK\$’000s), unless otherwise stated.

(c) Use of estimates and judgements

The preparation of condensed consolidated interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3 Significant accounting policies

The accounting policies applied in preparing the condensed consolidated interim financial report are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2016, as disclosed in the annual report and financial statements for the year ended 31 December 2016.

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company with the following amendments considered relevant to the Group:

- Amendments to HKAS 7, statement of cash flows: Disclosure initiative
- Amendments to HKAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses
- Annual improvements to HKFRSs 2014-2016 Cycle: Amendments to HKFRS 12, Disclosure of interests in other entities

None of the amendments have a material impact on the Group’s interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue

The principal activities of the Group are wealth management, securities brokerage, employee stock ownership plan administration, corporate finance advisory and investment research.

Revenue represents the gross amount recognised during the period. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Brokerage commission and other service income	618	2,277
Subscription fee income	1,138	-
Consultancy and advisory fees	5,382	25,149
Interest income from clients	19	15
Interest income from loan receivables	2,154	-
Other service income	146	-
	<u>9,457</u>	<u>27,441</u>

5 Other operating income and gains

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Bank and other interest income	27,293	12,869
Handling and settlement fees	241	1,040
Dividend and distribution from available-for-sale financial assets	3,324	-
Miscellaneous income	708	113
Gain on disposal of a subsidiary	800	-
Disposal gain of available-for-sale financial assets	869	-
	<u>33,235</u>	<u>14,022</u>

6 Net loss on financial assets and financial liabilities at fair value through profit or loss

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Net unrealised loss on financial assets at fair value through profit or loss		
– Over the counter derivative contracts/options	(1,046)	(17,184)
– Equity investment listed outside Hong Kong	(15,190)	(13,461)
– Equity investment listed in Hong Kong	-	(54,727)
	<u>(16,236)</u>	<u>(85,372)</u>
Realised loss on financial assets at fair value through profit or loss		
– Unlisted option issued by a Hong Kong listed company	(5,470)	-
– Equity investment listed in Hong Kong	(59,253)	(43,632)
	<u>(64,723)</u>	<u>(43,632)</u>
Fair value change of financial liability at fair value through profit or loss	(1,629)	-
	<u>(82,588)</u>	<u>(129,004)</u>

7 Loss before taxation

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

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
<u>Finance cost</u>		
Finance lease obligation	401	-
Preference share liability	3,169	-
Other finance cost	4	-
	<u>3,574</u>	<u>-</u>
<u>Other items</u>		
Auditor's remuneration	930	600
(Reversal)/Provision for impairment loss of accounts receivable	(1)	25
Information, data and communication expenses	16,092	13,313
Legal and professional fees	28,113	10,500
Operating lease charges in respect of properties	14,151	8,789
Net exchange (gain)/loss	<u>(12,605)</u>	<u>1,682</u>

8 Income tax

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Current tax (credit)/expense - Hong Kong	-	(1,873)
Current tax expense - Overseas	464	247
Deferred taxation	525	(9,919)
	<u>989</u>	<u>(11,545)</u>

The provision for Hong Kong profits tax is calculated by applying the estimated annual effective tax rate at 16.5% (2016: 16.5%) to the six months ended 30 June 2017. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

9 Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$236,554,000 (2016: HK\$220,848,000) and the weighted average number of shares in issue during the six months ended 30 June 2017 of 2,420,145,399 (2016: 2,399,336,394).

There were no potential dilutive ordinary shares for the six months ended 30 June 2017 and six months ended 30 June 2016, therefore basic loss per share equals to diluted loss per share.

10 Dividend

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2017 (2016: nil).

11 Segment reporting

The operating segments have been determined based on the reports reviewed by the executive directors of the Company that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. During the period, management has decided to streamline the operation flow and regrouped the securities placing and underwriting segment and combined the related relevant functions with securities brokerage and consultancy and advisory services. With the continuous growth of the wealth management division, management consider it to be a separate operating segment and will be monitored accordingly going forward.

Comparative figures in prior interim period have been restated to conform to the current interim period's presentation.

The Group currently has three operating segments:

- (i) securities brokerage - engages in securities brokerage and provision of custodian and other services;
- (ii) wealth management - provision of fund and asset management services as well as financing and investing solution for corporate client and
- (iii) consultancy and advisory services - engage in provision of corporate advisory, placing and underwriting advisory services to corporate clients.

The accounting policies of the reportable segments are the same as those followed by the Group in the last annual financial statements.

Segment revenue represents the revenue generated by each operating segment from external customers. Inter-segment revenue represents inter-segment services which were transacted with reference to the normal commercial price made to third parties at the then prevailing market prices.

Segment results represent specific operating performance of the reported segments by allocating all specific and related operating and finance costs, excluding other corporate, general administrative, and financial expenses, taxation and non-operating costs. This is the measure reported to the chief operating decision maker, at the relevant times, for the purposes of resource allocation and performance assessment.

11 Segment reporting (continued)

(a) Segment revenue and results

For the six months ended 30 June 2017

	Securities brokerage \$'000	Wealth management \$'000	Consultancy and advisory services \$'000	Total \$'000
Revenue from external parties	618	3,292	5,382	9,292
Interest income from clients	19	-	-	19
Allocated other operating income and gains	384	4,445	-	4,829
Allocated on financial liabilities at fair value through profit or loss	-	(2,675)	-	(2,675)
Allocated operating costs	(14,382)	(35,540)	(13,877)	(63,799)
Allocated finance cost	(113)	(3,457)	-	(3,570)
	<hr/>	<hr/>	<hr/>	<hr/>
Reportable segment loss	(13,474)	(33,935)	(8,495)	(55,904)
Unallocated revenue and other operating income and gains				28,552
Net loss on financial assets and financial liabilities at fair value through profit or loss				(79,913)
Depreciation and amortisation				(8,134)
Unallocated legal and professional expenses				(23,238)
Unallocated finance cost				(4)
Taxation				(989)
Other central administrative and unallocated operating costs (Note)				(97,069)
				<hr/>
Loss for the period				<u>(236,699)</u>

Note: The other central administrative and unallocated operating cost includes administrative expenses, research and development costs, staff costs and data and technology related expenses related to the Group's financial technology activities.

11 Segment reporting (continued)

(a) Segment revenue and results (continued)

For the six months ended 30 June 2016 (restated)

	Securities brokerage \$'000	Wealth management \$'000	Consultancy and advisory services \$'000	Total \$'000
Revenue from external parties	2,277	-	25,149	27,426
Interest income from clients	15	-	-	15
Allocated other operating income	1,153	-	-	1,153
Allocated operating costs	<u>(17,716)</u>	<u>(6,695)</u>	<u>(11,487)</u>	<u>(35,898)</u>
Reportable segment (loss)/profit	(14,271)	(6,695)	13,662	(7,304)
Unallocated other operating income				12,869
Net loss on financial assets and financial liabilities at fair value through profit or loss				(129,004)
Depreciation and amortisation				(2,833)
Unallocated legal and professional expenses				(10,009)
Taxation				11,545
Other central administrative and unallocated operating costs				<u>(96,272)</u>
Loss for the period				<u><u>(221,008)</u></u>

11 Segment reporting (*continued*)

(b) Segment assets and liabilities

As the assets and liabilities are regularly reviewed by the executive directors of the Company as a whole, the measure of total assets by operating segment is therefore not presented.

(c) Geographical segment information

The Group's customers, operation and administration are mainly located in Hong Kong and research and development on financial technologies divisions are located in PRC.

(d) Information about major customers

		<u>Revenue from major customer</u>	
		<u>Six months ended 30 June</u>	
		2017	2016
Operating Segment		<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	Wealth management	<u>1,288</u>	<u>-</u>

The transactions with customer did not account for more than 10% of the total revenue of the Group for the period ended 30 June 2016.

12 Property and equipment and Intangible assets

Acquirement and disposal of property and equipment

During the six months ended 30 June 2017, the Group acquired items of property and equipment with a cost of HK\$4,559,000 (2016: HK\$2,382,000). Items of property and equipment with a net book value of HK\$90,800 (2016: Nil) was disposed of during the six months ended 30 June 2017 resulting in a loss of disposal of HK\$66,000 (2016: Nil).

Intangible assets

During the six months ended 30 June 2017, the Group acquired computer software with a cost of HK\$20,838,000 (2016: Nil) with amount of HK\$20,382,000 of computer software being acquired through finance lease arrangement. No item of intangible assets was disposed during the six months ended 30 June 2017 and 2016.

13 Disposal of a subsidiary

During the six months ended 30 June 2017, the Group disposed 100% shareholding of a subsidiary, Profit Trigger Limited which holds certain trademarks and web-domain for the Group, to a company which our non-executive director, Mr. Ko Chun Shun, Johnson ("Mr. Ko") is the owner for a consideration of HK\$800,000. On disposal date, the subsidiary had no asset nor liabilities and the Group recorded gain on disposal HK\$800,000. From 1 January 2017 to date of disposal, the subsidiary remained dormant and did not contribute any profit or loss to the Group. On 24 February 2017, the Group has conditionally agreed to dispose Reorient Financial Markets (USA), LLC and Reorient USA, LLC (the "US Companies") to third party for a consideration of an amount in cash

equal to the net asset value of the US Companies plus US\$20,000 subject to the approval of regulator. As of 30 June 2017, the transaction is not yet completed.

14 Other non-current assets

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Statutory deposits with exchanges and clearing house	990	934
Rental deposits	8,226	7,984
Other deposit for acquisition of leasehold improvement and equipment	137	1,258
Other receivables, net of provisions (note 1)	-	-
	<u>9,353</u>	<u>10,176</u>

Note 1: For the six month period ended 30 June 2017 and 2016, there is no additional provision made or reversed to other receivable.

15 Available-for-sale financial assets

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
<i>Non-current available-for-sale financial assets</i>		
Unlisted and measured at fair value		
– Overseas investment funds (note 1)	470,763	24,430
– Overseas credit link obligation note	194,596	-
– Overseas perpetual capital	76,617	75,423
	<u>741,976</u>	<u>99,853</u>

Note 1: The capital commitment or purchase cost of each individual investment fund investment is less than HK\$200 million. Amount of HK\$366,516,000 investment funds are held through fund vehicle being managed and consolidated by the Group.

Fair value of the Group's available-for-sale financial assets is determined in the manner described in note 26. In the opinion of the directors of the Company, non-current available-for-sale financial assets are not expected to be realised within one year from the end of the year.

16 Financial assets at fair value through profit or loss

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Financial assets at fair value through profit or loss		
Investment designated at fair value through profit or loss		
– Equity investment listed in Hong Kong	-	186,100
– Equity investment listed outside Hong Kong	3,511	18,700
Held for trading		
– Over-the-counter derivative contract	3,005	-
– Unlisted options issued by a Hong Kong listed company	-	5,470
	<u>6,516</u>	<u>210,270</u>

17 Accounts receivable and accrued income

	<i>Note</i>	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Accounts receivable arising from securities brokerage			
– Cash clients	<i>(i)</i>	7,760	12,668
– Margin clients	<i>(ii)</i>	26,122	26,122
– Clearing house, brokers and dealers	<i>(iii)</i>	5,038	9,796
		<u>38,920</u>	<u>48,586</u>
Accounts receivable arising from consultancy and advisory services			
– Corporate clients	<i>(iv)</i>	2,311	1,926
– Accounts receivable arising from other business		722	-
		<u>41,953</u>	<u>50,512</u>
Less: allowance for doubtful debts		<u>(26,901)</u>	<u>(26,901)</u>
		<u>15,052</u>	<u>23,611</u>

17 Accounts receivable and accrued income (continued)

Notes:

- (i) Included in the balances of impairment loss provision for doubtful debts were individually impaired accounts receivable amounting to HK\$292,000 (2016: HK\$267,000) that relate to individually impaired accounts receivable arising from the business of dealing in securities. Based on management assessment, the Group has made a provision for impairment loss of HK\$25,000 for the six months ended 30 June 2017 (2016: HK\$25,000).
- (ii) The Group ceased providing margin financing service since 2004. As at 30 June 2017 and 31 December 2016, the amount of margin loans due from margin clients amounted to HK\$26,122,000 has been brought forward from 2004. This amount has been impaired and a provision for impairment losses of HK\$26,122,000 has been made in prior years and as at 30 June 2017.
- (iii) Accounts receivable from clearing house, brokers and dealers are current. These represent pending trades arising from the business of dealing in securities, which are normally due within a few days after the trade dates.
- (iv) Accounts receivable from corporate clients represent accounts receivable arising from provision of corporate finance, consultancy and advisory services. Reversal of provision for impairment loss of HK\$26,000 has been made for the six months ended 30 June 2017 (2016: nil).

Included in the balances of impairment loss provision for doubtful debts were individually impaired accounts receivable amounted to HK\$486,000 (2016: HK\$512,000) related to impaired accounts receivable from corporate clients.

(a) Ageing analysis of account receivable

The ageing analysis of accounts receivable, net of provisions for doubtful debts, at the end of the reporting period is as follows:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Current	13,300	22,043
Less than 1 month past due	730	863
1 to 3 months past due	755	95
More than 3 months but within 1 year past due	267	610
Amounts past due	1,752	1,568
Total accounts receivable	15,052	23,611

(b) Balance with related parties

- (i) At 30 June 2017, no accounts receivable from companies where Mr. Ko is a substantial shareholder (2016: HK\$519,000).

18 Other receivables, deposits and prepayments

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Deposits	2,611	665
Prepayments	2,465	6,845
Other receivables, net of provisions	<u>16,993</u>	<u>7,514</u>
	<u>22,069</u>	<u>15,024</u>

The fair values of other receivables, deposits and prepayments approximate their carrying amounts. For the six month period ended 30 June 2017 and 2016, there is no additional provision made or reversed to other receivable.

19 Cash and cash equivalents

	<i>Note</i>	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Bank balance - trust and segregated accounts	<i>(i)</i>	<u>359,721</u>	<u>358,544</u>
Deposit with bank	<i>(ii)</i>	45,600	45,600
Fixed bank deposits with original maturity less than 3 months		1,568,112	3,526,079
Cash at bank and in hand		<u>218,239</u>	<u>68,815</u>
Cash and cash equivalent in the statement of financial position		<u>1,831,951</u>	<u>3,640,494</u>

Note:

- (i)* The Group maintains segregated accounts with authorised institutions to hold clients' money arising from its normal course of business of the regulated activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.
- (ii)* The Group has deposited HK\$45,600,000 with bank as security deposit for bank overdraft facilities.

20 Accounts payable

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Accounts payable		
– Cash clients	360,109	360,474
– Brokers and dealers	6,072	10,203
	366,181	370,677

Included in accounts payable are amounts payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities, which amount to HK\$358,419,000 (2016: HK\$358,469,000).

All of the accounts payable are aged and due within one month or on demand.

(a) Balance with related parties

- (i) At 30 June 2017, accounts payable of HK\$230,000 (2016: HK\$230,000) are payable to Mr. Ko and HK\$19,619,000 (2016: HK\$524,000) are accounts payable to the related companies where Mr. Ko is a substantial shareholder on normal terms of brokerage business of the Group.
- (ii) At 30 June 2017, accounts payable of HK\$40,367,000 (2016: Nil) are payable to certain key management personnel on normal terms of brokerage and wealth management business of the Group.
- (iii) At 30 June 2017, accounts payable of HK\$6,600,000 (2016: nil) is payable to a company where our executive director, Mr. Huang Xin is the director and our chairman, Mr. Yu Feng (“Mr. Yu”) is the substantial shareholder on normal terms of brokerage business of the Group.

21 Accrued expenses and other payables

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Accrued staff costs	5,728	41,777
Other payables and accruals	40,999	13,706
	46,727	55,483

All accrued expenses and other payables are expected to be settled within one year.

22 Financial liabilities at fair value through profit or loss

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Non - current		
Liabilities designated at fair value through profit of loss		
Preference share liability (<i>note 1</i>)	120,995	-
Third-party interests in consolidated funds (<i>note 2</i>)	<u>24,054</u>	<u>-</u>
	<u>145,049</u>	<u>-</u>

Note:

- (1) The amount represents US\$15.5 million proceed obtained from the issue of 155,000 preference shares at US\$100 per share by a subsidiary of the Group with the proceed being used to fulfil capital contribution to a consolidated fund managed by the Group. The total number of preference shares that can be issued under agreement is 500,000 shares for a total proceed of US\$50,000,000. The subsidiary is obliged to redeem all issued preference shares in 5 years starting from the initial issuance date of the preference shares. At liquidation, after all creditors' claim is satisfied, the asset of the subsidiary should be first distributed to preference shareholders by redeeming all issued shares together with any unpaid preferred share dividends. As the preference shares are due for settlement after more than a year from 30 June 2017, it is classified as a non-current liability.
- (2) The third party interests in consolidated fund consist of third-party unit holders' interest in the consolidated fund which is reflected as a liability as the fund is to be dissolved and return all capital to investor in 7 years starting from initial closing date. As the end of term of the consolidated fund is more than a year from 30 June 2017, it is considered as a non-current liability.

23 Obligation under finance lease

At 30 June 2017, the Group had obligations under finance leases repayable as follows:

	2017		2016	
	Present Value of the Minimum lease payment <i>HK\$'000</i>	Total minimum lease payment <i>HK\$'000</i>	Present Value of the Minimum lease payment <i>HK\$'000</i>	Total minimum lease payment <i>HK\$'000</i>
Within one year	<u>7,443</u>	<u>7,645</u>	<u>842</u>	<u>977</u>
After one but within 2 years	<u>4,721</u>	<u>4,913</u>	<u>907</u>	<u>977</u>
After 2 years but within 5 years	<u>10,561</u>	<u>11,709</u>	<u>478</u>	<u>489</u>
	<u>22,725</u>	<u>24,267</u>	<u>2,227</u>	<u>2,443</u>
Less: finance cost		<u>(1,542)</u>		<u>(216)</u>
Present value lease obligation		<u>22,725</u>		<u>2,227</u>

24 Share capital

Movements of the Company's ordinary shares are set out below:

	At 30 June 2017		At 31 December 2016	
	Number of shares	Amount <i>\$'000</i>	Number of shares	Amount <i>\$'000</i>
Issued and fully paid:				
Balance brought forward	2,399,336,394	4,499,548	2,399,336,394	4,499,548
Shares issued under share award scheme	<u>23,990,000</u>	<u>129,546</u>	<u>-</u>	<u>-</u>
Balance carried forward	<u>2,423,326,394</u>	<u>4,629,094</u>	<u>2,399,336,394</u>	<u>4,499,548</u>

25 Employee share-based arrangements

Share award scheme

On 17 October 2014, the board of directors approved the adoption of the share award scheme (the “2014 Share Award Scheme”). The purpose of the 2014 Share Award Scheme is to (i) encourage or facilitate the holding of shares by the selected participants; (ii) encourage and retain such individuals to work with the Company and the Group and (iii) provide additional incentive for them to achieve performance goals, and the share award scheme took effect on 30 October 2014. The awarded shares are awarded by issuing new ordinary shares. Before vesting, the awarded shares are held in a trust set up by the scheme.

With similar purpose of 2014 Share Award Scheme, on 12 December 2016, the board of directors approved the adoption of 2016 Share Award Scheme (the “2016 Share Award Scheme”) and issue of 23,990,000 new ordinary shares to TMF Trustee to hold in trust for the grantee as disclosed in the announcement of the Company dated 24 January 2017. The share was issued at value of HK\$5.4 per share.

The fair value of the 2014 Share Award Scheme and 2016 Share Award Scheme at the date of the grant are charged to staff costs and related expenses over the projected vesting period being the period for which the services from the employees are rendered with a corresponding credit to employee share-based payment reserve.

Upon vesting and transfer to the awardees, the related costs of the shares are credited to share held for share award scheme, and the related fair value of the shares are

26 Fair value measurement of financial instruments

(a) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

26 Fair value measurement of financial instruments (*continued*)

(a) Fair value hierarchy (*continued*)

The table below analyses financial instrument carried at fair value, by valuation method

	Fair value measurements as at 30 June 2017 categorised into			Fair value measurements as at 31 December 2016 categorised into		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement						
Assets/(Liability)						
Financial asset						
designated at fair value through profit or loss:						
– Listed equity	3,511	-	-	204,800	-	-
Held for trading:						
– Unlisted fund/share option	-	3,005	-	-	5,470	-
Available-for-sales financial assets						
Overseas investment funds						
– Mutual fund investments	-	298,844	-	-	-	-
– Private credit funds	-	-	171,919	-	-	24,430
Credit linked obligation note	-	-	194,596	-	-	-
Perpetual capital measured at fair value	-	76,617	-	-	75,423	-
Financial liabilities at fair value through profit or loss						
- Preference share liability	-	-	(120,995)	-	-	-
- Third-party interests in consolidated	-	-	(24,054)	-	-	-
	<u>3,511</u>	<u>378,466</u>	<u>221,466</u>	<u>204,800</u>	<u>80,893</u>	<u>24,430</u>

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

26 Fair value measurement of financial instruments (*continued*)

(b) Valuation techniques and inputs used in Level 2 fair value measurements

The Group determines the fair value of share option by applying an option valuation model technique such as the Black-Scholes Option-Pricing model at the end of the reporting period. The Group determines the fair value of perpetual capital by making reference to the brokers' quote as there is over-the-counter markets for such financial instrument and mutual fund based on the redeemable price quoted by fund manager at the end of the reporting period.

(c) Valuation techniques and inputs used in Level 3 fair value measurements

The Group has determined that the fair value of private debt securities investment fund based on the net asset value per share of the private debt securities investment fund determined by the fund managers. Regarding to credit link obligation note investment, the Group has determined the fair value based on valuation model and price quote provided by the arranger trading desk of the note with ongoing monitoring of our investment committee and risk management team.

The reconciliation of financial assets and liabilities under Level 3 fair value measurements is as follows:

Available-for-sale financial assets

	At 30 June 2017 \$'000	At 30 June 2016 \$'000
At 1 January	24,430	-
Purchase	329,147	-
Disposal	-	-
Exchange alignment	1,147	-
Credited to other comprehensive income	11,791	-
	<hr/>	<hr/>
At 30 June	<u>366,515</u>	<u>-</u>

Financial liabilities at fair value through profit or loss

	At 30 June 2017 \$'000	At 30 June 2016 \$'000
At 1 January	-	-
Issued	143,421	-
Settled	-	-
Distribution	-	-
Charged to income statement	1,628	-
	<hr/>	<hr/>
At 30 June	<u>145,049</u>	<u>-</u>

26 Fair value measurement of financial instruments (*continued*)

(c) Valuation techniques and inputs used in Level 3 fair value measurements (*continued*)

Information about level 3 investment

Unlisted available-for-sale investment	Valuation technique	Significant unobservable inputs
Credit linked obligation note	Discounted cashflow	Default rate, reinvestment period, similar instrument transactions etc.
Private credit funds	Net asset value	N/A
Preference share liability	Discounted cashflow	Expected distribution from underlying fund investment per annum and net asset value of underlying fund investment
Third-party interests in consolidated funds	Net asset value	N/A

As at 30 June 2017, after management's assessment on the significance of the unobservable inputs during the due diligence process with the arranger, it is considered that the price fluctuation of the credit linked note is most sensitive to the annual default rate. With all other variables held constant, a decrease and increase in annual default rate by 10%, a range based on recent market data and development, would have increased the group's other comprehensive income by HK\$4,554,000 and decreased the group's other comprehensive income by HK\$1,449,000.

For the remaining level 3 unlisted available-for-sale financial assets, the fair value is based on the net asset value provided by underlying fund manager of private debt securities investment fund, it is considered not meaningful to present any sensitivity analysis for those investment.

27 Commitments

(a) Operating lease commitments

The total future minimum lease payments under non-cancellable operating lease on office premises properties are payable as follows:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Within one year	21,430	21,345
After one year but within five years	13,330	23,647
	<u>34,760</u>	<u>44,992</u>

The Group leases a number of properties under operating leases. The leases run for an initial period of one to five years. None of the leases includes contingent rentals.

27 Commitments (continued)

(b) Other commitments

As at 30 June 2017, the Group has a total of US\$84 million capital commitment (31 December 2016: US\$25 million) to third party managed funds with US\$21.2 million (31 December 2016: US\$3.15 million) capital having been contributed.

As disclosed in the announcement of the Company dated 4 February 2016, Reorient Financial Markets Limited (“Reorient Financial Markets”), a wholly owned subsidiary of the Company, entered into a joint venture agreement with Giant Investment Co., Ltd., and Jiangsu YuWell Technology Development Co., Ltd. (“Jiangsu Limited”) on that day. As disclosed in the circular of the Company dated 29 April 2016, the joint venture agreement was superseded and replaced by the amended and restated joint venture agreement entered among Reorient Financial Markets, Hangzhou Dr. Herbs Electronics Commerce Company Limited and Jiangsu Limited on 13 April 2016. Upon establishment of the joint venture company after obtaining all necessary approval as defined and disclosed in the circular, Reorient Financial Markets is committed to contribute RMB1,290,000,000 of the registered capital of the joint venture company.

28 Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2017 and 31 December 2016.

29 Interests in structured entities

The Group had consolidated certain structured entities, mainly funds related to wealth management operation. For those structured entities where the Group is involved as manager or as investor, the Group assesses the extent of controlling power according to relevant group accounting policies.

As at 30 June 2017, the net assets of consolidated fund entities amounted to HK\$340.3 million with net carrying interest held by the Group being HK\$316.3 million.

Interests held by other investors in these consolidated structured entities, mainly fund entities were classified as fair value change of financial liability at fair value through profit or loss of the consolidated income statements, financial liabilities at fair value through profit or loss of the consolidated statements of financial position.

At the end of the Period, the Group reassessed the control of structured entities and decided whether the Group is still a principal.

30 Material related party transactions

In addition to the related party information disclosed elsewhere in the announcement, the Group entered into the following material related party transactions.

	Six months ended 30 June	
	2017 \$'000	2016 \$'000
Brokerage commission (<i>note (i)</i>)	70	270
Advisory fee income (<i>note (ii)</i>)	360	17,659
Interest expense (<i>note (iii)</i>)	60	-
	<u>490</u>	<u>17,929</u>

Note:

- (i) During the period ended 30 June 2017, the Group provided brokerage services to (i) a company where our executive director, Mr. Huang Xin is the director and Mr. Yu is the substantial shareholder; and (ii) companies where Mr. Ko is either a substantial shareholder or a substantial shareholder and an executive director.

During the period ended 30 June 2016, the Group provided brokerage services to (i) a company where our independent non-executive director, Dr. Wong Yau Kar, David, *GBS, JP*, is an independent non-executive director; and (ii) a company where Mr. Ko is a substantial shareholder and an executive director.

- (ii) During the period ended 30 June 2017, the Group provided advisory services to a company where Mr. Ko is a substantial shareholder.

During the period ended 30 June 2016, the Group provided advisory services to (i) a company where Mr. Yu, is a substantial shareholder and our independent non-executive director, Dr. Wong Yau Kar, David, *GBS, JP*, is an independent non-executive director of this company; (ii) two companies where Mr. Ko is a substantial shareholder and an executive director; (iii) a company where Mr. Yu is a director; and (iv) companies where Mr. Ko is a substantial shareholder.

- (iii) During the period ended 30 June 2017, the Group provides securities custodian service to and incurred interest expense for cash custodian transactions with key management personnel.

31 Non- adjustment events after the reporting period

As disclosed in the announcement of the Company dated 13 July 2017, the Company has agreed to dispose 100% shareholding in Wisdom Star Investments Limited and its subsidiaries (the “Disposal Group”) to a company wholly-owned by Mr. Ko, Insula Holding Limited, for a consideration approximately of HK\$4.6 million. On the date of disposal, the consolidated net asset of Disposal Group net of non-controlling interest is approximately HK\$1.2 million. On date of completion 11 August 2017, the Group adjusts for the contingent consideration arising from the potential refund of HK\$3.4 million to Mr Ko’s wholly-owned company as per terms disclosed in the announcement and did not record any disposal gain.

On 16 August 2017, a subsidiary of the Group issued 60,000 preference shares at US\$100 each to a third party for proceed of US\$6,000,000 for investing in a consolidated fund managed by the Group.

As disclosed in the announcement of the Company dated 17 August 2017, the Company and the other investors (as the Purchasers) and MassMutual International LLC, entered into the Share Purchase Agreement pursuant to which the Company has conditionally agreed to acquire 60% of the issued share capital of MassMutual Asia Limited. The portion of the consideration payable by the Company is HK\$7,860 million of which HK\$5,200 million will be satisfied by the issue of an aggregate of 800,000,000 shares of the Company at the issue Price of HK\$6.50 per share representing approximately 24.82% of the issued share capital of the Company as enlarged by the issue of the shares.

By Order of the Board
Yunfeng Financial Group Limited
Li Ting
Executive Director and Chief Executive Officer

Hong Kong, 25 August 2017

As at the date of this announcement, the Board comprises Mr. Yu Feng (who is Chairman and non-executive director), Ms. Li Ting and Mr. Huang Xin (who are executive directors), Mr. Ko Chun Shun, Johnson, Ms. Hai, Olivia Ou and Mr. Huang Youlong (who are non-executive directors), and Mr. Lin Lijun, Mr. Qi Daqing, Mr. Chu Chung Yue, Howard and Dr. Wong Yau Kar, David, *GBS, JP* (who are independent non-executive directors).