The unaudited financial information relating to the year ended 31 December 2016 and the financial information relating to the year ended 31 December 2015 included in this announcement do not constitute the statutory annual consolidated financial statements of the Group for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2016 have yet to be reported on by the Group's auditor and will be delivered to the Registrar of Companies in due course.

The Group has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance.

The Group's auditor has reported on the consolidated financial statements for the year ended 31 December 2015. 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 sections 406(2), 407(2) or (3) of the Companies Ordinance.

Yunfeng Financial Group Limited
雲鋒金融集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors of Yunfeng Financial Group Limited announces herewith the consolidated financial results of the Company and its subsidiaries for the year ended 31 December 2016 as follows:

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, BBS, JP

Audit committee

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

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

Website

www.yff.com

Stock code

376

CEO's Statement

Year 2016 was a year of twists and turns for the global economy. To the Company, it was a year of making suitable readjustment, strengthening its foundation, continuing with innovation and sailing against the wind. Building on its accomplishments in year 2016, each line of business of the Company became more sophisticated and together offered a well-balanced, diversified and one-stop service. This laid a foundation for the Company's long term development strategy. In year 2017, the Company's goal will continue to be building a leading Asia focused investment and financing platform. The Company will keep abreast of changes in our concerned industries, boost our core businesses' competiveness, enhance the user experience of our products, thus providing better financial services to more clients.

A defined direction amidst uncertainties

The world is ever changing and year 2016 was no exception. Last year, there were a number of "black swan" events such as the increase in volatility of the global financial market, suspension in growth and subsequent growth of the economy and change in direction of policies from currency focused to fiscal focused. The economy is struggling to recover and this poses not just new threats but also new opportunities.

Against this background, Chinese and some other economies are still doing well and bringing hope to the global economy. This includes the progressive implementation of the Belt and Road initiative, the increased interaction between China and Asian markets, and the inclusion of renminbi currency in the Special Drawing Rights basket as an international currency. All these help to open up capital markets. The increased interaction with the rest of the world in 2016 was a turning point for Chinese enterprises' overseas strategy; the focus of enterprises changed from exporting products to exporting capital and there were attempts of strategic mergers and technical breakthroughs, all of which set the scene for establishing a cross border business. In this process, Hong Kong remains a bridgehead for mainland China to connect with the global market as well as a key region where capital exports and overseas mergers take place. The Company will make full use of its geographical location to assist Chinese enterprises understand and move into the global market, as illustrated by its vision "Established in Hong Kong, Connecting China with the world".

In view of the current economic situation, individuals are also experiencing unprecedented changes. In the financial sector, FinTech started to emerge in the United States, China and other countries and developed rapidly in different ways. The development of FinTech/financial technology allowed the interaction between individuals themselves and between individuals and corporates to go beyond physical contact, and this is transforming the way we live and how we invest. FinTech stimulated a shift in the investor landscape whereby "inclusive finance" targeting ordinary individual investors has already developed into a huge market. Private banks are also making a change. There are still opportunities in the market, for example there is still a lack of provision of tailor made products for the middle class. Given how the Company positions itself, the Company invests heavily in financial technology and is dedicated to create a professional and convenient one-stop service financial services platform.

Looking back at 2016

Year 2016 marked the Company's completion of its strategy planning and technical platform building. Combining our knowledge and experience in the internet business and the financial field, the Company has completed the setting up of its five lines of business, namely securities trading, employees' shareholding service, wealth management, investment research and corporate finance. Further to the introduction and upgrading works done in 2016, all five lines of business are now on-line and synchronised.

In 2016, the Company launched its first end-user software on mobile devices designed for securities trading clients, "Youyu Stock", and has invested substantial resources in improving it. The software has since been upgraded from version 1.0 to version 1.8 offering new functions including streamlined online transactions, real-time market information inquiry system and data analysis tools which enhanced users' experience significantly.

In 2016, the Company established a new line of business, employees' shareholding service. This is one of our core businesses which sets us apart from other financial institutions and gives us a competitive edge. This line of business offers a tailor-made employee equity management system based on corporate clients' actual needs. In 2016, the employees' shareholding service has gone online with a strong back-end support system. A number of breakthroughs have been made in streamlining the processing and cross-selling this service with our other products. The service offers immense convenience to corporates and the Company has already secured its first batch of clients in the first year.

The Company's wealth management line of business also made substantive progress in 2016. After having analysed the global financial market, we shortlisted and connected with over 50 international top grade fund managers and added closed to 10,000 funds to our database. In 2016, we completed developing and testing version 1.0 of our end-user software on mobile devices and carefully selected 145 funds as its first batch of products.

Our wealth management business has also made substantive progress offline. In end-2016, we successfully issued our first private equity fund of fund product designed for professional investors. We partner with top grade private equity fund managers who invest in the commercial real estate debt market and the private direct lending market in the United States which we believe are good investment opportunities. We have successfully locked in a handful of rare investment targets and have received numerous subscriptions by different categories of investors including professional institutional investors, small and medium sized enterprises investors, and high net worth individual investors. We expect to receive investment returns which are better than the market's overall performance. This project not only demonstrated our market power and competitive edge in selecting financial products in the global market but also provided actual market experience in issuing a Yunfeng financial product thus showcasing our capabilities in building a leading financial platform in Asia.

In 2016, our corporate finance team provided financing and consultancy services to more than 10 corporate clients. We believe that there will still be a large number of such capital market demands in the future as a result of corporate development in mainland China and Hong Kong. We are committed to provide listing and merger support as well as financing and consultancy services to our client. Our corporate finance team will also use its experience and connection to provide support to the Company's other lines of business.

Our investment research business has completed building its team in the second half of 2016 and provides support to our other lines of business in a number of areas including investment decision making, research and analysis, and investment education and training. With the high quality analysis reports and featured research articles, our research team's influence in the market has significantly increased. Within a few months of its launch, our corporate WeChat public platform account which contains contents contributed by our investment research team has become one of the most popular professional financial WeChat public platform accounts.

In 2016, we have also completed the official renaming of our group. "Yunfeng Financial", as the Company's new name used on the Hong Kong Stock Exchange and other platforms, has an enhanced brand recognition and corporate image.

The Company has formed a solid employee base in 2016 by increasing the number of staff to over 220, out of which the number of technical development experts has multiplied compared with the previous year. Our technical development experts provide invaluable support to our business and product development. At present, the Company has hired the top notch talents in the FinTech field. Through their technical skill, knowledge, experience and deep understanding of the operation of financial technology, they are here to enhance the quality of financial products.

Looking forward to 2017

We will continue to upgrade our products by using our knowledge in the internet and financial businesses. We will make the best use of online technology in the provision of financial services, as well as our overseas wealth management experience in asset management.

As far as our lines of business are concerned, apart from business development, we will focus on building a unique brokerage service and completing our multi-platform trading system and value added services projects. At the same time, we will enhance our uniqueness and product user experience and will prevent ourselves from falling into the commission trap. The Company will make the best use of our wealth management expertise, and select the best fund managers in the world and identify sought after products. As part of our plan, we will launch new functions on our investment application. Against the background of Hong Kong being a leading financial centre, our corporate finance business will reallocate the Company's shareholder resources and assist Chinese enterprises to go global in the areas of listing and mergers. The Company will expand its employees' shareholding service business by promoting it to corporate clients. With regard to technology development, we will commit to placing resources in this area to streamline account opening, funds transfer, transaction processing and investment advisory processes.

In 2016, we have reached a number of milestones. In 2017, we will promote our several lines of business to the market by using cross selling effects, Yunfeng Financial's shareholder's expertise in financial technology and big data, and cross-border resources. On the other hand, to realise the development strategy of the Group, different course of corporate plan will be considered including through acquisition or self-developed projects related to personal wealth management business, financial technology and other projects having synergic impact on our the existing business lines. As a result, the Company has kept abreast of market opportunities and has also been examining the feasibility of different projects (including acquisition project) and the strategic cooperation with other companies.

We anticipate that 2017 will be a difficult year due to the uncertainty in the global economy and China's rapid economic downturn. However, we will as a team embrace the changes ahead. We believe that top notch companies and individuals will flourish no matter how challenging is the situation. We hereby express our heartfelt gratitude to our shareholders and partners for their support and trust.

Li Ting
Chief Executive officer

Hong Kong, 28 March 2017

Management Discussion and Analysis

Business review

By the end of 2015, a group of investors led by Yunfeng Financial Holdings Limited completed the capital injection to Yunfeng Financial Group Limited (the "Company") and its subsidiaries (the "Group") and put in place new business development strategies. The year 2016 sets the stage for the development of the Group's new business. During the year, the Group has made significant investments primarily in developing its financial technology related infrastructure. Those significant investments include the establishment of the information technology and product development teams as well as the high performance trading order system. During the year, the number of employees increased by 141 and most of them are internet products and technology development design technicians. On the other hand, the Group has also assembled a team of professionals with years of international and PRC market experience and expertise including financial products, risk management, legal and compliance and financial control in the financial industry. With the blend of talents in both "financial" and "technical" areas, it provides the Group with the unique competitive advantage to realise the long term vision of becoming a "financial technology" centric wealth management and employee stock ownership plan related service platform. During the year 2016, the Group conducted a comprehensive review on the existing systems and gradually upgraded its software and hardware including the trading order system, server rooms, dedicated data transfer lines, and database management system.

Brokerage Business

During the year, the Group has generated brokerage income of HK$3.8million representing a decrease of 65.5% compared to that of year 2015, The trading volume of Hong Kong equity market decreased by 37.2% compared to the that of 2015. During the year, the trading volume of the Group's brokerage business amounted approximately to HK$2.4 billion, representing a decrease of 49.5% as compared with the prior year.

Financial Consultancy and Advisory Business

The Group's corporate finance business provides financial consultancy service primarily to Hong Kong listed companies. During the year, the Group has completed 39 financial consultancy projects and recorded an income of HK$42.3 million, representing a decrease of 76.9% as compared with the prior year. The decrease is mainly attributable to the revenue generated from certain major projects recorded in the last year.

Financial Assets at fair value through profit or loss

As at 31 December 2016, the fair values of financial assets (measured at fair value through profit or loss) held by the Group was HK$210.3 million mainly comprised of listed equity investments. On the basis of comparing the respective historical acquisition costs to the fair values of financial assets, the portfolio brought a "realised gain" of HK$51.4 million and an "unrealised gain" of HK$130.0 million to the Group. However, in accordance with the prevailing accounting standards, the realised and unrealised gains/losses of the portfolio were measured comparing the sales proceeds received during the year or fair value as of 31 December 2016 to the fair value as of 31 December 2015. Consequently, the "realised loss" of HK$43.6 million and "unrealised loss" of HK$32.1 million were recorded in the consolidated statement of profit or loss for the year.

Consolidated financial results review

The financial highlights of the Group were as follows:

Consolidated profit and loss analysis for the year ended 31 December

HK$ million

	2016	2015	Change
Revenue	**46.1**	194.0	-76.2%
Net loss on financial assets at fair value through profit or loss	**(75.7)**	(99.9)	-24.2%
Staff costs	**(200.1)**	(107.6)	86.0%
Other net operating expenses	**(114.0)**	(66.6)	71.2%
Loss before taxation	**(324.9)**	(77.9)	317.1%
Loss for the year	**(316.5)**	(157.0)	101.6%
Loss attributable to owners	**(316.7)**	(152.4)	107.8%
Basic loss per share *(HK$)*	**(0.13)**	(0.21)	-38.1%
Final dividend proposed	**-**	-	-

Revenue

For the year 2016, revenue amounted to HK$46.1 million, representing a 76.2% decrease compared to that of last year as follows:

HK$ million

	2016	2015	Change
Turnover	**2,416.9**	4,782.5	-49.5%
Revenue			
Brokerage commission	**3.8**	11.0	-65.5%
Consultancy and advisory fees	**42.3**	183.0	-76.9%
Total	**46.1**	194.0	-76.2%

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

For the year 2016, the net loss on financial assets at fair value through profit or loss amounted to HK$75.7 million, representing 24.2% decrease compared to that of last year as follows:

HK$ million

	2016	2015	Change
Net unrealised (loss)/gain on financial assets at fair value through profit or loss	**(32.1)**	228.0	-
Net realised loss on financial asset at fair value through profit or loss	**(43.6)**	(327.9)	-86.7%
Total loss on financial assets at fair value through profit or loss	**(75.7)**	(99.9)	-24.2%

Staff costs

For the year of 2016, the staff costs amounted to HK$200.1 million represents a 86.0% increase compared to that of last year. The number of full time employees increased from 87 to 229 with most working in the internet products and technology development fields. The growth in staff costs is considered in keeping pace with the Group's business developments and expansions.

Other operating expenses

For the year 2016, other operating expenses amounted to HK$122.0 million, representing a 76.6% increase compared to that of the prior year as follows:

HK$ million

	2016	2015	Change
Other operating expenses			
Information, data and communication expenses	**30.5**	16.4	86.0%
Legal and professional fee expenses	**20.6**	7.2	186.1%
Operating lease charges in respect of properties	**19.9**	12.9	54.3%
Business promotion and marketing expense	**18.2**	-	-
Depreciation and amortisation	**8.0**	2.5	220.0%
Others	**24.8**	30.1	-17.6%
Total	**122.0**	69.1	76.6%

Consolidated financial position analysis as at 31 December

HK$ million

	2016	2015	Change
Total assets	**4,925.6**	5,087.5	-3.2%
Total equity	**4,444.1**	4,761.3	-6.7%
Owner's equity	**4,443.0**	4,760.3	-6.7%
– Per share *(HK$)*	**1.85**	1.98	-6.6%

The Group's total shareholders' equity amounted to approximately HK$4,444.1 million as at 31 December 2016 as compared to the total shareholders' equity of HK$4,761.3 million reported at the end of last year. The decrease is mainly due to the operating loss and the decrease in fair value of financial asset at fair value through profit or loss.

Changes in owner's equity

HK$ million

	2016	**2015**
Balance at 1 January	**4,761.3**	1,020.9
Issue of subscription shares	**-**	3,878.7
Loss for the year	**(316.5)**	(157.0)
Others	**(0.7)**	18.7
Balance at 31 December	**4,444.1**	4,761.3
Attributable to :		
- equity shareholders of the Company	**4,443.0**	4,760.3
- non-controlling interests	**1.1**	1.0
Total equity	**4,444.1**	4,761.3

Prospects

Looking forward to the year 2017, as far as our lines of business are concerned, apart from business development, we will focus on building a unique brokerage service and completing our multi-platform trading system and value added services projects. At the same time, we will enhance our uniqueness and product user experience and will prevent ourselves from falling into the commission trap. The Company will make the best use of our wealth management expertise, and select the best fund managers in the world and identify sought after products. As part of our plan, we will launch new functions on our investment application. Against the background of Hong Kong being a leading financial centre, our corporate finance business will reallocate the Company's shareholder resources and assist Chinese enterprises to go global in the areas of listing and mergers. The Company will expand its employees' shareholding service business by promoting it to corporate clients. With regard to technology development, we will commit to placing resources in this area to streamline account opening, funds transfer, transaction processing and investment advisory processes.

In 2016, we have reached a number of milestones. In 2017, we will promote our several lines of business to the market by using cross selling effects, Yunfeng Financial's shareholder's expertise in financial technology and big data, and cross-border resources. On the other hand, to realise the development strategy of the Group, different course of corporate plan will be considered including through acquisition or self-developed projects related to personal wealth management business, financial technology and other projects having synergic impact on our the existing business lines. As a result, the Company has kept abreast of market opportunities and has also been examining the feasibility of different projects (including acquisition project) and the strategic cooperation with other companies.

We anticipate that 2017 will be a difficult year due to the uncertainty in the global economy and China's rapid economic downturn. However, we will as a team embrace the changes ahead with different strategies depending on market situation and strive to improve the operation situation considerably. We believe that top notch companies and individuals will flourish no matter how challenging is the situation. We hereby express our heartfelt gratitude to our shareholders and partners for their support and trust.

Liquidity and Financial Resources

As at 31 December 2016, the Group had fixed bank deposits with original maturity over 3 months and cash and cash equivalents of approximately HK$4,164.7 million (31 December 2015: HK$4,162.9 million). The Group generally financed its daily operations with internal resources and had no bank or other borrowings except for HK$2.2 million finance lease obligation with minimal impact on Group's gearing ratio at the end of the reporting period (31 December 2015: nil).

Capital Structure

Details of movements in share capital of the Company during the year are set out in note 28 to the financial statements.

Equity Price Risk

The Group is exposed to equity price changes arising from equity investments and derivative instruments classified as financial assets at fair value through profit or loss held by the Group. The underlying equity securities of the Group's unlisted derivative is listed on The Stock Exchange of Hong Kong Limited. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are dealt with in the consolidated income statement. On the other hand, the Group has invested in available for sale financial assets with the fair value change going through reserve. The investment performance is monitored regularly as set out in note 31(e) to the financial statements, together with an assessment of its relevance to the Group's strategic plans.

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 ("USD") and Renminbi as set out in note 31(d) to the financial statements. Management of the Group monitors the foreign exchange exposure and will hedge significant foreign currency exposure should the need arise.

During the year ended 31 December 2016, the Group did not engage in the use of other financial instruments for hedging purposes, and there were no hedging instruments outstanding as at 31 December 2016.

Material Acquisitions and Disposals of Subsidiaries and Associates

The Group did not have any material acquisitions and disposals of subsidiaries and associates during the year ended 31 December 2016.

Charges on Assets

At the year ended December 2016, the Group did not have any charges on assets, other than a security deposit of HK$45,600,000 for banking facilities.

Future Plans for Material Investments and Expected Sources of Funding

Save as discussed elsewhere under the section headed "Management Discussion and Analysis", as at 31 December 2016, the Group had no future plans for material investments. The Company considers new investments as part of its normal business, and therefore, management publically announces these plans as they become disclosable based on regulatory requirement or such announcement considered appropriate by management on voluntary basis. Given the current uncertain market conditions, the management may fund new projects through fund raising or loans while reserve the internal resources for its existing business plans.

Commitments

Details of commitments are set out in note 30 to the financial statements.

Segment information

Details of segments are set out in note 12 to the financial statements.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2016.

Staffing and Remunerations

As at 31 December 2016, the Group employed 229 (2015: 87) full time employees, 82 (2015: 60) of which were located in Hong Kong, 2 (2015: 2) in the United States and 145 (2015: 25) in the People's Republic of China. The remuneration of employees includes salary and discretionary bonus. The Group also adopted share option and share award schemes to provide an incentive to the employees.

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 reviewed annually by the management.

Use of net proceeds from subscription shares

The proceeds from subscription shares as disclosed in note 28 of the financial statements have been utilised subsequent to the subscription as set out under the section "Use of Proceeds" of the Company's circular dated 18 August 2015 (the "Circular") and subsequent to adjustment in use of proceeds as set out in the announcement of the Company dated 18 October 2016. The below table sets out the proposed application of net proceeds before and after adjustments and usage up to the following dates:

	Original proposed application of the Proceeds	*Actual usage up to 30 September 2016*	*Unutilised Proceeds*	*Adjustments*	*Use of Proceeds after adjustments*	*Actual usage from 1 October 2016 to 31 December 2016*	*Unutilised Proceeds up to 31 December 2016*
	HK$ million A	HK$ million B	HK$ million C=A-B	HK$ million D	HK$ million E=C+/-D	HK$ million F	HK$ million G=E-F
Setting up new branches and IT infrastructure	363.5	30.3	333.2	-	333.2	20.9	312.3
Recruitment of professionals *(note 1)*	99.8	39.9	59.9	-	59.9	18.8	41.1
Enhancement of the capital resources *(note 2)*	1,088.2	105.0	983.2	(983.2)	-	-	-
Establishment of a private wealth management platform *(note 3)*	189.7	10.7	179.0	-	179.0	4.7	174.3
Development of a financial services ecosystem *(note 4)*	149.8	14.8	135.0	-	135.0	14.2	120.8
Expansion into markets outside of Hong Kong	1,987.7	-	1,987.7	(1,987.7)	-	-	-
General capital management *(note 5)*	-	-	-	2,970.9	2,970.9	102.0	2,868.9
Total:	3,878.7	200.7	3,678.0	-	3,678.0	160.6	3,517.4

Notes:

(1) mainly utilised on the recruitment and employment of internet products and technology development professionals to assist on the expansion of retail brokerage businesses.

(2) utilised on capital injection to a licensed wholly owned subsidiary regulated by the Securities and Futures Commission of Hong Kong.

(3) mainly utilised on recruitment and employment of professionals specialising in asset and wealth management.

(4) mainly utilised on marketing and setting up of online sales platform.

(5) please refer to reasons for the adjustment in the use of proceeds below for use of proceed under general capital management

Reasons for the adjustment in use of proceeds

The Company reviewed the use of the approximately HK$3,879 million Proceeds from time to time. As at 30 September 2016, the unutilised Proceeds amount to approximately HK$3,678 million, of which approximately HK$983 million and HK$1,988 million (together HK$2,971 million), were intended to be used to meet capital requirements relating to the securities brokerage business and the financial resources required for expansion into markets outside Hong Kong respectively. Reference is made to table below regarding the total trading volume in Hong Kong's stock market in 2015 and 2016.

For the year 2016	***Turnover in value (HK$ billion)***	*For the year 2015*	*Turnover in value (HK$ billion)*	*Year-on-year change*
Q1 2016	**4,288.1**	Q1 2015	5,272.0	-18.7%
Q2 2016	**3,881.5**	Q2 2015	9,894.1	-60.8%
Q3 2016	**4,303.2**	Q3 2015	6,395.3	-32.7%
Q4 2016	**3,923.7**	Q4 2015	4,529.3	-13.4%
Year 2016 total	**16,396.5**	Year 2015 total	26,090.7	-37.2%

At the time of issue of the Circular dated 18 August 2015, the Company based on the trading volume in Hong Kong's stock market in the first two quarters of 2015 to predict the trading prospects of its brokerage business, the Company was also optimistic about the market growth and expected that the trading volume will further increase in the second half of 2016, thus the Company contemplated that its brokerage businesses will surge together with the trading volume. Hence, a substantial portion of the Proceeds was reserved for such purpose.

However, the actual trading volume in second half of 2015 and first three quarters of 2016 was lower than the level anticipated by Company which led to the amount of Proceeds being allocated for enhancement of the Group's capital resources become excessive. After considering capital requirements linked to the trading volume of its Hong Kong securities brokerage business, and the significant uncertainties as to the specific timing for funding needs in connection with potential mergers and acquisition projects outside Hong Kong, the Company considers that the current management of the unutilised Proceeds (as mentioned above) may not be most efficient and effective.

Consistent with the established long term goal of supporting the sustainable and healthy development of the Company's principal operating activities, the Company intends to apply the following capital management and interim deployment strategies in respect of the abovementioned approximately HK$2,971 million of the Proceeds:

1. As the Company's wealth management platform is expected to be launched shortly, it will also commence work on developing its own asset management products. To achieve positive synergies between the Company's capital management and growth of its asset management business, and facilitate external fundraising for such products, the Company intends to provide seed capital, as 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.

Other than as stated above, the original proposed application of the funds remains unchanged, and the Company shall continue to deploy resources to build and strengthen its capabilities to deliver fin-tech services.

Event after the Reporting Period

Details of event after the reporting period are set out in note 38 to the financial statements.

Biographical Details of Directors and Senior Management

Chairman

Mr. Yu Feng, aged 53, was appointed as the Chairman and a non-executive Director of the Company and the chairman of Nomination Committee of the Company in November 2015. Mr. Yu is the founder and chairman of Yunfeng Capital, a private equity firm founded by Mr. Yu together with other entrepreneurs in 2010. Mr. Yu served as an executive director of Media Asia Group Holdings Limited (stock code: 08075), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from June 2011 to September 2015. Mr. Yu served as a non-executive director of Alibaba Health Information Technology Limited (stock code: 00241), a company listed on the Main Board of the Stock Exchange from April 2014 to September 2015, a director of Huayi Brothers Media Corporation (stock code: 300027), a company listed on the Growth Enterprise Market of the Shenzhen Stock Exchange, from August 2014 to June 2015 and a director of Shanghai Guangdian Electric Group Co., Ltd (stock code: 601616), a company listed on the Shanghai Stock Exchange, from December 2010 to April 2014. Mr. Yu served as a co-chairman of Focus Media Holding Limited from February 2006 to May 2008 and as chairman and chief executive officer of Target Media Holdings Limited prior to its acquisition by Focus Media Holding Limited.

Mr. Yu is a director of Yunfeng Financial Holdings Limited ("YFHL") and Jade Passion Limited ("Jade Passion), both YFHL and Jade Passion are substantial shareholders of the Company.

Mr. Yu obtained an EMBA degree from China Europe International Business School, the PRC in March 2001 and a master of arts degree in philosophy from Fudan University, the PRC in July 1991.

Executive Directors

Ms. Li Ting, aged 44, was appointed as an executive Director of the Company in November 2015. Ms. Li is currently the Chief Executive Officer of the Company. Ms. Li has over 20 years of experience in the financial industry, including fixed income and derivatives analytics, risk management, portfolio management, sales and market developments, and business planning and execution, in the U.S.A., the PRC and Hong Kong. Prior to joining the Group, Ms. Li was a senior managing director and head of Asia ex-Japan of State Street Global Advisors.

Ms. Li holds a bachelor's degree in finance from Nankai University, the PRC, and a master's degree in finance from Boston College, the U.S.A..

Mr. Huang Xin, aged 41, was appointed as an executive Director of the Company and a member of the Remuneration Committee of the Company in November 2015. Mr. Huang is a partner and a member of the investment committee of Yunfeng Capital. Mr. Huang served as vice president of Shanghai Kaituo Capital Limited from 2006 to 2010, where he was in charge of various investments. Mr. Huang was vice president of finance at Target Media Holdings Limited from 2005 to 2006, where Mr. Huang managed its daily financial operations and led its equity financing and merger and integration with Focus

Media Holding Limited. Mr. Huang worked at General Electric Company from 1997 to 2005.

Mr. Huang is a director of Jade Passion, the substantial shareholder of the Company.

Mr. Huang obtained a master of business administration degree from China Europe International Business School, the PRC in October 2011 and a bachelor's degree in accounting from Fudan University, the PRC in July 1997.

Non-Executive Directors

Mr. Ko Chun Shun, Johnson, aged 65, joined the Board in August 2011 as an executive Director and has been re-designated from an executive Director to a non-executive Director of the Company on 1 April 2016. He was the Chairman of the Company, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company until he resigned from these positions in November 2015.

Mr. Ko beneficially holds 100% interest in Gainhigh Holdings Limited ("Gainhigh"). He is also a director of Gainhigh and Insula Holdings Limited, the substantial shareholders of the Company. Mr. Ko was appointed as an independent non-executive director of Meitu, Inc. (stock code: 01357) on 15 December 2016. Currently, Mr. Ko is the deputy chairman and an executive director of Frontier Services Group Limited (stock code: 00500), and an executive director of KuangChi Science Limited (stock code: 00439). Mr. Ko had also been the chairman and an executive director of Varitronix International Limited (Stock Code: 00710) until April 2016, and the vice chairman and an executive director of Concord New Energy Group Limited (Stock Code: 00182) until June 2015, the shares of which are all listed on the Stock Exchange.

Mr. Ko has extensive experience in corporate finance, corporate restructuring, and mergers and acquisitions, and also has extensive experience in international trade, investment, media and technology businesses.

Ms. Hai, Olivia Ou, aged 37, was appointed as a non-executive Director of the Company in November 2015. Ms. Hai is a managing director of Yunfeng Capital and specialises in investments related to the financial services industry. Prior to joining Yunfeng Capital, Ms. Hai was an actuarial partner at Deloitte China from 2012, and was engaged in the provision of consulting services to overseas and domestic insurance companies. Ms. Hai has also worked at HSBC Insurance (Asia) Limited in Hong Kong from 2010 to 2012 and PricewaterhouseCoopers LLP in the United Kingdom from 2002 to 2010.

Ms. Hai is a qualified fellow member of the Institute and Faculty of Actuaries in the United Kingdom and is a board representative of both the Life Board and the Education Board of the Institute and Faculty of Actuaries in the United Kingdom. She is also a fellow member of the China Association of Actuaries.

Mr. Huang Youlong, aged 40, was appointed as a non-executive Director of the Company in November 2015. Mr. Huang is the chairman of Damo Gold Ocean Group Limited, the chairman of Mongolian Desert Resources LLC. and the chairman of Grand Asia Pacific Investment Holding Pte. Ltd.. Mr. Huang was appointed as the chairman and an executive director of Sino Golf Holdings Limited (Stock code: 00361) on 7 November 2016, a company listed on the Stock Exchange.

Mr. Huang is a director of Jade Passion, the substantial shareholder of the Company.

Independent Non-Executive Directors

Mr. Lin Lijun, aged 43, was appointed as an independent non-executive Director of the Company and a member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee of the Company in November 2015. Mr. Lin was the founder of China Universal Asset Management Co., Ltd., an award-winning and diverse asset management company founded by Mr. Lin in April 2004 and at which he had served as chief executive officer until April 2015. Mr. Lin has extensive experience in investment management as well as risk management.

Mr. Lin was appointed as an independent non-executive director of Xiao Nan Guo Restaurants Holdings Limited (Stock code: 03666) on 23 March 2016, a company listed on the Stock Exchange. Mr. Lin is an independent director of Shanghai Chengtou Holding Co., Ltd. (stock code: 600649), a company listed on the Shanghai Stock Exchange. Mr. Lin had also been an independent director of Shanda Games Limited, a company with its American depositary shares listed on NASDAQ (symbol: GAME).

Mr. Lin obtained a bachelor's degree and a master's degree in economics from Fudan University, the PRC, in 1994 and 1997 respectively, and a master of business administration degree from Harvard University, the U.S.A. in 2003.

Mr. Qi Daqing, aged 52, was appointed as an independent non-executive Director of the Company, and a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company on 18 February 2016. Mr. Qi is currently a professor of Cheung Kong Graduate School of Business. He previously served as director and associate dean of the executive master of business administration department. Mr. Qi's research interests primarily focus on financial accounting, financial reporting and their impact on corporate business strategy. Mr. Qi has published many articles in accounting and finance journals. Mr. Qi worked at The Chinese University of Hong Kong and the Feature Syndicate of the Department of Home News for Overseas, Xinhua News Agency prior to joining Cheung Kong Graduate School of Business in 2002.

Mr. Qi currently serves as independent director of Sohu.com Inc. (NASDAQ: SOHU), iKang Healthcare Group, Inc. (NASDAQ: KANG) and Momo Inc. (NASDAQ: MOMO), all of which are listed on NASDAQ; and independent non-executive director of Honghua Group Limited (stock code: 00196); SinoMedia Holding Limited (stock code: 00623) and Jutal Offshore Oil Services Limited (stock code: 03303), all of which are listed on the Stock Exchange. Mr. Qi served as an independent non-executive director of Dalian Wanda Commercial Properties Co., Ltd. (stock code: 03699) from 29 January 2016 to 20 September 2016, a company delisted from the Stock Exchange on 20 September 2016. Mr. Qi had also been an independent director of Focus Media Holding Limited (NASDAQ: FMCN) and AutoNavi Holdings Ltd. (NASDAQ: AMAP), all of which were listed on NASDAQ, an independent director of Bona Film Group Limited which was listed on NASDAQ and ceased to be a public company in April 2016, and an independent director of China Vanke Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000002; and listed on the Stock Exchange, stock code: 02202).

Mr. Qi graduated with a doctoral degree in accounting from The Eli Broad Graduate School of Management of Michigan State University in the U.S.A. in 1996. He also obtained a master's degree in management from University of Hawaii in the U.S.A in 1992 and dual bachelor's degrees (in biophysics and international news) from Fudan University in 1985 and 1987 respectively.

Mr. Chu Chung Yue, Howard, aged 68, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company in August 2011.

Mr. Chu was the vice president, Asia and chief representative, China of Teck Resources Limited. Mr. Chu was responsible for the development of an Asian strategy for the company, monitoring China's economic performance and promoting business development opportunities in China. Mr. Chu held various positions including corporate controller for Teck Resources Limited from 1978 to 2007 and was the vice president, Asia and chief representative, China from 2007 to April 2011.

Mr. Chu holds a bachelor degree in commerce from University of British Columbia and was a member of the Chartered Professional Accountants of Canada.

Dr. Wong Yau Kar, David, *BBS, JP*, aged 59, was appointed as an independent non-executive Director and a member of the Audit Committee of the Company in December 2012. Dr. Wong received a doctorate in Economics from the University of Chicago in 1987. Dr. Wong has extensive experience in manufacturing, direct investment and international trade. Dr. Wong is active in public service. He is a Hong Kong deputy of the 12th National People's Congress of the People's Republic of China. He is also Chairman of the Land and Development Advisory Committee, Mandatory Provident Fund Schemes Authority and Protection of Wages on Insolvency Fund Board. Dr. Wong was appointed a Justice of Peace (JP) in 2010 and was awarded a Bronze Bauhinia Star (BBS) in 2012 for his valuable contribution to the society.

Dr. Wong is currently an independent non-executive director of Concord New Energy Group Limited (stock code: 00182), Huayi Tencent Entertainment Company Limited (stock code: 00419), Redco Properties Group Limited (stock code: 01622), Shenzhen Investment Limited (stock code: 00604) and Sinopec Kantons Holdings Limited (stock code: 00934), Dr. Wong had also been a non-executive director of FDG Kinetic Limited (stock code: 00378) until March 2015, the shares of which are all listed on the Stock Exchange.

Senior Management

Mr. John Maguire, aged 53, joined the Group in September 2011. Mr Maguire is the Head of Corporate Finance and Senior Managing Director of the Group. Prior to joining the Group, Mr. Maguire was the managing director and a co-founder of a boutique corporate finance firm from 2000 to 2011. Before that, Mr. Maguire was, from 1995 to 2000, an executive director in the corporate finance arm of an international broking and corporate finance group, responsible for the group's corporate finance activities in Hong

Kong and South East Asia. From 1991 to 1995, Mr Maguire worked as a solicitor in Hong Kong. Prior to relocating to Hong Kong in 1991, Mr. Maguire worked as a solicitor in the City of London.

Mr. Maguire is a member of the Listing Committee of the Stock Exchange. Mr. Maguire is a deputy chairman of the Takeovers and Mergers Panel, a member of the Takeovers Appeal Committee and a member of the Securities and Futures Commission's Committee on Real Estate Investment Trusts. Mr. Maguire is the chairman of the Hong Kong Securities and Investment Institute and a senior fellow of the Institute. Mr. Maguire is a member of the HKTDC Financial Services Advisory Committee, a member of the Asian Financial Forum Steering Committee and a member of the Executive Committee of the Asian Securities and Investment Federation.

Mr. Maguire is a solicitor admitted in England and Wales (non-practicing) and in Hong Kong. Mr. Maguire is a member of the Law Society of Hong Kong's Company Law Committee.

Mr. Chan Man Ko, aged 42, joined the Group in November 2015, is the Chief Financial Officer, Company Secretary and a Senior Managing Director of the Group. Before joining the Group, Mr. Chan worked for China Taiping Insurance Holdings Company Limited (stock code: 00966) for over 11 years and had served several positions including deputy general manager of finance department, chief financial officer and company secretary. Prior to this, he worked for Deloitte Touche Tohmatsu for 7 years.

Mr. Chan is an associate member of Institute of Chartered Accountants in England and Wales, and associate member and practicing member of Hong Kong Institute of Certified Public Accountants.

Ms. Li Yuan, aged 39, joined the Group in April 2016, is the Head of Wealth Management and a Senior Managing Director of the Group. Ms. Li has around 15 years' experience in the asset management industry. Prior to joining the Group, Ms. Li was the managing director of State Street Global Advisors in Hong Kong, leading both the sales and client services team to develop and maintain business relationships with financial institutions of North Asia. Before that, Ms. Li served as an executive director of the global portfolio investment department and the private equity department at Goldman Sachs (Tokyo) and Goldman Sachs (Hong Kong). Ms. Li has extensive experience in business development and excellent sales capability. Ms. Li has a deep insight in global assets allocation and multi-asset allocation strategy. Ms. Li is very skilled in designing and executing customized investment plans. Ms. Li also has rich experience in quantitative model in creating investment strategy with US$50 billion assets under management.

Ms. Li graduated from Tokyo Institute of Technology, and obtained a Bachelor degree in Computer Science and a Master degree in Communication Engineering.

Corporate Governance Report

The board of directors (the "Board") of Yunfeng Financial Group Limited (the "Company") is committed to maintaining high standards of corporate governance. It believes that a high standard of corporate governance provides a framework and solid foundation for attracting and retaining high calibre and talented management, promoting high standards of accountability and transparency and meeting the expectations of all the shareholders of the Company (the "Shareholders").

The principles of corporate governance adopted by the Company and its subsidiaries (collectively the "Group") stress the importance of a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

Throughout year ended 31 December 2016 (the "Year"), 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 Rules Governing the Listing of Securities (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 Directors 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 the code.

(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 31 May 2016.

(c) Code Provision C.2.5

Internal and external audit are regarded as the 3rd line of defense in the Group's risk management and internal control systems and therefore the importance is highly regarded. Currently, the internal audit function is absent as the Group is still in transitional period where internal policies and procedures are being formulated and established. Internal reviews are being conducted quite frequently, details are disclosed in the section headed "Risk Management and Internal Control" of this corporate governance report. For the time being, external auditing is responsible for verifying the internal control system and providing additional assurance that the policies and procedures are respected and followed. The Group will review the need for setup of internal audit function and put it on the agenda when the need for one arises.

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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all the directors of the Company (the "Directors") have confirmed that they have complied with the required standards as stated in the Model Code throughout the Year.

The Board

The Board is responsible for the formulation of the Group's strategies, policies and business plans, regulating and reviewing risk management and internal control systems, formulating the Group's corporate governance policy, and supervising the management of the business operations of the Group to ensure that its business objectives are met. The Board also ensures adequacy of resources, qualifications and experience of the Board members. The senior management of the Group is responsible for the day-to-day operations of the Group and accountable to the Board.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Group. As at the date of this announcement, the Board comprises the following 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
Ms. Hai Olivia Ou
Mr. Huang Youlong

Independent non-executive Directors

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

The current Directors and their brief biographical details are set out in the section headed "Biographical Details of Directors and Senior Management".

There are no financial, business, family or other material/relevant relationships between Board members and between the Chairman and the chief executive officer (the "CEO").

The Company has been maintaining the number of independent non-executive Directors at not less than one-third of the number of the Board members and has ensured that at least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. The participation of independent non-executive Directors in the Board brings independent judgement to ensure the interests of all Shareholders have been duly considered.

For a Director to be considered independent, that Director should not have any direct or indirect material interest in the Group. In determining the independence of Directors, the Board follows the requirement set out in the Listing Rules. The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules in respect of the year ended 31 December 2016 and the Company considers that they are independent.

The roles of the Chairman and the CEO are complementary, but importantly they are distinct and separate with a clear and well established division of responsibilities.

The Chairman (assumed by Mr. Yu Feng) is responsible for setting strategic targets, providing leadership to the Board, monitoring Board effectiveness and fostering constructive relationship between Directors.

The CEO (assumed by Ms. Li Ting) is responsible for managing the business of the Group, attending to the formulation and implementation of Group's policies, and assuming full accountability for the Group's operations. Acting as the principal manager of the Group's business, the CEO develops a strategic operating plan that reflects the long-term objectives and priorities established by the Board, and is directly responsible for maintaining the operational performance of the Group. Working with the senior management and the Board, the CEO ensures that the funding requirements of the business are met and closely monitors the operating and financial results against the plans. The CEO also takes remedial actions when necessary and advises the Board of any significant developments and issues of the Group.

The Board meets regularly and at least 4 times a year. Between scheduled meetings, senior management of the Group provides to the Directors the information on the activities and developments in the businesses of the Group on a timely basis and, when required, additional Board meetings are held. In addition, the Directors have full access to the information of the Group and to independent professional advice whenever should they consider necessary. During the year ended 31 December 2016, a total of 5 Board meetings and 2 general meetings, including the annual general meeting ("2016 AGM") were held and the attendance of each Director is set out below:

	Number of meetings attended in the year ended 31 December 2016 / Number of meeting eligible to attend					
	Board	NC	RC	AC	AGM	EGM
Chairman						
Mr. Yu Feng	4/5	1/1	-	-	0/1	0/1
Executive Directors						
Ms. Li Ting	5/5	-	-	-	1/1	1/1
Mr. Huang Xin	5/5	-	1/1	-	1/1	0/1
Mr. Brett McGonegal (resigned on 2 February 2016)	0/1	-	-	-	0/0	0/0
Non-executive Directors						
Mr. Ko Chun Shun, Johnson	5/5	-	-	-	1/1	0/1
Ms. Hai Olivia Ou	5/5	-	-	-	0/1	1/1
Mr. Huang Youlong	2/5	-	-	-	0/1	0/1
Independent non-executive Directors						
Mr. Lin Lijun	0/5	0/1	0/1	0/2	0/1	0/1
Mr. Qi Daqing (appointed on 18 February 2016)	3/3	1/1	1/1	0/1	1/1	0/1
Mr. Chu Chung Yue, Howard	5/5	1/1	1/1	2/2	1/1	0/1
Mr. Liu Zhengui (resigned on 1 April 2016)	2/2	0/0	0/0	1/1	0/0	0/0
Dr. Wong Yau Kar, David, BBS, JP	5/5	-	-	2/2	1/1	0/1

Note:
NC – Nomination Committee
RC – Remuneration Committee
AC – Audit Committee
AGM – annual general meeting held on 31 May 2016
EGM – extraordinary general meeting held on 13 October 2016

Professional Training for Directors

All Directors, including independent non-executive Directors, should always know their collective responsibilities as Directors and of the businesses and activities of the Group. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

During the year ended 31 December 2016, all Directors have received the following trainings:

Directors	Training on corporate governance, regulatory development and other relevant topics
Chairman	
Mr. Yu Feng	✓
Executive Directors	
Ms. Li Ting	✓
Mr. Huang Xin	✓
Non-executive Directors	
Mr. Ko Chun Shun, Johnson	✓
Ms. Hai Olivia Ou	✓
Mr. Huang Youlong	✓
Independent non-executive Directors	
Mr. Lin Lijun	✓
Mr. Qi Daqing	✓
Mr. Chu Chung Yue, Howard	✓
Dr. Wong Yau Kar, David, BBS, JP	✓

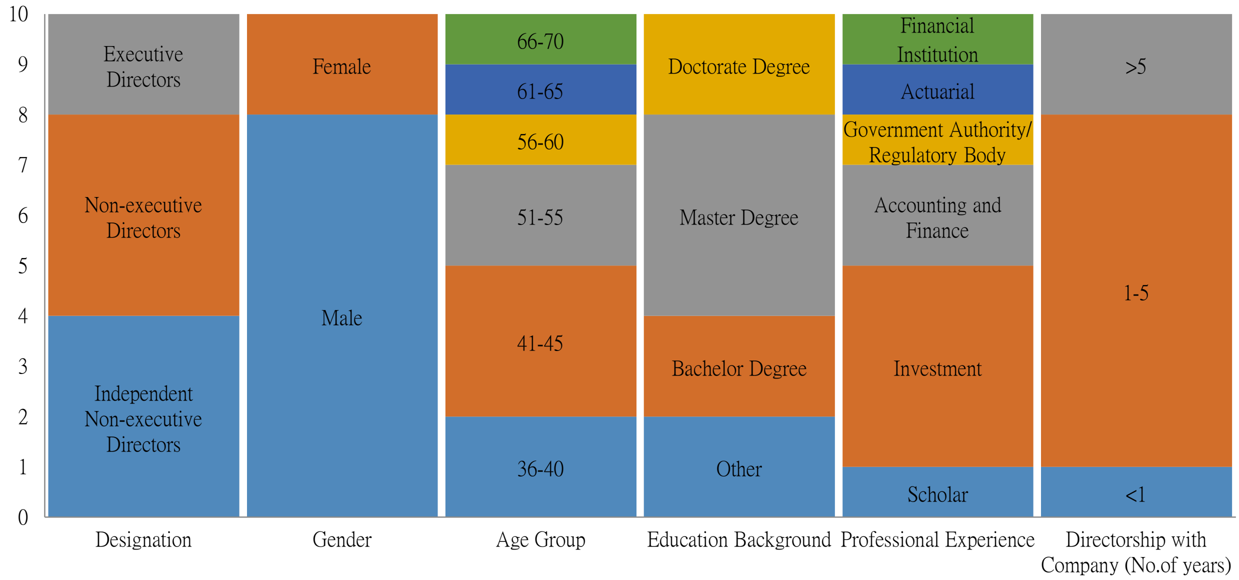
Board Diversity Policy

The Company has adopted a board diversity policy in October 2013 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of a Board that possesses an appropriate balance and levels of skills, experience, expertise and diversity of perspectives essential to support the execution of its corporate and business strategies and to enhance the quality and effectiveness of its performance. Board diversity will strengthen the Company's strategic objectives in driving business results; enhancing good corporate governance and reputation; and attracting and retaining talent for the Board.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

As at the date of this announcement, the Board composition under major criteria for diversity was summarised as follows:



The Board considers that the current board composition is diverse and meets the criteria of the board diversity policy. Accordingly, no measurable objectives have been set for implementing the said policy. The Board will review the policy from time to time to ensure that the board diversity policy is complied with.

A copy of the board diversity policy is published on the Company's website for public information.

Board Committees

Regarding the corporate governance function, during the year ended 31 December 2016, the Board has reviewed and monitored the training and continuous professional development of Directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, and the disclosure in the Corporate Governance Report. Besides, the Company has set up three committees including, the nomination committee, the remuneration committee and the audit committee. Each committee has its specific terms of reference with reference to the CG Code.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was chaired by Mr. Lin Lijun with existing and former members of Mr. Huang Xin, Mr. Liu Zhengui, Mr. Chu Chung Yue, Howard and Mr. Qi Daqing. Mr. Qi Daqing was appointed as a member of the Remuneration Committee on 18 February 2016 and Mr. Liu Zhengui resigned as a member of the Remuneration Committee on 1 April 2016. The

Remuneration Committee is responsible to make recommendation to the Board on the remuneration packages of Directors and senior management of the Group. In addition, the Remuneration Committee shall meet as and when required to consider remuneration related matters such as making recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management, and to assist the Group in the administration of the fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group. The written terms of reference are posted on the websites of the Company and the Stock Exchange, Code provision B.1.2(c)(ii) was adopted by the Remuneration Committee.

During the Year, the Remuneration Committee held 1 meeting. The Remuneration Committee reviewed the remuneration packages for Directors and senior management of the Group and remuneration package of new independent non-executive Director.

Details of the remuneration of the Directors during the Year are set out in note 8 to the financial statements. The remuneration of the senior management during the Year falls within the following bands:

	Number of Individual
Nil to HK$5,000,000	2
HK$15,000,001 to HK$16,000,000	1

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was chaired by Mr. Yu Feng with existing and former members of Mr. Lin Lijun, Mr. Liu Zhengui, Mr. Chu Chung Yue, Howard and Mr. Qi Daqing. Mr. Qi Daqing was appointed as a member of the Nomination Committee on 18 February 2016 and Mr. Liu Zhengui resigned as a member of the Nomination Committee on 1 April 2016. The terms of reference of the Nomination Committee have been determined with reference to the CG Code and posted on the websites of the Company and the Stock Exchange.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least once every year, making recommendations on any proposed changes to the Board to complement the Group's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officers. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Nomination Committee is also responsible for the review of the board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the board diversity policy (if any), and monitor the progress on achieving the measurable objectives (if any).

During the Year, the Nomination Committee held 1 meeting. The committee reviewed the structure, size and composition of the Board and the board diversity policy and nomination the appointment of new independent non-executive Director.

During 2016, Mr. Qi Daqing was appointed as Director of the Company. In considering the new appointment of director and position, the Nomination Committee assessed the candidate on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out duties and responsibilities effectively as well as assessed the independence to be appointed as an independent non-executive director, etc. and made recommendation to the Board for approval.

Audit Committee

The audit committee of the Company (the "Audit Committee") is chaired by Mr. Chu Chung Yue, Howard, with existing and former members of Mr. Lin Lijun, Mr. Qi Daqing, Mr. Liu Zhengui and Dr. Wong Yau Kar, David, BBS, JP. Mr. Qi Daqing was appointed as a member of the Audit Committee on 18 February 2016 and Mr. Liu Zhengui resigned as a member of the Audit Committee on 1 April 2016.

Mr. Chu holds a bachelor's degree in commerce from University of British Columbia and is a member of the Chartered Professional Accountants of Canada. Mr. Chu has appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are in line with the CG Code and are posted on the websites of the Company and the Stock Exchange. Under its amended terms of reference, dated 21 December 2015, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual financial statements and to monitor the integrity of the financial statements of the Group, to review the scope, extent and effectiveness of the Company's financial controls, risk management and internal control systems, internal audit and to review the Group's financial and accounting policies.

The Audit Committee held 2 meetings during the Year. There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. The Audit Committee has reviewed, inter alia, the accounting principles and practices adopted by the Group and discussed internal controls, financial reporting and risk management matters of the Group. The Audit Committee has also reviewed, and had discussions with external auditors, on the interim and annual consolidated financial statements of the Group.

Auditor's Remuneration

A summary of fees for audit and non-audit services is as follows:

Nature of services	**31 December 2016**	31 December 2015
	HK$'000	HK$'000
Audit services	**1,850**	1,385
Other services	**910**	338
Total	**2,760**	1,723

Risk Management and Internal Control

While Yunfeng Financial Group pursues growth in business, it also recognises the importance of effectively managing various risks associated with its operations. The Group aims to achieve a good balance between risks and growth by implementing appropriate risk management and internal control.

Organisation

The Board has the 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 sound and effective risk management and internal control systems (including reviewing their effectiveness) to safeguard Shareholders' investment and the Group's assets. To this end, management continues to allocate resources for a risk management and internal control systems to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

Corporate governance committee of the Group (the "Corporate Governance Committee") is made up of the Chief Executive Officer and members who represent each of the key departments or business units, including finance, technology, risk management, operations, legal, compliance and project management with the responsibility to oversee the Group's overall risk management and internal control systems and has the ultimate responsibility for the establishment and implementation of risk governance framework, appetite / tolerances, strategies, policies and procedures. The compliance manual sets out the guidelines on reporting and disseminating inside information, and the Corporate Governance Committee is delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. The Risk Oversight Committee (ROC) is a sub-committee under the Corporate Governance Committee, responsible for the risk management and internal control.

The ROC comprises business heads, general counsel, head of compliance and head of risk management and is chaired by the Chief Executive Officer. Authority is delegated from the Corporate Governance Committee and the function of the committee is risk governance for the Group.

The Chief Risk Officer (the "CRO") is responsible for maintaining the effectiveness of the risk management framework and for supervision of daily operation of the risk management department.

Risk Management and Internal Control Systems

Based on industry practice, the Group adopts the industry standard "Three Lines of Defense" for the management of risks, comprising the following elements:

(1) 1st Line of Defense: The business which owns and manages its risks;
(2) 2nd Line of Defense: The risk management and operation function, which defines and co-ordinates the operational risk strategy and framework; and
(3) 3rd Line of Defense: Internal and external audit, who provide independent assurance.

Each of the Group's departments conducts risk management and internal control that responds to the risk profile and size of each business in accordance with basic policies. Risk management department, together with other concerned management functions, monitor and communicate the risk exposures and issues to the management. Critical issues will be escalated to different committees according to pre-set rules, discussions will be held and resolutions will be found by responsible committees. The process used to identify, evaluate and manage significant risks is set out in the Report of the Directors on pages 36 to 39 of this announcement.

Risk Management and Internal Control Review

Risk management department, led by the Chief Risk Officer, working under the guidance of risk management policies, has developed various procedures to manage, monitor and report identified risk factors that the Group's might encounter on a daily basis. Apart from periodic risk reports that are sent out to major management members and stake-holders, communications are also conducted on regular Corporate Governance Committee meetings. Ad hoc risk reports would also be produced, whenever there are risk issues that need to be addressed immediately.

2016 has been a fruitful year so far as the Group has built a solid foundation for future growth, focusing on developing infrastructure and establishing internal control as well as cultivating a sound risk management culture. As of the time when the annual review is composed, there are not any risk incidents that have caused direct financial losses to the Group due to control failures.

The review of the effectiveness of the Group's risk management and internal control systems has been conducted annually by the Board. During the Year, the Board and the Audit Committee, through the Corporate Governance Committee, has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems and consider the risk management and internal control systems effective and adequate. The Group's Risk Management and Internal Control Report for 2016 was compiled to cover (i) the top risks of the Group; (ii) changes in nature and extent of the significant risks since 2015, and ability to respond to changes in its business and the external environment; (iii) associated action plans and controls designated to mitigate the top risks, where applicable, at appropriate level; (iv) the adequacy of resources, qualifications and experience, training programs and budget of accounting, and financial reporting functions; and (v) the compliance with relevant laws and regulations that have a significant impact on the business and operation of the Group. The Risk Management and Internal Control Report was presented to the Audit Committee and the Board for review in March 2017.

Dissemination of Inside Information

The Company is committed to a consistent practice of timely, accurate and sufficiently details disclosure of material information about the Group. The Company has adopted a policy regarding the disclosure of inside information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

Company Secretary

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Board, and is responsible for ensuring that Board procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and the management.

Mr. Chan Man Ko has been appointed as the company secretary of the company on 18 February 2016. Mr. Chan has complied with the training requirement of the Listing Rules during the Year.

Shareholders' Right

How Shareholders Can Convene an Extraordinary General Meeting ("EGM")

An EGM may be convened by the Directors on requisition of Shareholders holding not less than one-twentieth (5%) of the total voting rights of all Shareholders or by such Shareholder(s) who made the requisition (as the case may be) pursuant to section 566 to 568 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) (the "Companies Ordinance") and the articles of association of the Company. The objects of the meeting must be stated in the requisition which must be signed by the requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening an EGM.

Procedures for Putting Forward Proposals at a General Meeting

Pursuant to the Companies Ordinance, Shareholders representing not less than one-fortieth (2.5%) of the total voting rights of all Shareholders; or not less than 50 Shareholders on which there has been paid up an average sum, per Shareholder, of not less than HK$2,000, may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in section 615 of the Companies Ordinance for putting forward a proposal at a general meeting.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

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

Fax: (852) 2845 9036 / (852) 3102 9022
Email: ir@yff.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Investor Relations

The Board is committed to providing clear and full performance information of the Group to the Shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to the Shareholders, additional information of the Group is also available to the Shareholders on the Group's website.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The Chairman and Directors (including chairman/members of the Audit Committee, the Nomination Committee and the Remuneration Committee) as well as the representative of external auditor, should attend and answer questions on the Group's business at the meeting. All resolutions at the general meeting are decided by a poll which is conducted by the Group's share registrar.

During the year ended 31 December 2016, the Company also held an extraordinary general meeting ("EGM") to consider and approve the proposed change of company name from "REORIENT GROUP LIMITED 瑞東集團有限公司" to "Yunfeng Financial Group Limited 雲鋒金融集團有限公司". The Directors attended the EGM to answer related questions.

The Group values feedback from the Shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

Constitutional Documents

In order to bring the existing articles of association of the Company in line with the new Companies Ordinance which came into effect on 3 March 2014 and given the numerous changes brought about by the new Companies Ordinance, Shareholders have passed a special resolution for the adoption of the new Articles of Association at the annual general meeting held in May 2016, consolidating all previous and proposed amendments, to replace the memorandum of association and existing articles of association. The latest version of the Articles of Association, which was adopted by Shareholders is posted on the websites of the Company and the Stock Exchange.

Report of the Directors

Business Review

Detailed business review is set out in “Management Discussion and Analysis (“MD&A”) section in this announcement from pages 8 to 12. Future development of the Company’s business is set out in the “CEO’s Statement” section and MD&A in this announcement from pages 4 to 7 and pages 12 to 13 respectively. An analysis of the Group’s performance during the Year using financial key performance indictors is provided in MD&A in this announcement from pages 8 to 14.

Key risks and uncertainties

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Board delegates some of this responsibility to various operational departments.

The Group’s financial position, operations, business and prospects may be affected by the following identified risks and uncertainties. The Group adopts risk management policies, measures and monitoring systems to pre-empt and contain exposures associated with the identified risks.

Regulatory risk

Our businesses operate in highly-regulated markets and our success and operations can be impacted by changes to the regulatory environment and the structure of these markets. The Group pays close attention to financial regulatory and legislative developments of the markets it operates and actively monitors and consults with regulators of the markets on changes which could impact our business. Many of our key businesses are also subject to direct regulatory oversight and we are required to maintain the appropriate regulatory approvals and licenses to operate, and in some cases adhere to certain stringent financial and capital covenants.

Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, people or system issues and from unforeseen external events. Operational risk usually includes the risks resulted from human error in internal operation, imperfection of internal process, information system fault or imperfection, trading failure and other reasons.

Our business and operations are at risk of disruption from technologies and processes. Information technology and systems is critical to the Group’s operation and business development of securities trading, settlement and service, etc. The unreliability of system, imperfection of network technology and data error will inflict damage and economic losses to the Company.

The Group is responsible for managing client data and undertakes volumes of transactional processes via information technology and systems. There is a risk that failure to process these transactions correctly could result in loss and liabilities being incurred to third parties, and result in breach of certain regulations of the Securities &

Futures Commission ("SFC"), namely, the SFC (Client Money) Rules under the Securities and Futures Ordinance, which stipulates that clients' money held-in-trust by the Group's relevant operating subsidiaries must be reconciled, restored daily and segregated from those of the Group.

In order to manage these risks, the Group invests significantly in technology, human resources and automated processes, business continuity plans to cope with events of operation and system failures and disaster recovery, and has also established, a dedicated I.T. team which is responsible for handling and responding rapidly to emergencies in a systematic manner to eliminate disruptions and disasters, and to ensure business continuity. The I.T. team also plays an important role in assessing the technological requirements and their viability of new business ideas and initiatives of the Group.

The Group remains proactive in its monitoring and improving the internal control mechanisms, limits on authority and reporting of operational processes, strengthening the inspection and audit, intensifying the compliance and accountability system, to reduce the possibility of operational risks and actively and properly dealing with the adverse effects. The responsibility for managing operational risks rests with each and every employee, functions, divisions and departments of the Group. The responsibility is continuous and we adapt our response accordingly to the changing operating environment.

The Group recognises that operational risks cannot be eliminated completely, but will strive to persist in its strengthening and implementation of robust compliance and risk management measures, improve business processes, strengthen the professional integrity and ethics of staff through education and training to avoid, detect and identify risks, prevent money-laundering, insider dealing, conflict of interest and other possible violations, to pre-empt, manage and reduce these operational risks exposure.

Credit Risk

Credit risks will arise when a client/counter-party fails to perform its financial and contractual obligations. To minimise and control this risk, the Group has established and enforced stringent due diligence assessment and credit control procedures to evaluate the creditworthiness of its clients and counterparties. Preventatively and clearly defined risk control measures have been deployed to screen, evaluate potential clients and determine and assess the relevant creditworthiness and credit ratings which are used to determine appropriate trading and credit limits for all clients/counterparties, including existing clients/counterparties.

The safeguard and risk control measures include performing pre-screening and assess the client's credit rating by reputable credit rating agencies; identify and review client's investment objectives, investment history, trading frequency and risk appetite; examine and review client's/counterparty's past payment records and history of defaults; identify and review the client's capital base and the existence and amount of guarantees and by whom such guarantees are given, if any; identify and review any known events which may have an adverse impact on the client's/counterparty's financial status, potential for default or accuracy of information stored regarding the client/counterparty. Trading and credit limits, subject to the enforced and pre-determined maximum, are set specifically for each client in accordance with our assessments and their respective credit rating and trading needs. The Group's exposure to the client's and counterparties' credit risks is continually monitored.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an ability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group continually monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the ability to finance the Group's operations and reduce the effects of cash flow fluctuations.

Certain principal operating subsidiaries of the Group are regulated by the SFC, the financial market regulators and are subject to various liquidity and capital requirements as prescribed by the rules of the SFC. The Group has established procedures and monitoring systems, monitoring on a daily basis, to ensure that it maintains adequate and necessary liquid capital to facilitate its operating capability, to fund its business commitments as well as to comply with the relevant rules including the Financial Resources Rules.

The Group has maintained banking facilities and financing arrangement to meet cash flow contingencies in its operations. The Company will also consider the need to raise capital funding in order to meet the Group's expansion and growth in its business operations. The management believes that the Group's current level of working capital is adequate to meet its operational and financial obligations.

Market Risk

The operating performance of the Group highly relates to the changes in the economy, sentiments of the investors and securities market and has risks, volatility and uncertainties.

Market risk is the risk that the Group's earnings and capital or its ability to meet its business objectives will be adversely affected by movement in foreign exchange rates, interest rates and equity prices.

Price risks of the Group include equity price risk, interest rate and exchange rate and fluctuation risks involved in the brokerage business, financial advisory and underwriting business and other business.

The Group currently has minimal exposure to foreign currency risk, but continues to monitor the relative foreign exchange positions of the mix of its assets and liabilities. When appropriate, hedging instruments including forward contracts, swaps and currency loans would be used to manage the foreign exchange exposure. The foreign currency risk is managed and monitored on an on-going basis by senior management and relevant operation staff of the Group.

Equity price risk arises from fluctuation in market prices of the Group's investment in financial assets. Senior management regularly reviews and monitors the mix of securities in its investment portfolio based on its fair value to ensure the loss arising from the changes in the market values of the investment portfolios is minimised and contained within an acceptable range.

Principal Activities

The principal activity of Yunfeng Financial Group Limited (the "Company") is investment holding. The activities of the principal subsidiaries are set out in note 15 to the financial statements. An analysis of the revenue and the results of the Company and its subsidiaries (collectively the "Group") by business segments during the Year are set out in note 12 to the financial statements.

Results and Dividends

The results of the Group for the Year, and the statement of financial position of the Group as of 31 December 2016 are set out in the financial statements on pages 50 to 53.

The Directors do not recommend the payment of a final dividend for the Year (2015: nil).

Share Capital

Details of the movements in the share capital of the Company during the Year are set out in note 28(e) to the financial statements.

Distributable Reserves

Details of the distributable reserves of the Company as at 31 December 2016 are set out in note 28(a) to the financial statements.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 127.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the Year, 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.

Equity Linked Agreements

Details of the equity-linked agreements entered into during the Year or subsisting at the end of the Year are set out below:

Share Options Scheme

The Company has adopted a share option scheme on 21 July 2011 (the "Share Option Scheme").

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the participants (being any employee (whether full-time or part-time), Directors or consultants of each member of the Group, provided that the board of Directors may have absolute discretion to determine whether or not one falls within the above category) and for such other purposes as the Board may approve from time to time.

Pursuant to this 10-year term Share Option Scheme, the Company can grant options to participants for a consideration of HK$1.00 for each grant payable by the participant.

No participant shall be granted an option, if the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant would exceed 1% of the shares in issue unless such further grant has been approved by the shareholders of the Company ("Shareholders") in general meeting with the participant and his associates abstaining from voting.

Subscription price in respect of each share issued pursuant to the exercise of options granted hereunder shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange daily quotation sheet on the date on which the option is offered to a participant, which must be a trading day; (b) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; and (c) the nominal value of a share.

According to the Share Option Scheme, unless otherwise determined by the Board, there shall be no minimum holding period for the exercise of the options but the options are exercisable within the option period as determined by the Board and in any event such period shall not be longer than 10 years from the date upon which any particular option is granted.

The total number of share option that could be granted was 38,449,452, representing approximately 10% of the total issued shares of the Company on the date of passing the resolution to refresh the Share Option Scheme limit at the annual general meeting on 26 March 2012.

As at the date of this announcement, the total number of share option that can be granted was 27,954,040, representing approximately 1.15% of the total issued shares of the Company.

Movements of the share options are set out in note 29 to the consolidated financial statements.

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 purposes of the above share award schemes are to (i) encourage or facilitate the holding of Shares by the selected participants; (ii) encourage and retain such individual to work with the Group; and (iii) provide additional incentive for them to achieve performance goals.

The maximum number of shares 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 Year, no Shares had been awarded under the 2014 Share Award Scheme and as at 31 December 2016, 26,667 Shares were held by the trustee under the 2014 Share Award Scheme.

Further details of the 2014 Share Award Scheme are set out in Note 29 to the consolidated financial statements. Details and other principal terms of the 2014 Share Award Scheme are set out in the announcement of the Company dated 30 October 2014.

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.

TMF Trust (HK) Limited ("TMF Trustee") and Bank of Communications Trustee Limited ("BoCom Trustee") have been appointed as the trustees for the administration of the 2016 Share Award Scheme. TMF Trustee shall hold the Shares for the benefit of the selected participants who are not connected persons (as defined under the Listing Rules) of the Company. BoCom Trustee shall hold the Shares for the benefit of the selected participants who are connected persons of the Company. BoCom Trustee and/or TMF Trustee shall not be entitled to exercise any voting rights in respect of any Shares held under the trust.

During the Year, no Shares had been awarded under the 2016 Share Award Scheme and as at 31 December 2016, no Shares were held by the trustees under the 2016

Share Award Scheme. On 24 January 2017, 23,990,000 Shares had been issued and held by TMF Trustee under the 2016 Share Award Scheme.

Details and other principal terms of the 2016 Share Award Scheme are set out in the announcements of the Company dated 12 December 2016, 11 January 2017 and 24 January 2017.

Directors

The directors of the Company during the Year and up to the date of this announcement are:

Chairman

Mr. Yu Feng (Non-executive Director)

Executive Directors

Ms. Li Ting (Chief Executive Officer)
Mr. Huang Xin
Mr. Brett McGonegal (resigned on 2 February 2016)

Non-executive Directors

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

Independent non-executive Directors

Mr. Lin Lijun
Mr. Qi Daqing (appointed on 18 February 2016)
Mr. Chu Chung Yue, Howard
Mr. Liu Zhengui (resigned on 1 April 2016)
Dr. Wong Yau Kar, David, BBS, JP

In accordance with article 103(A) of the Company's articles of association, Mr. Huang Xin, Ms. Hai Olivia Ou, Mr. Huang Youlong and Mr. Chu Chung Yue, Howard shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules in respect of the Year and the Company considers that they are independent.

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 appointed as an independent non-executive director of Meitu, Inc. (stock code: 01357) on 15 December 2016, a company listed on the Stock Exchange.

Mr. Huang Youlong was appointed as the chairman and an executive director of Sino Golf Holdings Limited (Stock code: 00361) on 7 November 2016, a company listed on the Stock Exchange.

Mr. Lin Lijun was appointed as an independent non-executive director of Xiao Nan Guo Restaurants Holdings Limited (Stock code: 03666) on 23 March 2016, a company listed on the Stock Exchange.

Mr. Qi Daqing served as an independent non-executive director of Dalian Wanda Commercial Properties Co., Ltd. (stock code: 03699) from 29 January 2016 to 20 September 2016, a company delisted from the Stock Exchange on 20 September 2016. Mr. Qi Daqing resigned as an independent director of Bona Film Group Limited on 5 April 2016. Bona Film Group Limited ceased to be a public company in April 2016.

Directors of Subsidiaries

The names of directors who have served on the boards of the subsidiaries of the Company (the "subsidiaries") during the year ended 31 December 2016 and up to the date of this announcement included: Ms. Li Ting, Mr. Ko Chun Shun, Johnson[2], Mr. Chen Shengjie[2], Mr. Brett McGonegal[1], Mr. Jason Boyer[1], Mr. John Maguire, Mr. Szeto Winston[1], Ms. Liao Yee Ching, Mr. He Shiqiang[2], Mr. Chan Man Ko, Mr. Lo Ming Kit, Mr. Wang Yanzheng[2], Mr. Cai Junyi[2], Ms. Qiao Chun Ping[2], Mr. Uwe Parpart[1], Mr. Ho Cecil Te-hwai[1], Ms. Angela Waiyin[2] and Mr. Anthony Wilson[1].

Notes:
1. No longer directors of the subsidiaries as at the date of this announcement
2. Companies in which they serve as directors are incorporated in places other than Hong Kong

Directors' Service Contracts

None of the Directors has a service contract with the Company which requires the Company to give a period of notice of more than one year, or to pay compensation or make other payments equivalent to more than one year's emolument.

Directors' and chief executive's interests and/or short positions in the shares, underlying shares and debentures of the company or any associated corporations

As at 31 December 2016, 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 *(note 1)*	Held by controlled corporation/Corporate interest	1,342,976,000	55.97%
Mr. Ko Chun Shun, Johnson *(note 2)*	Held by controlled corporation/Corporate interest	229,180,726	9.55%

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:

			Number of Shares held in Associated Corporation	
Name of Associated Corporation	**Name of Director**	**Capacity/ Nature of Interests**	**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 31 December 2016, none of the Directors and chief executive 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.

Directors' Rights to Acquire Shares

Save as disclosed above and in this announcement, at no time during the Year 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 the means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any other body corporations.

Substantial Shareholders' and Other Persons' Interests in Shares

As at 31 December 2016, the Company was notified of the following substantial Shareholders' and other persons' interests, being 5% or more of the Company's issued shares under Section 336 of the SFO.

		Number of Shares held	
Name of Substantial Shareholder	**Capacity/ Nature of interests**	**Long position**	**Percentage of shareholding**
Mr. Yu Feng *(Note 1)*	Held by controlled corporation/Corporate interest	1,342,976,000	55.97%
Yunfeng Financial Holdings Limited *(Note 1)*	Held by controlled corporation/Corporate interest	1,342,976,000	55.97%
Key Imagination Limited *(Note 1)*	Held by controlled corporation/Corporate interest	1,342,976,000	55.97%
Jade Passion Limited *(Note 1)*	Beneficial owner/Beneficial interest	1,342,976,000	55.97%
Mr. Ko Chun Shun, Johnson *(Note 2)*	Held by controlled corporation/Corporate interest	229,180,726	9.55%
Insula Holdings Limited *(Note 2)*	Held by controlled corporation/Corporate interest	229,180,726	9.55%
Gainhigh Holdings Limited *(Note 2)*	Beneficial owner/Beneficial interest	229,180,726	9.55%
Ms. Lian Yi *(Note 3)*	Held by controlled corporation/Corporate interest	167,872,000	7.00%
Clear Expert Limited *(Note 3)*	Held by controlled corporation/Corporate interest	167,872,000	7.00%
Violet Passion Holdings Limited *(Note 3)*	Beneficial owner/Beneficial interest	167,872,000	7.00%

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 31 December 2016, 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 Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed elsewhere in this announcement, no transactions, arrangements or contracts of significance (i) to which the Company, its holding company or any of their subsidiaries was a party, and in which a Director or his connected entities was materially interested, whether directly or indirectly, subsisted at any time during the Year or at the end of the Year, nor (ii) between the Company, or one of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

Connected Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2016, which may also constitute connected transactions under the Listing Rules, are disclosed in Note 33 to the financial statements.

During the Year, the Group did not have any connected transactions that were subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Major Suppliers and Major Customers

During the Year, revenue derived from the Group's 5 largest customers accounted for approximately 62% of the total revenue for the Year, with the single largest customer contributing approximately 26%.

The Group is a provider of financial services. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

Save as disclosed elsewhere in this announcement, none of the Directors, their close associates or any shareholders, which to the knowledge of the Directors own more than 5% of the Company's issued shares, had an interest in the major customers.

Corporate Governance

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practice of the Company is set out in the Corporate Governance Report.

Indemnity of Directors

A permitted indemnity provision as set out in the articles of association of the Company that provides for indemnity against liability incurred by directors and executive officers of the Group is currently in force and was in force throughout the Year.

Sufficiency of 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 announcement, there was sufficient public float of the Company's securities as required under the Listing Rules.

Independent Auditors

The Group's auditor, KPMG will retire at the forthcoming annual general meeting of the Company. A resolution for reappointment of KPMG will be proposed for Shareholders' approval at the forthcoming annual general meeting.

Review by Audit Committee

As at the date of this announcement, the Audit Committee comprised four independent non-executive Directors. The Audit Committee is chaired by Mr. Chu Chung Yue, Howard with Mr. Lin Lijun, Mr. Qi Daqing and Dr. Wong Yau Kar, David, BBS, JP being the other members. The terms of reference of the Audit Committee are in line with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Group's consolidated financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee.

By order of the Board

Li Ting
Executive Director and Chief Executive Officer

Hong Kong, 28 March 2017

Consolidated Income Statement
For the year ended 31 December 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
Revenue	3	**46,120**	193,967
Other operating income	4	**34,981**	3,475
Net loss on financial assets at fair value through profit or loss	5	**(75,688)**	(99,899)
		5,413	97,543
Staff costs	6(a)	**(200,094)**	(107,613)
Depreciation and amortisation		**(7,992)**	(2,567)
Other operating expenses	6(b)	**(113,981)**	(66,555)
Loss from operations		**(316,654)**	(79,192)
Finance costs	6(c)	**(97)**	(60)
Share of results of associates		**-**	567
Provision for impairment loss of interest in an associate		**-**	(714)
Net provision for impairment loss	6(d)	**(8,118)**	(16,588)
Gain on disposal of an associate		**-**	18,118
Loss before taxation	6	**(324,869)**	(77,869)
Income tax	7(a)	**8,327**	(79,172)
Loss for the year		**(316,542)**	(157,041)
Loss attributable to equity shareholders of the Company		**(316,688)**	(152,419)
Profit /(loss) attributable to non-controlling interests		**146**	(4,622)
Loss per share attributable to equity shareholders of the Company			
Basic *(HK$)*	11(a)	**(0.13)**	(0.21)
Diluted *(HK$)*	11(b)	**(0.13)**	(0.21)

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

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(316,542)**	(157,041)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets: net movement in fair value reserve	**(2,141)**	-
Exchange differences arising on translation of results of foreign operations	**(621)**	(612)
Total comprehensive income for the year	**(319,304)**	(157,653)
Total comprehensive income for the year attributable to:		
- equity shareholders of the Company	**(319,375)**	(152,722)
- non-controlling interests	**71**	(4,931)
	(319,304)	(157,653)

Consolidated Statement of Financial Position
At 31 December 2016

	Note	**2016**	2015
		HK$'000	*HK$'000*
Non-current assets			
Property and equipment	13	**21,418**	13,930
Goodwill and other intangible assets	14	**21,512**	550
Available-for-sale financial assets	18	**99,853**	-
Deferred tax assets	27(b)	**508**	-
Other non-current assets	17	**10,176**	15,260
Total non-current assets		**153,467**	29,740
Current assets			
Financial assets at fair value through profit or loss	19	**210,270**	410,620
Accounts receivable and accrued income	20	**23,611**	296,254
Other receivables, deposits and prepayments	21	**15,024**	18,669
Bank balance – trust and segregated accounts	22(a)	**358,544**	169,319
Fixed bank deposits with original maturity over 3 months		**524,187**	-
Cash and cash equivalents	22(a)	**3,640,494**	4,162,922
Total current assets		**4,772,130**	5,057,784
Current liabilities			
Accounts payable	23	**370,677**	197,621
Accrued expenses and other payables	24	**55,483**	48,938
Obligation under finance lease	26	**842**	-
Current taxation	27(a)	**53,087**	61,451
Total current liabilities		**480,089**	308,010
Net current assets		**4,292,041**	4,749,774
Non-current liabilities			
Obligation under finance lease	26	**1,385**	-
Deferred tax liabilities	27(b)	**-**	18,171
NET ASSETS		**4,444,123**	4,761,343

Consolidated Statement of Financial Position At 31 December 2016 (*continued*)

	Note	**2016** **HK$'000**	2015 *HK$'000*
EQUITY			
Share capital	28(e)	**4,499,548**	4,499,548
Reserves		**(56,532)**	260,759
		4,443,016	4,760,307
Non-controlling interests		**1,107**	1,036
TOTAL EQUITY		**4,444,123**	4,761,343

Approved and authorised for issue by the Board on 28 March 2017 and are signed on its behalf by:

Li Ting	**Huang Xin**
Executive Director and Chief Executive Officer	*Executive Director*

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

		Attributable to equity shareholders of the Company										
	Note	**Share capital** *HK$'000*	**Shares held by share award scheme** *HK$'000*	**Share-based payment reserve** *HK$'000*	**Asset revaluation reserve** *HK$'000*	**Fair value reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Statutory Reserve** *HK$'000*	**Retained profit/ (accumulated loss)** *HK$'000*	**Sub total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2015		614,919	(23,013)	7,436	2,650	-	201	-	412,741	1,014,934	5,967	1,020,901
Changes in equity for the year ended 31 December 2015:												
Equity settled share-based transaction		-	-	15,160	-	-	-	-	-	15,160	-	15,160
Shares vested under share award scheme		-	14,971	(14,971)	-	-	-	-	-	-	-	-
Exercise of share options		5,947	-	(1,694)	-	-	-	-	-	4,253	-	4,253
Issue of subscription shares		3,885,040	-	-	-	-	-	-	-	3,885,040	-	3,885,040
Cost of issuance of subscription shares		(6,358)	-	-	-	-	-	-	-	(6,358)	-	(6,358)
Loss for the year		-	-	-	-	-	-	-	(152,419)	(152,419)	(4,622)	(157,041)
Other comprehensive income for the year		-	-	-	-	-	(303)	-	-	(303)	(309)	(612)
Balance at 31 December 2015 and 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 year ended 31 December 2016:												
Equity settled share-based transaction		**-**	**-**	**2,084**	**-**	**-**	**-**	**-**	**-**	**2,084**	**-**	**2,084**
Shares vested under share award scheme	29(b)(ii)	**-**	**7,945**	**(7,945)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(Loss)/ profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(316,688)**	**(316,688)**	**146**	**(316,542)**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**(2,141)**	**(546)**	**-**	**-**	**(2,687)**	**(75)**	**(2,762)**
Appropriation to statutory reserves		**-**	**-**	**-**	**-**	**-**	**-**	**219**	**(219)**	**-**	**-**	**-**
Balance at 31 December 2016		**4,499,548**	**(97)**	**70**	**2,650**	**(2,141)**	**(648)**	**219**	**(56,585)**	**4,443,016**	**1,107**	**4,444,123**

Consolidated Statement of Cash Flows
For the year ended 31 December 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
Operating activities			
Cash generated from operations	22(b)	**132,169**	179,280
Tax paid:			
- Hong Kong profit tax paid		**(18,255)**	-
- Overseas tax paid		**(429)**	-
Net cash generated from operating activities		**113,485**	179,280
Investing activities			
Proceeds from disposal of an associate		**-**	40,978
Payment for acquisition of subsidiaries, net of cash	15(c)	**(1,165)**	(3,338)
Payment for purchase of property and equipment		**(13,149)**	(10,981)
Payment for purchase of intangible asset		**(8,911)**	-
Deposit made to other non-current asset		**(12,154)**	-
Payment for acquisition of available-for-sale financial assets		**(101,994)**	-
Increase in fixed bank deposit placed with original maturity over 3 months		**(524,187)**	-
Interest received		**26,320**	674
Net cash (used in)/generated from investing activities		**(635,240)**	27,333

Consolidated Statement of Cash Flows
For the year ended 31 December 2016 (*continued*)

	Note	**2016** **HK$'000**	2015 *HK$'000*
Financing activities			
Net proceeds from issuance of shares under share option scheme		-	3,679
Net proceeds from issuance of subscription shares	28(e)	-	3,878,682
Interest paid		-	(60)
Net cash generated from financing activities		**-**	3,882,301
Net (decrease)/increase in cash and cash equivalents		(521,755)	4,088,914
Cash and cash equivalents at 1 January		4,162,922	74,620
Effect of foreign exchange rate changes		(673)	(612)
Cash and cash equivalents at 31 December	22(a)	**3,640,494**	4,162,922

Cash flow from operating activities includes:

	2016 **HK$'000**	2015 *HK$'000*
Interest received from client	**27**	94

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

Notes to the Financial Statements

1 General information

Yunfeng Financial Group Limited (the "Company") is a limited liability company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited. On 28 October 2016, the Certificate of Change of Name of the Company was issued by the Registrar of Companies in Hong Kong. Accordingly, the name of the Company has been changed from "REORIENT GROUP LIMITED 瑞東集團有限公司" to "Yunfeng Financial Group Limited 雲鋒金融集團有限公司". The registered office of the Company is Suites 3201-3204, One Exchange Square, 8 Connaught Place, Central, Hong Kong. The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (collectively the "Group") and the Group's interests in associates.

The principal activities of the Group are securities broking, placing and underwriting, provision of consultancy and advisory services and investment holding. The principal activities and other particulars of its principal subsidiaries are set out in note 15 to the financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2 Significant accounting policies

(a) Statement of compliance

These 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 and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(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 these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- Financial assets at fair value through profit or loss (see note 2(j))
- Derivative financial instruments (see note 2(k))
- Available-for-sale financial assets (see note 2(m))

The preparation of 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 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.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group 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, transactions and cash flows 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 income statement and the consolidated statement of 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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

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, 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 joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

The Group served as the manager of funds. The funds invest mainly in equities, debt securities and monetary market instruments. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such funds, with control determined based on an analysis of the guidance in HKRS 10 "Consolidated financial statements", they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units or return of capital in such funds for cash. These are presented as "Third-party interests in consolidated funds" within other liabilities in the consolidated statement of financial position.

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(i)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(f) 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 each cash-generating unit, 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(i)).

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.

(g) Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

Gains or losses arising from the retirement or disposal of an item of property 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.

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

–	Leasehold improvements	Shorter of the unexpired term of lease and 5 ears
–	Office equipment and furniture	5 years
–	Computers equipment	3- 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually by the Group.

(h) Leased assets

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.

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases and impairment losses (see note 2(i)(ii)). Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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 instalments 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.

(i) Impairment of assets

(i) ***Impairment of investments in subsidiaries, associates, available for sale financial assets, accounts receivable and other receivables***

Investments in subsidiaries, associates, accounts receivable and other receivables that are carried at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries and associates, the impairment loss is measured by comparing the recoverable amount in the investment with its carrying amount in accordance with note 2(i)(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(i)(ii).

- For accounts receivable and other receivables 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.

– For an available-for-sale financial assets, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. Losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(ii) Impairment of other assets

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

– property and equipment;

– 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 to sell 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 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 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 (if measurable), 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 favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of 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.

(j) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured initially at fair value, which normally will be equal to the transaction price. Transaction costs are expensed immediately.

The Group recognises financial assets at fair value through profit or loss on the date it becomes a party to the contractual provisions of the instrument, using trade date accounting.

Financial assets at fair value through profit or loss comprise financial assets held for trading and those designated as at fair value through profit or loss upon initial recognition, but exclude those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Financial assets at fair value through profit or loss are carried at fair value. Changes in the fair value are included in the income statement in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the income statement.

The fair value of financial assets at fair value through profit or loss is based on their quoted market prices at the end of reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions. The inputs of the valuation techniques are based on market data.

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

The Group uses the weighted average method to determine realised gains and losses to be recognised in the income statement on derecognition.

(k) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(l) Accounts receivable and other receivables

Accounts receivable and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(i)(i)), 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 of doubtful debts.

(m) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets as at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established.

(n) Intangible assets

The intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)(ii)). Amortisation begins when the asset is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives as follows:.

- Computers software 3- 5 years

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.

(o) Accounts payable and other payables

Accounts payable 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.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks.

(r) Employee benefits

(i) 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.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in profit or loss as incurred.

(iii) The fair value of share awards and share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the share awards and 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 awards and share options that are 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 share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share awards and 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 share-based payment 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 retained profit).

(s) 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 reporting date, 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 Group 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 carrying 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 reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit 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 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 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.

(t) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group 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 non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) 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) Brokerage commission income

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Handling and settlement fee income, placing and underwriting commission income and consultancy and advisory fee income

Handling and settlement fee income, placing and underwriting commission income and consultancy and advisory fee income are recognised when the related services are rendered.

(iv) Consultancy and advisory fee settled with non-cash consideration

Consultancy and advisory fee settled with non-cash transaction is recognised at the fair value of the consideration received or receivable, which represents at the transaction price of such consideration as initially determined. When the outcome of the transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains less losses from trading securities or financial instruments designated at fair value through profit or loss.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items of statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(w) Fiduciary activities

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of the regulated business activities. The Group has classified the bank balances – trust and segregated accounts within the current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies.

The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

(x) Related parties

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

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

(2) has significant influence over the Group; or

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

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

(1) 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).

(2) 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).

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

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

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

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

(7) A person identified in (i)(1) 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).

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

(y) 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

The principal activities of the Group are securities broking, placing and underwriting, provision of consultancy and advisory services and investment holding.

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

	2016	2015
	HK$'000	*HK$'000*
Brokerage commission	**3,819**	10,965
Consultancy and advisory fees	**42,274**	182,908
Interest income from clients	**27**	94
	46,120	193,967

4 Other operating income

	2016	2015
	HK$'000	*HK$'000*
Handling and settlement fees	**458**	811
Bank and other interest income	**32,926**	1,356
Research and other fee	**1,526**	1,245
Miscellaneous income	**71**	63
	34,981	3,475

5 Net loss on financial assets at fair value through profit and loss

	2016	*2015*
	HK$'000	*HK$'000*
Net unrealised (loss)/gain on financial assets at fair value through profit or loss		
– Options	**(20,124)**	13,322
– Equity investment listed outside Hong Kong	**(29,143)**	19,435
– Equity investment listed in Hong Kong	**17,211**	195,238
	(32,056)	227,995
Net realised (loss)/gain on financial assets at fair value through profit or loss		
– Equity investment listed outside Hong Kong	**-**	157
– Equity investment listed in Hong Kong	**(43,632)**	(328,051)
	(43,632)	(327,894)
Net loss	**(75,688)**	(99,899)

6 Loss before taxation

Loss before taxation is arrived at after charging:

	2016	2015
	HK$'000	*HK$'000*
(a) Staff costs		
Commission paid	**84**	1,312
Equity-settled share-based payment expenses (note 29)	**2,084**	15,734
Salaries, allowances and benefits in kind	**166,789**	84,074
Resignation and termination benefit	**23,900**	5,613
Social welfare	**7,237**	880
	200,094	107,613

The Group operates the Mandatory Provident Fund Scheme for all qualified employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans. The contributions to the defined contribution plans are expensed as incurred.

	2016	2015
	HK$'000	*HK$'000*
(b) Other operating expenses		
Auditors' remuneration	**1,850**	1,385
Legal and professional costs	**20,553**	7,282
Operating lease payments - property rentals	**19,854**	11,822
Information, data and communication expenses	**30,467**	16,430
Provision for impairment loss of accounts receivable	**93**	389
Net exchange loss	**3,609**	1,277
Entertainment and travelling	**5,457**	5,652
(c) Finance costs		
Interest expense on bank loans and overdrafts	**-**	51
Finance lease expense	**97**	9
	97	60

		2016	2015
		HK$'000	*HK$'000*
(d)	**Net provision for impairment loss of**		
	– goodwill	**1,165**	3,484
	– other receivables	**6,953**	13,104
		8,118	16,588

7 Income tax

(a) Taxation in the consolidated income statement represents:

	2016	2015
	HK$'000	*HK$'000*
Current tax		
Provision for the year – Hong Kong	**11,254**	60,849
Provision for the year – Overseas	**1,298**	-
(Over)/under-provision in respect of prior years	**(2,176)**	152
Total current tax charge for the year	**10,376**	61,001
Deferred tax		
(Reversal)/origination of temporary differences	**(18,703)**	18,171
Total tax (credit)/charge for the year	**(8,327)**	79,172

The provision for Hong Kong profits tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2016	2015
	HK$'000	*HK$'000*
Loss before taxation	**(324,869)**	(77,869)
Notional tax on loss before taxation, calculated at the rate applicable to profit in the country concerned	**(55,567)**	(13,776)
Tax effect of non-deductible expenses	**47,056**	58,895
Tax effect of non-taxable revenue	**(15,052)**	(9,511)
Tax effect of utilisation of tax losses previously not recognised	**(633)**	(1,599)
Tax effect of tax losses not recognised	**35,529**	1,115
(Over)/under-provision in prior years	**(2,176)**	152
Taxable temporary difference reversal	**(18,171)**	-
Others *(note)*	**687**	43,896
Actual tax (credit)/expense	**(8,327)**	79,172

Note:

The balance for the year ended 31 December 2015 comprised a tax provision of HK$43,744,000 in respect of realised gains from an investment which was considered as capital in nature in prior years. The gains were designated as trading receipts in the 2015 reporting period due to change in circumstances.

8 Directors' Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and part 2 of the Company (Disclosure of Information about Benefits of Directors) Regulations are as follows:

	2016							
	Directors' fees *HK$'000*	**Salaries, allowances and benefits in kind** *HK$'000*	**Discretionary bonus** *HK$'000*	**Contributions to Mandatory Provident Fund** *HK$'000*	**Sub-total** *HK$'000*	**Share-based payments (note v)** *HK$'000*	**Resignation payment** *HK$'000*	**Total** *HK$'000*
Chairman								
Yu Feng	-	-	-	-	-	-	-	-
Executive directors								
Huang Xin	-	-	-	-	-	-	-	-
Li Ting *(note iv)*	-	7,644	9,360	18	17,022	-	-	17,022
Brett McGonegal *(note ii)*	494	-	-	3	497	-	16,279	16,776
Non-executive directors								
Ko Chun Shun, Johnson *(note i)*	300	11	-	4	315	-	-	315
Hai Olivia Ou	-	-	-	-	-	-	-	-
Huang Youlong	-	-	-	-	-	-	-	-
Independent non-executive directors								
Chu Chung Yue, Howard	360	18	-	-	378	-	-	378
Lin Lijun	240	12	-	-	252	-	-	252
Qi Daqing	209	10	-	-	219	-	-	219
Liu Zhengui *(note iii)*	75	4	-	-	79	-	-	79
Dr. Wong Yau Kar, David	300	15	-	-	315	-	-	315
Total	1,978	7,714	9,360	25	19,077	-	16,279	35,356

Notes:

i Redesignated as non-executive director on 1 April 2016.

ii Resigned as executive director on 2 February 2016. There is an amount of approximately HK$3,101,000 discretionary bonus accrued in 2015 and paid in 2016.

iii Resigned as independent non-executive director on 1 April 2016.

iv The discretionary bonus amount represents bonus accrued and approved for the year 2016. In addition, there is an amount of HK$9,360,000 discretionary bonus accrued in 2015, allocated and paid in 2016.

v All directors are not entitled to share awards or share options as set out in note 2(r)(iii).

	2015							
	Directors' fees HK$'000	*Salaries, allowances and benefits in kind HK$'000*	Discretionary bonus *HK$'000*	*Contributions to Mandatory Provident Fund HK$'000*	Sub-total *HK$'000*	*Share-based payments HK$'000*	*Resignation payments HK$'000*	Total *HK$'000*
Chairman								
Yu Feng	-	-	-	-	-	-	-	-
Executive directors								
Jason Boyer	-	-	-	-	-	-	-	-
Chen Shengjie	243	-	-	12	255	-	-	255
Huang Xin	-	-	-	-	-	-	-	-
Ko Chun Shun, Johnson	285	-	28,687	14	28,986	-	-	28,986
Ko Wing Yan, Samantha	243	-	-	12	255	-	-	255
Li Ting	-	2,187	-	8	2,195	-	-	2,195
Brett McGonegal	5,930	-	26,027	18	31,975	-	-	31,975
Tsoi Tong Hoo, Tony	243	-	-	12	255	-	-	255
Non-executive directors								
Dorian M. Barak	243	12	-	-	255	-	-	255
Hai Olivia Ou	-	-	-	-	-	-	-	-
Huang Youlong	-	-	-	-	-	-	-	-
Independent non-executive directors								
Chu Chung Yue, Howard	330	17	-	-	347	-	-	347
Ding Kebai	15	1	-	-	16	-	-	16
Lin Lijun	35	2	-	-	37	-	-	37
Liu Zhengui	285	14	-	-	299	-	-	299
Dr. Wong Yau Kar, David	285	14	-	-	299	-	-	299
Total	8,137	2,247	54,714	76	65,174	-	-	65,174

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

9 Individual with highest emoluments

Of the five individuals with the highest emoluments (including the discretionary bonus accrued and allocated in 2016 and excluding the discretionary bonus accrued in 2015, which is allocated and paid in 2016), two (2015: one, excluding the discretionary bonus accrued in 2014, which were allocated and paid during the year of 2015) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2015: four) individuals are as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**20,823**	14,378
Discretionary bonus *(note 1)*	**3,609**	-
Equity-settled share-based payment expenses	**-**	26,644
Contributions to Mandatory Provident Fund	**50**	57
	24,482	41,079

Note 1: For the year 2016, the amount includes the bonus accrued and allocated in 2016. For the year 2015, the bonus accrued in 2015 has not been allocated to individual. .

The emoluments (including the discretionary bonus accrued and allocated in 2016 and excluding the discretionary bonus accrued in 2015, which is allocated and paid in 2016) of the five (2015: five, excluding the discretionary bonus accrued in 2014, which were allocated and paid during the year of 2015) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2016	2015
HK$3,500,001 to HK$4,000,000	**1**	-
HK$5,500,001 to HK$6,000,000	**-**	1
HK$7,000,001 to HK$7,500,000	**1**	1
HK$9,000,001 to HK$9,500,000	**-**	1
HK$11,500,001 to HK$12,000,000	**-**	1
HK$13,000,001 to HK$13,500,000	**1**	1
HK$16,500,001 to HK$17,000,000	**1**	-
HK$17,000,001 to HK$17,500,000	**1**	-

10 Loss attributable to equity shareholders of the Company

The consolidated loss attributable to equity shareholders of the Company includes an approximate loss of HK$207,430,000 (2015: a profit of HK$33,068,000) which has been dealt with in the financial statements of the Company.

11 Loss per share

(a) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company for the year ended 31 December 2016 of HK$316,688,000 (2015: a loss of HK$152,419,000), and the weighted average number of shares in issue during the year ended 31 December 2016 of 2,399,336,394 (2015: 733,062,612).

Weighted average number of ordinary shares

	2016	*2015*
Issued ordinary shares at 1 January	**2,399,336,394**	455,651,221
Effect of issue of shares under share option scheme	**-**	502,818
Effect of issue of subscription shares	**-**	276,908,573
Weighted average number of ordinary shares at 31 December	**2,399,336,394**	733,062,612

(b) *Diluted loss per share*

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company for the year ended 31 December 2016 of HK$316,688,000 (2015: a loss of HK$152,419,000), and the weighted average number of shares during the year ended 31 December 2016 of 2,399,336,394 (2015: 733,062,612).

Weighted average number of ordinary shares (diluted)

	2016	*2015*
Weighted average number of ordinary shares at 31 December	**2,399,336,394**	733,062,612
Weighted average number of ordinary shares *(diluted)* at 31 December	**2,399,336,394**	733,062,612

12 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. The Group currently has three operating segments:

(i) Securities brokerage;

(ii) Securities placing and underwriting; and

(iii) Consultancy and advisory services.

The accounting policies and the basis of segmentation 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 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.

(a) Segment revenue and results

	2016			
	Securities brokerage HK$'000	**Securities placing and underwriting HK$'000**	**Consultancy and advisory services HK$'000**	**Total HK$'000**
Revenue from external parties	**3,819**	**-**	**42,274**	**46,093**
Interest income from clients	**27**	**-**	**-**	**27**
Allocated other operating income	**2,056**	**-**	**-**	**2,056**
Allocated operating costs	**(38,785)**	**(5,804)**	**(28,387)**	**(72,976)**
Reportable segment (loss)/profit	**(32,883)**	**(5,804)**	**13,887**	**(24,800)**
Unallocated other operating income				**32,926**
Net loss on financial assets at fair value through profit or loss				**(75,688)**
Net provision for impairment loss of other receivables				**(6,953)**
Provision for impairment loss of goodwill				**(1,165)**
Depreciation and amortisation				**(7,992)**
Finance costs				**(97)**
Unallocated legal and professional expenses				**(20,100)**
Taxation				**8,327**
Other central administrative and unallocated operating costs *(Note)*				**(221,000)**
Loss for the year				**(316,542)**

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.

	2015			
	Securities brokerage *HK'000*	Securities placing and underwriting *HK$'000*	Consultancy and advisory services *HK$'000*	Total *HK$'000*
Revenue from external parties	10,965	-	182,908	193,873
Interest income from clients	94	-	-	94
Allocated other operating income	2,119	-	-	2,119
Allocated operating costs	(44,663)	(7,111)	(40,934)	(92,708)
Allocated finance costs	(47)	(5)	-	(52)
Reportable segment (loss)/profit	(31,532)	(7,116)	141,974	103,326
Unallocated other operating income				1,356
Net loss on financial assets at fair value through profit or loss				(99,899)
Share of results of associates				567
Gain on disposal of an associate				18,118
Provision for impairment loss of interest in an associate				(714)
Provision for impairment loss of other receivables				(13,104)
Provision for impairment loss of goodwill				(3,484)
Depreciation				(2,567)
Finance costs				(8)
Legal and professional expenses				(5,717)
Taxation				(79,172)
Other central administrative costs				(75,743)
Loss for the year				(157,041)

(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 and liabilities 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 the People's Republic China.

(d) Information about major customers

		Revenue from major customers	
		2016	2015
	Operating Segment	***HK$'000***	*HK$'000*
Customer A	Consultancy and advisory	**12,000**	-
Customer B	Consultancy and advisory	**7,366**	-
Customer C	Consultancy and advisory	**3,288**	-

The transactions with these customers did not account for more than 10% of the total revenue of the Group for the year ended 31 December 2015. These customers are all related parties to the Group.

13 Property and Equipment

	***Leasehold* improvements** *HK$'000*	**Office equipment and furniture** *HK$'000*	***Computers* equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost					
At 1 January 2015	7,127	4,158	4,781	-	16,066
Additions	5,331	1,252	3,916	726	11,225
Disposals	(5,391)	-	-	-	(5,391)
At 31 December 2015	7,067	5,410	8,697	726	21,900
At 1 January 2016	7,067	5,410	8,697	726	21,900
Additions	4,796	1,330	8,745	-	14,871
Exchange alignment	(193)	(67)	(95)	-	(355)
At 31 December 2016	**11,670**	**6,673**	**17,347**	**726**	**36,416**
Accumulated depreciation					
At 1 January 2015	6,202	2,141	2,434	-	10,777
Charge for the year	705	833	989	40	2,567
Written off on disposals	(5,374)	-	-	-	(5,374)
At 31 December 2015	1,533	2,974	3,423	40	7,970
At 1 January 2016	1,533	2,974	3,423	40	7,970
Charge for the year	2,706	1,001	3,147	242	7,096
Exchange alignment	(34)	(11)	(23)	-	(68)
At 31 December 2016	**4,205**	**3,964**	**6,547**	**282**	**14,998**
Net carrying amount					
At 31 December 2016	**7,465**	**2,709**	**10,800**	**444**	**21,418**
At 31 December 2015	5,534	2,436	5,274	686	13,930

14 Goodwill and other intangible assets

(a) Goodwill

	2016	2015
	HK$'000	*HK$'000*
Cost		
At 1 January	**3,484**	-
Additions	**1,165**	3,484
At 31 December	**4,649**	3,484
Accumulated impairment loss		
At 1 January	**(3,484)**	-
Charge for the year	**(1,165)**	(3,484)
At 31 December	**(4,649)**	(3,484)
Carrying amount		
At 31 December	**-**	-

The impairment loss recognised during the year relates to the Group's newly acquired subsidiary, Youyu Capital Markets (NZ) Limited. The recoverable amount of the subsidiary was based on their value in use, determined by discounting the future cash flows to be generated from the continuing use. Management consider that it is uncertain for the entity to generate future cashflows. Therefore, the carrying amount was determined to be higher than its recoverable amount and an impairment loss of HK$1,165,000 was made during 2016. The impairment loss was fully allocated to goodwill.

(b) Other intangible assets

	Trading Rights *HK$'000*	Membership *HK$'000*	Computer software *HK$'000*	**Total** ***HK$'000***
At cost				
At 1 January 2015, 31 December 2015 and 1 January 2016	6,550	-	-	**6,550**
Exchange alignment	-		(21)	**(21)**
Additions (Note)	-	2,930	18,945	**21,875**
At 31 December 2016	6,550	2,930	18,924	**28,404**
Accumulated amortisation and impairment				
At 1 January2015, 31 December 2015 and 1 January 2016	6,000	-	-	**6,000**
Exchange alignment	-	-	(4)	**(4)**
Charge for the year	-	-	896	**896**
At 31 December	6,000	-	892	**6,892**
Carrying amount				
At 31 December 2016	550	2,930	18,032	**21,512**
At 31 December 2015	550	-	-	**550**

As at 31 December 2016, the Group had three (2015: three) trading rights in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and one (2015: one) trading right in the Hong Kong Futures Exchange Limited (the "Futures Exchange"), of which two trading rights in the Stock Exchange and one trading right in the Futures Exchange were fully amortised as at 31 December 2010. The Group also acquired one club membership with indefinite useful life similar to the trading rights.

Note: During the year, the addition of computer software amounted to HK$18,945,000 includes computer software under development totalling HK$10,896,000. The computer software was not available for use as of 31 December 2016 and therefore amortisation has not commenced.

15 Interests in subsidiaries

(a) Details of the subsidiaries principally affected the results and assets of the Group

			Proportion of ownership interest			
Name of company	*Place of incorporation and business*	*Particular of issued /registered and fully paid-up capital (note)*	*Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activities*
Cannon Investment Advisors (HK) Limited	Hong Kong	3,910,000 shares	100%	-	100%	Provision of assets management services
Fast Capital Holdings Limited	Hong Kong	10,000 shares	100%	-	100%	Investment holding
Yunfeng Securities Limited (formerly known as REORIENT Capital Markets Limited)	Hong Kong	113,000,000 shares	100%	-	100%	Securities broking
REORIENT Finance Limited	Hong Kong	1 share	100%	100%	-	Money lending
REORIENT Financial Markets Limited	Hong Kong	125,000,000 shares	100%	-	100%	Securities broking, securities placing and underwriting, and provision of consultancy and advisory services
REORIENT Global Limited	Hong Kong	1 share	100%	100%	-	Provision of administrative services
REORIENT Holdings Limited	Hong Kong	1 share	100%	100%	-	Investment holding
REORIENT Share Award Scheme Nominee Limited	Hong Kong	1,000 shares	100%	100%	-	Administering and holding the Company's shares for the Share Award Scheme
REORIENT Financial Markets (USA) LLC	USA	550,000 shares of US$1 each	100%	-	100%	Securities broking
Reorient Strategic Limited	British Virgin Islands	1 share of US$1 each	100%	-	100%	Investment holding
Profit Trigger Limited	British Virgin Islands	1 share of US$1 each	100%	100%	-	Holding of brands and trademarks
REORIENT Asset Management Limited	British Virgin Islands	1 share of US$1 each	100%	-	100%	Investment holding
Wise Point Holdings Limited	British Virgin Islands	1 share of US$1 each	100%	100%	-	Investment holding

Name of company	*Place of incorporation and business*	*Particular of issued /registered and fully paid-up capital (note)*	*Proportion of ownership interest* *Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activities*
Beijing Chengtong REORIENT Investment Consultancy Limited	PRC	Registered capital RMB10,000,000 Paid-up capital RMB9,892,400Paid	51%	-	51%	Investment management, consulting and advisory services
Beijing REORIENT Universal Investment Consultancy Limited	PRC	Registered capital RMB70,000,000 Paid-up capital RMB24,581,039	100%	-	100%	Investment consulting and advisory services
Shenzhen Youyu Smart Technologies Limited (formerly known asShenzhen Ruifu Technology Limited)	PRC	Registered capital RMB100,000,000 Paid-up capital RMB5,010,000	100%	-	100%	Technological development of computer software and hardware, technical consulting, technology services, database and computer network services
Majik Asset Management (Cayman) Limited	Caymans Island	1 share of US1 each	-	-	100%	Fund management
Majik Cayman GP 1 Limited	Caymans Island	1 share of US1 each	-	-	100%	Fund management
Majik Cayman SPV 1 Limited	Caymans Island	1 share of US1 each	-	-	100%	Investment holdings

Note: The class of shares held is ordinary shares unless otherwise stated.

Name of fund	*Place of incorporation and business*	*Particular of commitment (note)*	*Proportion of ownership interest* *Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activities*
Majik Access USD Fund 1 L.P.	Caymans Island	-	100%	-	100%	Investment

Note: the balance represents capital commitment being made by Limited partners to the partnership. As of 31 December 2016, the first closing of limited partnership is not yet completed.

(b) Information about material non-controlling interest

The following table lists out the information relating to Beijing Chengtong Reorient Investment Consultancy Limited, the only subsidiary of the Group which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2016	2015
	HK$'000	*HK$'000*
NCI percentage	**49%**	49%
Current assets	**2,330**	2,159
Non-current assets	**2**	3
Current liabilities	**(39)**	(13)
Non-current liabilities	**-**	-
Net assets	**2,293**	2,149
Carrying amount of NCI	**1,106**	1,036
Revenue	**-**	-
Profit/(loss) for the year	**299**	(9,433)
Total comprehensive income	**144**	(10,063)
Profit/(loss) allocated to NCI	**146**	(4,622)
Dividend paid to NCI	**-**	-
Cash flows from operating activities	**166**	(2,660)
Cash flows from investing activities	**7**	20
Cash flows from financing activities	**-**	-

(c) Acquisition of subsidiaries

On 7 October 2016, Wise Point Holdings Limited, a wholly-owned subsidiary of the Company, acquired 100% interest in Youyu Capital Markets (NZ) Limited ("Youyu (NZ)") for a consideration of approximately HK$1,165,000. The goodwill of HK$1,165,000 arising from the acquisition is attributable to the exploration of potential oversea market for business opportunity. The goodwill was fully impaired during the Year as set out in note 14(a) to the consolidated financial statements. None of the goodwill recognised from these acquisitions is expected to be deductible for income tax purpose.

Youyu (NZ) did not generate any revenue and income since its acquisition date.

16 Interests in associates

	2016	2015
	HK$'000	*HK$'000*
Share of net assets	**714**	714
Goodwill	**-**	-
	714	714
Less: provision for impairment loss of interest in an associate	**(714)**	(714)
	-	-

During 2015, a petition was filed against ReOil, LLC ("ReOil") for breach of contract. Management believes that ReOil was unlikely to be able to pay the damages and has ceased operations since February 2015.

During 2016, the petition filed against ReOil was dismissed and ReOil continues to cease its operations.

The recoverable amount of the investment in ReOil was estimated based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the investment in ReOil. The carrying amount of the investment was determined to be higher than its recoverable amount and an impairment loss of HK$714,000 was recognised.

17 Other non-current assets

	2016	2015
	HK$'000	*HK$'000*
Statutory deposits with exchanges and clearing house	**934**	634
Rental deposits	**7,984**	6,689
Other deposit for acquisition of leasehold improvement and equipment	**1,258**	-
Other receivables	**8,210**	7,937
Less: provision for impairment of other receivable	**(8,210)**	-
	10,176	15,260

Impairment of non-current other receivable

Other receivable is fully impaired as the recoverability of loan is considered uncertain after credit assessment performed by management. The full provision of impairment for the other receivable is recognised in the consolidated income statement for the year.

The movement of the allowance for doubtful debts during the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**-**	-
Provision for impairment loss recognised	**8,210**	-
Amount written off	**-**	-
At 31 December	**8,210**	-

18 Available-for-sale financial assets

	2016	2015
	HK$'000	*HK$'000*
Non-current available-for-sales financial assets		
measured at fair value		
– Investment funds	**24,430**	-
– Perpetual capital	**75,423**	-
	99,853	-

Fair value of the Group's available-for-sale financial assets are determined in the manner described in note 31(f). 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.

19 Financial assets at fair value through profit or loss

	2016	2015
	HK$'000	*HK$'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**	337,182
– Equity investment listed outside Hong Kong	**18,700**	47,844
Held for trading		
– Options	**5,470**	25,594
	210,270	410,620

20 Accounts receivable and accrued income

	2016	2015
	HK$'000	*HK$'000*
Accounts receivable arising from securities brokerage:		
– Cash clients	**12,668**	29,059
– Margin clients	**26,122**	26,122
– Clearing house, brokers and dealers	**9,796**	5
	48,586	55,186
Accounts receivable arising from consultancy and advisory services		
– Corporate clients	**1,926**	26,037
– Accounts receivable arising from disposal of financial assets at fair value through profit or loss	**-**	243,700
	50,512	324,923
Less : allowance for doubtful debts	**(26,901)**	(28,669)
	23,611	296,254

The balances of accounts receivable from consultancy and advisory services does not have any fees accrued (2015: HK$1,763,000) for on-going advisory projects which have not been billed.

The fair value of accounts receivable approximates its carrying amount.

(a) Ageing analysis of accounts receivable

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

	2016	2015
	HK$'000	*HK$'000*
Current	**22,043**	274,255
Less than 1 month past due	**863**	13,436
1 to 3 months past due	**95**	7,039
More than 3 months past due	**610**	1,524
Amounts past due	**1,568**	21,999
	23,611	296,254

The Group has procedures and policies to assess the client's credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the client's credit worthiness.

(b) Accounts receivable which are past due but not impaired

Included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of HK$1,462,000 (2015: HK$21,999,000) which are past due at the end of the reporting period for which the Group has not made provision for impairment loss.

Accounts receivable from cash clients which are past due but not impaired represent client trades with carrying amount of 2016: HK$154,000 (2015: HK$264,000) which are unsettled beyond the settlement date. No impairment loss was provided for these balances as either the Group held securities collateral for those balances with fair values in excess of the past due amounts or the balances have been settled subsequently. Collaterals held against such accounts receivable are publicly traded securities.

Accounts receivable from corporate clients of HK$1,414,000 (2015: HK$21,735,000) which are past due but not impaired represent accounts receivable arising from provision of corporate finance, consultancy and advisory services which have not yet been settled and aged by their invoice date. No impairment loss was provided for these balances as these clients are trade counterparties with sound credit rating and/or reputation.

(c) Impairment of accounts receivable

The Group has a policy for allowance for doubtful debts which is based on the evaluation of collectability, ageing analysis of accounts and management's judgement including the creditworthiness, collaterals and the past collection history of each client.

The movement of the allowance for doubtful debts during the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**28,669**	28,281
Provision for impairment loss recognised	**94**	389
Amount recovered during the year	**-**	(1)
Amount written off	**(1,862)**	-
At 31 December	**26,901**	28,669

Included in the allowance for doubtful debts were individually impaired accounts receivable which have financial difficulties in making payments. Among the allowance for doubtful debts, approximately HK$26,122,000 (2015: HK$26,122,000) relates to individually impaired margin clients accounts receivable, HK$267,000 (2015: HK$174,000) relates to individually impaired accounts receivable arising from the business of dealing in securities and HK$512,000 (2015: HK$2,373,000) relates to impaired accounts receivable from corporate clients.

The Group ceased providing margin financing service since 2004 and the balance represented the past due amounts due from margin clients brought forward from 2004.

(d) Balance with related parties

As at 31 December 2016, included in the accounts receivable from corporate clients are amounts of:

(i) At 31 December 2016, no outstanding accounts receivable (2015: HK$1,613,000) from companies where our non-executive director, Mr. Ko Chun Shun, Johnson ("Mr. Ko"), is a substantial shareholder and an executive director for one of the companies and an executive director for the other one.

(ii) At 31 December 2016, accounts receivable of HK$519,000 (2015: HK$20,620,000) are receivable from companies where Mr. Ko is a substantial shareholder.

21 Other receivables, deposits and prepayments

	2016	2015
	HK$'000	*HK$'000*
Rental and other deposits	**665**	1,976
Prepayments	**6,845**	9,062
Other receivables, net of provisions	**7,514**	7,631
	15,024	18,669

Included in the other receivable amounted to HK$8,585,000 were individually fully impaired accounts receivable which have financial difficulties in making payments. During the year, there is no additional provision made or reversed to consolidated income statement.

The fair values of other receivables, deposits and prepayments approximate their carrying amounts. The above balances are expected to be recovered within one year.

22 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2016	2015
	HK$'000	*HK$'000*
Deposits with bank	**45,600**	30,000
Fixed bank deposits with original maturity less than 3 months	**3,526,079**	3,900,000
Cash at bank and in hand	**68,815**	232,922
	3,640,494	4,162,922

As at 31 December 2016, deposits with bank amounted to HK$45,600,000 (2015: HK$30,000,000) were deposits secured for banking facilities.

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of business of the regulated activities. The Group has classified the bank balances – trust and segregated accounts under current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. As at 31 December 2016, client money maintained in segregated accounts amounted to HK$358,544,000 (2015: HK$169,319,000).

(b) Reconciliation of loss before taxation to cash used in operating activities:

	Note	**2016** **HK$'000**	2015 *HK$'000*
Loss before taxation		**(324,868)**	(77,869)
Adjustments for:			
Non-cash consideration for consultancy and advisory fees		**-**	(91,406)
Share of results of associates		**-**	(567)
Gain on disposal of an associate		**-**	(18,118)
Net loss on financial assets		**75,688**	99,899
Depreciation and amortisation		**7,992**	2,567
Written back on disposal of plant, property and equipment		**-**	17
Finance costs		**97**	60
Interest income		**(32,357)**	(1,356)
Provision for impairment loss of goodwill	*14(a)*	**1,165**	3,484
Provision for impairment loss of accounts receivable		**93**	389
Provision for impairment loss of other receivable		**8,210**	13,104
Provision for impairment loss of interest in an associate		**-**	714
Equity-settled share-based payment expenses		**2,084**	15,734
		(261,896)	(53,348)
Changes in working capital:			
Increase in other non-current assets		**(1,683)**	(6,404)
Net proceeds from disposal and used in acquisition of financial asset at fair value through profit or loss		**368,362**	328,158
Decrease in accounts receivable		**28,850**	159,476
Increase in other receivables, deposits and prepayments		**8,081**	(9,832)
Increase in bank balances – trust and segregated accounts		**(189,008)**	(145,320)
Increase in accounts payable		**172,838**	5,931
Increase/(decrease) in accrued expenses and other payables		**6,774**	(98,999)
Decrease in amounts due to directors		**(149)**	(382)
Net cash generated from operating activities		**132,169**	179,280

23 Accounts payable

	2016	2015
	HK$'000	*HK$'000*
Accounts payable		
– Cash clients	**360,474**	171,927
– Brokers and dealers	**10,203**	25,694
	370,677	197,621

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$358,469,000 (2014: HK$169,319,000).

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

(a) Balance with related parties

At 31 December 2016, accounts payable of HK$230,000 (2015: HK$230,000) are payable to Mr. Ko and HK$524,000 (2015: HK$139,000) are accounts payable to the related companies where Mr. Ko are substantial shareholder and director.

24 Accrued expenses and other payables

	2016	2015
	HK$'000	*HK$'000*
Accrued staff costs	**41,777**	38,687
Other payables and accruals	**13,706**	10,102
Amount due to directors	**-**	149
	55,483	48,938

All accrued expenses and other payables are expected to be settled within one year or will be settled in the Group's normal operating cycle.

25 Employee retirement benefits - defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2015: HK$30,000). Contributions to the plan vest immediately.

26 Obligation under finance lease

At 31 December 2016, the Group had obligations under finance leases repayable as follows:

	2016		*2015*	
	Present Value of the Minimum lease payment	**Total minimum lease payment**	Present Value of the Minimum lease payment	Total minimum lease payment
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within one year	**842**	**977**	-	-
After one but within 2 years	**907**	**977**	-	-
After 2 years but within 5 years	**478**	**489**	-	-
	2,227	**2,443**	-	-
Less: finance cost		**(216)**		
Present value lease obligation		**2,227**	-	-

27 Income tax in the statement of financial position

(a) Current taxation in the statement of financial position represents:

	2016	2015
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax for the year	**53,087**	61,451
Provisional Profits Tax paid	-	-
	53,087	61,451

(b) Deferred tax assets and liabilities recognised:

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

	Accelerated tax depreciation HK$'000	***Tax losses*** HK$'000	***Net unrealised gain on financial assets at fair value through profit or loss*** HK$'000	***Decelerated tax on expense incurred*** HK$'000	***Total*** HK$'000
Deferred tax liabilities/(assets) arising from:					
At 1 January 2015	502	(502)	-	-	-
(Credited)/charged to profit or loss	855	(14,004)	31,320	-	18,171
At 31 December 2015	1,357	(14,506)	31,320	-	18,171
At 1 January 2016	1,357	(14,506)	31,320		18,171
Exchange alignment	-	-	-	24	24
(Credited)/charged to profit or loss	(60)	13,209	(31,320)	(532)	(18,703)
At 31 December 2016	**1,297**	**(1,297)**	**-**	**(508)**	**(508)**

At 31 December 2016, no deferred tax asset has been recognised in respect of the tax losses of HK$ 627 million (2015: HK$352 million) to the extent that it is not probable that future taxable profit against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses amounting to HK$598 million (2015: HK$421 million) do not expire under current tax legislation.

28 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity on page 54. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital *HK$'000*	**Shares held by share award scheme** *HK$'000*	**Share-based payment reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2015	614,416	(23,013)	7,436	(116,025)	482,814
Equity settled share-based transactions	-	-	15,160	-	15,160
Shares vested under share award scheme	-	14,971	(14,971)	-	-
Exercise of share options	5,947	-	(1,694)	-	4,253
Issue of subscription shares	3,885,040	-	-	-	3,885,040
Cost of issuance of subscription shares	(6,358)	-	-	-	(6,358)
Total comprehensive income for the year	-	-	-	33,068	33,068
At 31 December 2015 and 1 January 2016	4,499,045	(8,042)	5,931	(82,957)	4,413,977
Equity settled share-based transactions	-	-	2,084	-	2,084
Shares vested under share award scheme	-	7,945	(7,945)	-	-
Total comprehensive income for the year	-	-	-	(207,430)	(16,859)
At 31 December 2016	**4,499,045**	**(97)**	**70**	**(290,387)**	**4,399,202**

(b) Nature and purpose of reserves

(i) Share held by share award scheme and share-based payment reserve

The Company's shares held by Reorient Share Award Scheme Nominee Limited for the share award scheme are presented as a deduction in equity as shares held for share award scheme.

Share-based payment reserve represents the grant date fair value of unexercised share options granted to employees of the company that has been recognised in accordance with the accounting policy adopted for share-based payments.

(ii) Asset revaluation reserve

The asset revaluation reserve arose on the revaluation of the trading rights in the exchanges in Hong Kong in prior years. The carrying value of the trading rights have been fully amortised in previous years. The remaining revaluation reserve will be realised when the Group disposes of the trading rights.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(v).

(iv) Statutory reserve

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the registered capital of the subsidiary incorporated in PRC. The reserve appropriated can be used for expansion of business scale and capitalization. If the statutory reserve is capitalised into registered capital, the remaining reserve is required to be no less than 25% of the subsidiary's registered capital before capitalization.

(c) Distributability of reserves

As at 31 December 2016, the Company did not have any reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622) (2015: nil).

(d) Dividend

No dividend was paid or proposed for the year ended 31 December 2016 (2015: nil), nor has dividend been proposed since the end of the reporting period.

(e) Share capital

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

	2016 Number of shares	***HK$'000***	*2015* Number of shares	*HK$'000*
Issued and fully paid				
Balance brought forward	2,399,336,394	4,499,548	455,651,221	614,919
Issue of subscription shares less costs of issuance of subscriptions shares	-	-	1,942,520,000	3,878,682
Shares issued under share option scheme	-	-	1,165,173	5,947
Balance carried forward	2,399,336,394	4,499,548	2,399,336,394	4,499,548

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) Issue of subscription shares

On 7 May 2015, the Company entered into five conditional share subscription agreements with each of Yunfeng Financial Holdings Limited, Harbour Yields Limited, Violet Passion Holdings Limited, Gentle Bright Development Limited and Chosen Global Holdings Limited (collectively, referred to as the "Investors"). Pursuant to which the Investors have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 1,942,520,000 ordinary share of the Company ("Subscription Shares") at an issue price of HK$2.00 per Subscription Share to the Investors in an aggregate amount of HK$3,885,040,000. After deducting the expenses in connection with the transaction amounting to HK$6,358,000, the net proceeds from the subscription were HK$3,878,682,000. Out of the 1,942,520,000 Subscription Shares, 1,342,976,000 Subscription Shares representing a shareholding percentage of approximately 56% as enlarged by the issue of the Subscription Shares upon the completion of the subscription, would be subscribed for by Jade Passion Limited ("Jade Passion"), an indirect subsidiary owned as to 73.21% by YFHL. As a result, at the completion of the subscription, Jade Passion became the new controlling shareholder and YFHL became the ultimate holding company of the Company.

(ii) Issue of shares under share option scheme

On 30 October 2014, 10,495,412 share options were granted by the Company under its share option scheme to eligible persons (the "Share Option Grantees") to subscribe for the same number of ordinary shares of the Company. As of 31 December 2016 and 2015, no share option remained outstanding and exercisable. Details of the grant of share options were disclosed in the Company's announcement dated 30 October 2014.

(f) Capital management

Capital comprises of share capital and reserves stated on the Group's and the Company's statement of financial position. The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity analyses. Neither the Company nor its subsidiaries, except for Reorient Financial Markets Limited ("RFM"), Yunfeng Securities Limited ("YFSL") and Cannon Investment Advisors (HK) Limited ("Cannon"), is subject to externally imposed capital requirements. RFM, YFSL and Cannon are regulated by the Securities and Futures Commission ("SFC") and are required to comply with certain minimum capital requirements according to the Securities and Futures Ordinance.

The management monitors RFM, YFSL and Cannon's liquid capital daily to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules ("FRR") adopted by SFC. Under the FRR, RFM and YFSL must maintain its liquid capital in excess of HK$3 million or 5% of their total adjusted liabilities whichever is higher. The required information was filed with SFC on a monthly basis. RFM, YFSL and Cannon were in compliance with the capital requirements imposed by FRR during the current and prior year.

29 Employee share-based arrangements

(a) Share option scheme

(i) The number and weighted average exercise prices of share options are as follows:

	2015	
	Weighted average exercise price HK$	Number of options
Outstanding at the beginning of the year	3.65	1,165,173
Granted during the year	3.65	-
Exercised during the year	3.65	(1,165,173)
Outstanding at the end of the year		-
Exercisable at the end of the year		-

(ii) 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 is measured based on the Black-Scholes Option-Pricing model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions

On the date of issuance

Fair value at measurement date	HK$1.45
Share price	HK$3.73
Exercise price	HK$3.65
Expected volatility	56.73%
Option life	3 years
Risk-free interest rate (based on Exchange Fund Notes)	0.66%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. 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.

(b) Share award scheme

On 17 October 2014, the board of directors approved the adoption of the share award scheme. The purpose of the 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.

The fair value of the awarded shares at the date of the grant is 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 debited to share-based payment reserve.

(i) Details of the awarded shares awarded

Date of approval by Board	Date of award	Awarded Sum *HK$'000*	Number of shares issued	Number of awarded shares awarded	Average fair value per share *HK$*	Vesting period
30 Oct 2014	31 Oct 2014	11,042	3,025,206	3,025,206	3.65	31 Oct 2014 – 31 Dec 2014
30 Oct 2014	31 Oct 2014	904	247,660	247,660	3.65	31 Oct 2014 – 01 Feb 2015
30 Oct 2014	31 Oct 2014	1,298	355,667	355,667	3.65	31 Oct 2014 – 18 Feb 2015
30 Oct 2014	31 Oct 2014	1,620	443,791	443,791	3.65	31 Oct 2014 – 26 Feb 2015
30 Oct 2014	31 Oct 2014	2,731	748,345	748,345	3.65	31 Oct 2014 – 20 Mar 2015
30 Oct 2014	31 Oct 2014	562	153,968	153,968	3.65	31 Oct 2014 – 14 Aug 2015
30 Oct 2014	31 Oct 2014	3,650	1,000,000	1,000,000	3.65	31 Oct 2014 – 16 Sep 2015
30 Oct 2014	31 Oct 2014	2,835	776,666	776,666	3.65	31 Oct 2014 – 30 Oct 2015
30 Oct 2014	31 Oct 2014	1,371	375,629	375,629	3.65	31 Oct 2014 – 14 Dec 2015
30 Oct 2014	31 Oct 2014	904	247,660	247,660	3.65	31 Oct 2014 – 02 Jan 2016
30 Oct 2014	31 Oct 2014	2,732	748,345	748,345	3.65	31 Oct 2014 – 20 Mar 2016
30 Oct 2014	31 Oct 2014	562	153,968	153,968	3.65	31 Oct 2014 – 14 Aug 2016
30 Oct 2014	31 Oct 2014	3,650	1,000,000	1,000,000	3.65	31 Oct 2014 – 16 Sep 2016
30 Oct 2014	31 Oct 2014	97	26,667	26,667	3.65	31 Oct 2014 – 29 Oct 2016
30 Oct 2014	31 Oct 2014	97	26,667	26,667	3.65	31 Oct 2014 – 29 Oct 2017

(ii) Details of the awarded shares vested during the year

		2016		2015	
Date of award	Average fair value per share *HK$*	**Number of awarded shares vested**	**Fair value of related a warded shares *HK$'000***	Number of awarded shares vested	Fair value of related a warded shares *HK$'000*
01 Feb 2015	3.65			247,660	904
18 Feb 2015	3.65			355,667	1,298
26 Feb 2015	3.65			443,791	1,620
20 Mar 2015	3.65			748,345	2,731
14 Aug 2015	3.65			153,968	562
16 Sep 2015	3.65			1,000,000	3,650
30 Oct 2015	3.65			776,666	2,835
14 Dec 2015	3.65			375,629	1,371
02 Jan 2016	3.65	**247,660**	**904**		
20 Mar 2016	3.65	**748,345**	**2,732**		
14 Aug 2016	3.65	**153,968**	**562**		
16 Sep 2016	3.65	**1,000,000**	**3,650**		
29 Oct 2016	3.65	**26,667**	**97**		
		2,176,640	**7,945**	4,101,726	14,971

(iii) Movements in the number of awarded shares awarded

	2016 **Number of awarded shares**	*2015* Number of awarded shares
Outstanding at 1 January	**2,203,307**	6,305,033
Awarded	**-**	-
Vested	**(2,176,640)**	(4,101,726)
Outstanding at 31 December	**26,667**	2,203,307

30 Commitments

Operating lease commitments

As lessee

As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**21,345**	13,733
After one year but within five years	**23,647**	24,450
	44,992	38,183

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

Other commitments

As at 31 December 2016, capital commitments on leasehold improvement, equipment and intangible asset amounted to HK$25,138,000 (2015: nil).

As at 31 December 2016, the Group has a US$25 million capital commitment (2015: nil) to two third party managed funds with 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.

As disclosed in the announcement of the Company dated 6 April 2016, Profit Mind Global Limited ("Profit Mind"), a wholly owned subsidiary of the Company, entered into a share subscription agreement to subscribe 71,428,571 ordinary shares of Culturecom Holdings Limited ("CHL") for a total consideration of HK$15 million. Pursuant to another agreement made between CHL and Reorient Financial Markets, CHL shall pay a fee of HK$12 million ("Fee") to Reorient Financial Markets. With the agreement and acknowledgement between CHL and Profit Mind, the consideration paid by Profit Mind to CHL is the balance in cash after setting off against the Fee not have been paid by CHL to Reorient Financial Markets. Subsequent to 31 December 2016, as disclosed in the announcement of the Company dated 10 March 2017, the Group received a notice from CHL to terminate the share subscription agreement.

31 Financial risk management and fair value of financial instrument

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to accounts and other receivables and bank balances (segregated and general accounts). Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due 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 the end of the year, no (2015: nil) and no (2015: 25% of the total account and other receivables) accounts and other receivables was due from the five largest customers respectively.

Bank balances (segregated and general accounts) are placed with high-credit-quality institutions and management considers that the credit risk for such is minimal.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable are set out in note 20.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, and to ensure compliance with FRR. The Group's policy is to regularly monitor its liquidity requirement and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company, as applicable, can be required to pay:

	Contractual undiscounted cash outflow			
	Within 1 year or on demand *HK$'000*	**More than 1 year but within 5 year** *HK$'000*	**Total** *HK$'000*	**Carrying amount at 31 December** *HK$'000*
As at 31 December 2016				
Accounts payable	**370,677**	**-**	**370,677**	**370,677**
Accrued expenses and other payables	**55,483**	**-**	**55,483**	**55,483**
Finance lease liability	**977**	**1,466**	**2,443**	**2,227**
	427,137	**1,466**	**428,603**	**428,387**

	Contractual undiscounted cash outflow			
	Within 1 year or on demand *HK$'000*	More than 1 year but within 5 year *HK$'000*	Total *HK$'000*	Carrying amount at 31 December *HK$'000*
As at 31 December 2015				
Accounts payable	197,621	-	197,621	197,621
Accrued expenses and other payables	48,789	-	48,789	48,789
Amounts due to directors	149	-	149	149
	246,559	-	246,559	246,559

(c) Interest rate risk

The Group's exposure to cashflow interest rate risk is mainly attributable to its bank balances (trust, segregated and general accounts). The Group's fair value interest rate risk relates primarily to fixed-rate overdue accounts receivable and fixed deposits held under bank balance – trust and segregated accounts.

The Group currently does not have any interest rate hedging policy. The management monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

(i) Interest rate profile

As of 31 December 2016 and 2015, the Group is not exposed to cash flow interest rate risk with all the financial instruments is carried at nil or fixed interest rate. Therefore, no sensitivity analysis is performed on cash flow interest rate risk. As most of the financial instruments on nil or fixed interest rate having relatively short maturity, the Group is not exposed to material fair vale interest rate risk.

(d) Foreign currency 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 and bank balances in currencies such as the USD and Renminbi. Management of the Group monitors the foreign exchange exposure and will hedge significant foreign currency exposure should the need arise.

During the year ended 31 December 2016, the Group did not engage in the use of other financial instruments for hedging purposes, and there were no hedging instruments outstanding as at 31 December 2016.

(i) 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 Group's functional currency of Hong Kong dollars. For presentation purposes, the amounts of the exposure are expressed in Hong Kong dollars.

	2016						
	United States Dollars *HK$'000*	**Japanese Yen** *HK$'000*	**China Renminbi** *HK$'000*	**Australian Dollars** *HK$'000*	**United Kingdom Sterling** *HK$'000*	**Singapore Dollars** *HK$'000*	**Canadian Dollars** *HK$'000*
Accounts and other receivables	**9,792**	**-**	**-**	**-**	**1**	**1**	**1**
Bank balance - trust and segregated accounts	**1,526**	**-**	**17**	**123**	**46**	**7**	
Cash and cash equivalents	**1,947,715**	**1**	**13,397**	**4**	**-**	**-**	**18**
Accounts and other payables	**(1,422)**	**-**	**(17)**	**(99)**	**(46)**	**(7)**	**(18)**
Net exposure to currency risk	**1,957,611**	**1**	**13,397**	**28**	**1**	**1**	**1**

	2015						
	United States Dollars *HK$'000*	Japanese Yen *HK$'000*	China Renminbi *HK$'000*	Australian Dollars *HK$'000*	United Kingdom Sterling *HK$'000*	Singapore Dollars *HK$'000*	Canadian Dollars *HK$'000*
Accounts and other receivables	1	-	-	-	2	1	1
Bank balance - trust and segregated accounts	1,745	-	123	115	54	1	15
Cash and cash equivalents	12,867	80	3,815	624	37	293	42
Accounts and other payables	(1,745)	-	(123)	(115)	(54)	(1)	(15)
Net exposure to currency risk	12,868	80	3,815	624	39	294	43

(ii) Sensitivity analysis

The Group's significant net exposure to Renminbi and United States Dollars at the reporting date and the estimated impact to the Group's profit/(loss) for the year had the foreign exchange rates of Renminbi and United States Dollars changed at that date are illustrated below. In this respect, it is assumed that the linked exchange rate between the HKD and the USD would remain unchanged and therefore, fluctuate between lower limit of HKD7.75 to USD1 and upper limit of HKD7.85 to USD1.

	2016			2015		
	Net assets in foreign currency *HK$'000*	**Appreciation/ (depreciation) in foreign currency** *%*	**Effect on profit after tax and retained profits** *HK$'000*	Net assets in foreign currency *HK$'000*	Appreciation/ (depreciation) in foreign currency *%*	Effect on profit after tax and retained profits *HK$'000*
Renminbi	**13,397**	**10**	**1,119**	3,815	10	319
		(10)	**(1,119)**		(10)	(319)
United States dollars	**1,957,611**	**1.2**	**19,896**	12,868	1.3	138
		(0.1)	**(1,810)**		-	-

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the reporting period. The analysis is performed on the same basis for 2015.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments and derivative instruments classified as financial assets at fair value through profit or loss (see note 19) held by the Group. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are dealt with in consolidated income statement. For investment fund and perpetual capital classified as available-for-sale financial assets (see note 18), the Group relied on recent price of the investment and broker quote and therefore considered not meaningful to present sensitivity analysis for those investments. The performance is monitored regularly, together with an assessment of its relevance to the Group's strategic plans.

The underlying equity securities of the Group's unlisted derivative are listed on The Stock Exchange of Hong Kong Limited. At 31 December 2016, it is estimated that an increase/decrease of 5% in the relevant stock, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained earnings) as follows:

	2016		2015	
Change in the relevant equity price risk variable:	**%**	***Effect on profit after tax and* retained profit HK$'000**	%	Effect on profit after tax and retained profit HK$'000
Increase	**5**	**9,540**	5	17,616
Decrease	**(5)**	**(9,540)**	(5)	(17,597)

(f) Fair value measurement

Financial instrument measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instrument 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.

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

Recurring fair value measurement	**Fair value measurements as at 31 December 2016 categorised into**			Fair value measurements as at 31 December 2015 categorised into	
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000
Investment designated as at fair value through profit or loss:					
Trading securities:					
– Listed	**204,800**	**-**	**-**	385,026	-
Held for trading:					
– Unlisted share option	**-**	**5,470**	**-**	-	25,594
Available-for-sales investment					
– Investment funds measured at fair value	**-**	**-**	**24,430**	-	-
– Perpetual capital measured at fair value	**-**	**75,423**	**-**	-	-
	204,800	**80,893**	**24,430**	385,026	25,594

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.

(ii) 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. 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 at the end of the reporting period.

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

The Group has determined that the fair value of investment fund based on the recent transaction price.

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

Available for sale financial assets

At 1 January 2016	-
Purchase	24,430
Disposal	-
(Credited)/charged to other comprehensive income	-
At 31 December 2016	24,430

(g) Offsetting financial assets and financial liabilities

(i) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	As at 31 December 2016				
				Related amounts not offset in the consolidated statement of financial position	
Type of financial assets	**Gross amount of recognised financial assets** *HK$'000*	**Gross amount of recognised financial liabilities offset in the consolidated statement of financial position** *HK$'000*	**Net amount of financial assets presented in the consolidated statement of financial position** *HK$'000*	**Cash collateral received** *HK$'000*	**Net amount** *HK$'000*
Accounts receivable due from clearing house	**2,012**	**(2,012)**	**-**	**-**	**-**

	As at 31 December 2015				
				Related amounts not offset in the consolidated statement of financial position	
Type of financial assets	Gross amount of recognised financial assets *HK$'000*	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position *HK$'000*	Net amount of financial assets presented in the consolidated statement of financial position *HK$'000*	Cash collateral received *HK$'000*	Net amount *HK$'000*
Accounts receivable due from clearing house	2,842	(2,842)	-	-	-

(ii) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	As at 31 December 2016				
				Related amounts not offset in the consolidated statement of financial position	
Type of financial liabilities	**Gross amount of recognised financial liabilities** *HK$'000*	**Gross amount of recognised financial assets offset in the consolidated statement of financial position** *HK$'000*	**Net amount of financial liabilities presented in the consolidated statement of financial position** *HK$'000*	**Collateral pledged** *HK$'000*	**Net amount** *HK$'000*
Accounts payable due to clearing house	**12,215**	**(2,012)**	**10,203**	**-**	**10,203**

	As at 31 December 2015				
				Related amounts not offset in the consolidated statement of financial position	
Type of financial liabilities	Gross amount of recognised financial liabilities *HK$'000*	Gross amount of recognised financial assets offset in the consolidated statement of financial position *HK$'000*	Net amount of financial liabilities presented in the consolidated statement of financial position *HK$'000*	Collateral pledged *HK$'000*	Net amount *HK$'000*
Accounts payable due to clearing house	28,536	(2,842)	25,694	-	25,694

(iii) The tables below reconcile the "net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the accounts receivable and accounts payable presented in the consolidated statement of financial position.

	2016	2015
	HK$'000	*HK$'000*
Net amount of financial assets after offsetting as stated above	**-**	-
Financial assets not in scope of offsetting disclosure	**50,513**	324,923
Impairment losses	**(26,902)**	(28,669)
	23,611	296,254
Net amount of financial liabilities after offsetting as stated above	**10,203**	25,694
Financial liabilities not in scope of offsetting disclosure	**360,256**	171,927
	370,459	197,621

32 Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2016 and 2015.

33 Material related party transactions

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

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	2016	2015
	HK$'000	*HK$'000*
Short-term benefits	**48,725**	56,577
Post-employment benefits	**-**	-
	48,,725	56,577

Total remuneration is included in "staff costs" (see note 6(a)).

(b) Other transactions with related parties

	2016	2015
	HK$'000	*HK$'000*
Brokerage fee income (*note (i)*)	**349**	5,448
Advisory fee income (*note (ii)*)	**29,984**	144,353
	30,333	149,801

Note:

(i) During the year ended 31 December 2016, the Group provided brokerage services to (i) a company where our independent non-executive director, Dr. Wong Yau Kar, David, BBS, JP, is an independent non-executive director; and (ii) a company where Mr. Ko is a substantial shareholder and an executive director; and (iii) a company where Mr. Ko is a director and substantial shareholder.

During the year ended 31 December 2015, the Group provided brokerage services to (i) a company where our independent non-executive director, Dr. Wong Yau Kar, David, BBS, 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 year ended 31 December 2016, the Group provided advisory services to (i) a company where our chairman, Mr. Yu Feng ("Mr. Yu"), is a substantial shareholder and our independent non-executive director, Dr. Wong Yau Kar, David, BBS, 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.

During the year ended 31 December 2015, the Group provided advisory services to (i) a company where our independent non-executive director, Dr. Wong Yau Kar, David, BBS, JP, is an independent non-executive director; and (ii) a company where Mr. Ko is an executive director.

(iii) During the year ended 31 December 2016, the Group provided securities custodian service to a company where our executive director, Mr, Huang Xin is the director and Mr. Yu is the substantial shareholder.

34 Company-level statement of financial position

	Note	**2016** **HK$'000**	2015 *HK$'000*
Non-current assets			
Interests in subsidiaries		**180,695**	226,326
Total non-current assets		**180,695**	226,326
Current assets			
Financial assets at fair value through profit or loss		**59,256**	101,418
Other receivable and prepayment		**6,766**	978
Cash and cash equivalents		**3,961,917**	4,085,409
Total current assets		**4,027,939**	4,187,805
Current liabilities			
Accrued expenses and other payables		**3**	10
Amounts due to directors		**-**	144
Total current liabilities		**3**	154
Net current assets		**4,027,936**	4,187,651
NET ASSETS		**4,208,631**	4,413,977
EQUITY			
Share capital	28(a)	**4,499,045**	4,499,045
Reserves	28(a)	**(290,414)**	(85,068)
TOTAL EQUITY		**4,208,631**	4,413,977

Approved and authorised for issue by the Board on 28 March 2017 and are signed on its behalf by:

Li Ting
Executive Director and Chief Executive Officer

Huang Xin
Executive Director

35 Immediate and ultimate holding company

At 31 December 2016, the directors consider the immediate parent and ultimate holding company of the Company to be Yunfeng Financial Holdings Limited which is incorporated in the Cayman Islands and beneficially owned as to 29.85% and 70.15% by Mr. Ma Yun and Mr. Yu Feng, respectively. Yunfeng Financial Holdings Limited does not produce financial statements available for public use.

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments/new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the group's policies set out in notes 2(j) and 2(m). This change in policy will have no impact on the group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The group preliminarily assesses that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The group's revenue recognition policies are disclosed in note 2(u). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the group adopts HKFRS 15 some of the group's contract manufacturing and residential property development activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the group would only apply such a policy when payments are significantly deferred, which is currently not common in the group's arrangements with its customers. Currently, the group does not apply such a policy when payments are received in advance.

Advance payments are not common in the group's arrangements with its customers, with the exception of when residential properties are marketed by the group while the property is still under construction. In this situation, the group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under HKFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the group's advance payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under HKFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

HKFRS 16, Leases

As disclosed in note 2(h), currently the group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

37 COMPARATIVE FIGURES

Proceeds from disposal of financial assets at fair value through profit or loss is reclassified from investing activity to operating activity in the consolidated statement of cash flows and certain disclosure notes in the consolidated financial statements are restated to conform to current year presentation.

38 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcement dated 24 January 2017, the Company issued an aggregate of 23,990,000 shares at HK$5.4 per share to a total of 25 employees of the Group as awarded shares pursuant to the 2016 Share Award Scheme. The share awards shall be vested in four tranches of 25% each on 4 May 2017 and on every anniversary date thereafter until the third anniversary.

39 SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

Five Year Financial Summary

	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**46,120**	193,967	133,370	77,516	46,796
(Loss)/profit before taxation	**(324,869)**	(77,869)	759,327	(87,360)	(96,307)
Taxation	**8,327**	(79,172)	(450)	-	-
(Loss)/profit for the year	**(316,542)**	(157,041)	758,877	(87,360)	(96,307)
Basic (loss)/earnings per share *(HK$)*	**(0.13)**	(0.21)	1.73	(0.22)	(0.25)
ASSETS AND LIABILITIES					
Property and equipment	**21,418**	13,930	5,289	6,247	6,897
Goodwill and intangible assets	**10,616**	550	550	550	-
Interest in associates	**-**	-	27,311	33,076	-
Non-current financial assets at fair value through profit or loss	**-**	-	556,427	-	-
Available for sale financial assets	**99,853**	-	-	-	-
Other non-current assets	**21,580**	15,260	8,856	805	735
Net current assets	**4,292,041**	4,749,774	422,468	120,391	158,523
Non-current liabilities	**(1,385)**	(18,171)	-	-	-
	4,444,123	4,761,343	1,020,901	161,069	166,155
Share capital	**4,499,548**	4,499,548	614,919	498,231	416,273
Reserves	**(56,532)**	260,759	400,015	(343,184)	(255,965)
	4,443,016	4,760,307	1,014,934	155,047	160,308
Non-controlling interests	**1,107**	1,036	5,967	6,022	5,847
Total equity	**4,444,123**	4,761,343	1,020,901	161,069	166,155

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

Hong Kong, 28 March 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, BBS, JP (who are independent non-executive directors).