大中華金融控股有限公司

GREATER CHINA FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 431)

website: http://www.irasia.com/listco/hk/greaterchina/index.htm

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

SUMMARY OF RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Greater China Financial Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*4*	**130,652**	75,175
Cost of sales		**(62,969)**	(35,636)
Gross profit		**67,683**	39,539
Other income, gains and losses	*6*	**89,103**	(218,969)
Administrative and other operating expenses		**(99,797)**	(82,187)
Finance costs	*7*	**(16,340)**	(15,200)
Share of loss of associates		**–**	(98,410)
Impairment loss on goodwill		**(14,650)**	–
Impairment loss on interests in associates		**–**	(267,410)
Net loss on de-consolidation of subsidiaries		**–**	(324,478)
Profit (loss) before taxation		**25,999**	(967,115)
Income tax credit/(expense)	*8*	**43**	(3,435)
Profit (loss) for the year	*9*	**26,042**	(970,550)

	NOTE	**2017**	2016
		HK$'000	*HK$'000*
Other comprehensive income (expenses), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**14,091**	(5,968)
Release of translation reserve upon disposal of subsidiaries		**2**	–
Reclassification adjustment relating to foreign operations de-consolidated		**–**	4,925
Share of other comprehensive expense of associates		**–**	(6,255)
Change in fair value of available-for-sale financial assets		**(16,761)**	(110,583)
Other comprehensive expense for the year		**(2,668)**	(117,881)
Total comprehensive income (expense) for the year		**23,374**	(1,088,431)
Profit (loss) for the year attributable to:			
Owners of the Company		**26,020**	(970,550)
Non-controlling interests		**22**	–
		26,042	(970,550)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**23,352**	(1,088,431)
Non-controlling interests		**22**	–
		23,374	(1,088,431)
		HK cents	*HK cents* (Restated)
Earnings (loss) per share	*11*		
Basic		**0.43**	(22.73)
Diluted		**0.43**	(22.73)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**111,448**	113,916
Prepaid lease payments		**24,281**	23,288
Goodwill	*12*	**151,122**	123,612
Intangible assets		**10,906**	11,274
Interests in associates		**–**	–
Available-for-sale financial assets		**25,521**	41,724
Financial assets at fair value through profit or loss		**22,410**	–
Contingent consideration receivables		**9,879**	15,102
Deferred tax assets		**12,689**	–
Deposits		**3,325**	3,325
		371,581	332,241
Current assets			
Loans and interests receivables	*13*	**189,891**	37,061
Trade and other receivables	*14*	**34,877**	31,379
Prepaid lease payments		**759**	706
Prepayments and deposits		**46,888**	3,573
Available-for-sale financial assets		**–**	16,751
Tax receivables		**–**	2
Cash held on behalf of clients		**2,066**	15,746
Restricted bank deposits		**9,064**	–
Pledged bank deposits		**–**	27,918
Bank balances and cash		**410,117**	240,969
		693,662	374,105
Current liabilities			
Trade payables, other payables and accruals	*15*	**60,095**	44,507
Liability from financial guarantees		**51,753**	–
Deferred considerations		**48,807**	96,595
Borrowings		**66,039**	57,231
Tax payables		**2,526**	822
		229,220	199,155
Net current assets		**464,442**	174,950
Total assets less current liabilities		**836,023**	507,191

	NOTE	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Deferred considerations		**22,486**	24,283
Convertible notes		**5,654**	5,070
Borrowings		**93,054**	55,835
		121,194	85,188
Net assets		**714,829**	422,003
Capital and reserves			
Share capital	*16*	**6,870**	4,380
Reserves		**707,959**	416,847
Equity attributable to owners of the Company		**714,829**	421,227
Non-controlling interests		**–**	776
Total equity		**714,829**	422,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is Suites 3001-11, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Group is principally engaged in investment holding, industrial property development, general trading of consumable goods, securities brokerage, insurance brokerage, asset management and loan financing operation includes loan financing, financial guarantee services, loan referral and consultancy services.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

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

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

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

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

[3] Effective for annual periods beginning on or after 1 January 2021. with earlier application permitted.

[4] Effective date to be determined.

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the directors of the Company anticipate of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 "Financial Instruments"

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

Key requirement of HKFRS 9 which are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

Based on the Group's financial instruments and risk management policies as at 31 December 2017, upon application of HKFRS 9, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the directors of the Company performs a detailed review.

HKFRS 15 "Revenue from Contracts with Customers"

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company does not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Sales of goods	**64,182**	36,448
Warehouse storage income	**6,518**	8,904
Income from loan financing business		
– Financial consultancy services fee	**37,900**	8,359
– Interest income from loans receivables	**2,811**	14,519
– Guarantee fee income from financial guarantees	**410**	–
Income from securities brokerage business		
– Interest income from margin financing	**560**	362
– Commission income from securities dealing	**2,273**	1,686
– Commission income from underwriting	**603**	308
Commission income from insurance brokerage	**14,072**	4,581
Commission income from asset management	**1,323**	8
	130,652	75,175

5. SEGMENT INFORMATION

The Group's operations are organised into securities brokerage, asset management, insurance brokerage, loan financing, industrial property development business and general trading. Information reported to the chief operating decision maker ("CODM") for the purpose of resources allocation and assessment of segment performance is prepared on such basis. The Group is organised into the following reportable and operating segments:

– Industrial property development segment represents the operation of warehouse in the People's Republic of China (the "PRC").

– General trading segment includes trading of consumable goods in the PRC.

– Loan financing segment represents the provision of financial guarantee, loan financing, loan referral and consultancy services in Hong Kong and the PRC.

– Securities brokerage segment represents the operation of securities brokerage, margin financing, underwriting and placements in Hong Kong.

– Asset management segment engages in the provision of asset management services in Hong Kong.

– Insurance brokerage segment represents the provision of the insurance brokerage and agency services in Hong Kong.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended 31 December 2017

	Industrial property development *HK$'000*	General trading *HK$'000*	Loan financing *HK$'000*	Securities brokerage *HK$'000*	Asset management *HK$'000*	Insurance brokerage *HK$'000*	Total *HK$'000*
SEGMENT REVENUE	**6,518**	**64,182**	**41,121**	**3,436**	**1,323**	**14,072**	**130,652**
SEGMENT RESULTS	**(11,905)**	**1,605**	**27,755**	**(545)**	**(704)**	**(6)**	**16,200**
Unallocated corporate income							**1,854**
Unallocated corporate expenses							**(48,070)**
Unallocated finance costs							**(6,497)**
Compensation received							**20,297**
De-recognition of deferred consideration							**67,901**
Fair value change on contingent consideration receivables							**(10,988)**
Fair value change on financial assets at fair value through profit or loss							**2,409**
Net gain on disposal of subsidiaries							**945**
Share-based payment expenses							**(989)**
Impairment loss on goodwill							**(14,650)**
Impairment loss on other receivables							**(2,402)**
Impairment loss on amount due from associates							**(11)**
Profit before tax							**25,999**
Income tax credit							**43**
Profit for the year							**26,042**

For the year ended 31 December 2016

	Industrial property development *HK$'000*	General trading *HK$'000*	Loan financing *HK$'000*	Securities brokerage *HK$'000*	Asset management *HK$'000*	Insurance brokerage *HK$'000*	Total *HK$'000*
SEGMENT REVENUE	8,904	36,448	22,878	2,356	8	4,581	75,175
SEGMENT RESULTS	(7,637)	1,035	(43,568)	(1,217)	1	111	(51,275)
Unallocated corporate income							292
Unallocated corporate expenses							(57,436)
Unallocated finance costs							(7,679)
Fair value change on contingent consideration receivable							(20,475)
Net loss on de-consolidation of subsidiaries							(324,478)
Impairment loss on interests in associates							(267,410)
Share of loss of associates							(98,410)
Share-based payment expenses							(42,760)
Impairment loss on amounts due from de-consolidated subsidiaries							(97,484)
Loss before tax							(967,115)
Income tax expense							(3,435)
Loss for the year							(970,550)

All of the segment revenue reported above is from external customers.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

At 31 December 2017

	Industrial property development HK$'000	General trading HK$'000	Loan financing HK$'000	Securities brokerage HK$'000	Asset management HK$'000	Insurance brokerage HK$'000	Total HK$'000
ASSETS							
Segment assets	**175,091**	**25,591**	**537,678**	**19,136**	**5,578**	**5,784**	**768,858**
Unallocated bank balances and cash							**78,012**
Unallocated property, plant and equipment							**7,686**
Unallocated other receivables, prepayments and deposits							**6,697**
Unallocated goodwill							**151,122**
Unallocated available-for-sale financial assets							**20,579**
Unallocated financial assets at fair value through profit or loss							**22,410**
Unallocated contingent consideration receivables							**9,879**
Consolidated total assets							**1,065,243**
LIABILITIES							
Segment liabilities	**100,812**	**–**	**163,972**	**3,915**	**15**	**426**	**269,140**
Unallocated other payables							**4,327**
Unallocated convertible notes							**5,654**
Unallocated deferred consideration							**71,293**
Consolidated total liabilities							**350,414**

At 31 December 2016

	Industrial property development HK$'000	General trading HK$'000	Loan financing HK$'000	Securities brokerage HK$'000	Asset management HK$'000	Insurance brokerage HK$'000	Total HK$'000
ASSETS							
Segment assets	165,975	23,731	143,297	33,057	236	3,290	369,586
Unallocated bank balances and cash							151,805
Unallocated property, plant and equipment							10,414
Unallocated other receivables, prepayments and deposits							5,171
Unallocated goodwill							123,612
Unallocated available-for-sale financial assets							30,656
Unallocated contingent consideration receivable							15,102
Consolidated total assets							706,346
LIABILITIES							
Segment liabilities	100,792	66	38,065	17,295	–	1,032	157,250
Unallocated other payables							1,145
Unallocated convertible notes							5,070
Unallocated deferred consideration							120,878
Consolidated total liabilities							284,343

6. OTHER INCOME, GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Compensation received *(Note a)*	**20,297**	–
De-recognition of deferred consideration *(Note b)*	**67,901**	–
Fair value change on contingent consideration receivables	**(10,988)**	(20,475)
Fair value change on financial assets at fair value through profit or loss	**2,409**	–
Gain on disposal of assets classified as held for sale	**–**	1,952
Net gain on disposal of subsidiaries	**945**	–
Handling fee income	**267**	443
Impairment loss on loans and interests receivables	**–**	(62,420)
Impairment loss on trade and other receivables	**(2,971)**	(1,298)
Impairment loss on amounts due from associates	**(11)**	(21)
Impairment loss on amounts due from de-consolidated subsidiaries	**–**	(97,484)
Interest income	**10,154**	1,425
Loss on disposal and written off of property, plant and equipment	**(5)**	(79)
Net foreign exchange gain	**582**	131
Reversal of impairment loss on other receivables	**–**	469
Share-based payment expenses	**(989)**	(42,760)
Sundry income	**1,512**	1,148
	89,103	(218,969)

Notes:

(a) Compensation received represented the compensation received from the vendor in respect of the acquisition of 45% of issued capital of Intraday Financial Information Service Limited ("Intraday") according to the terms of Sales and Purchase Agreement dated 15 April 2015 as Intraday was not able to achieve the Performance Target as specified in the Sales and Purchase Agreement.

(b) According to the audited consolidated financial statements of Oriental Credit Holdings Limited and its subsidiaries ("Oriental Credit Group") for the year ended 31 December 2016 issued on 20 March 2017, the Oriental Credit Group made a loss for the financial year ended 31 December 2016. Based on the terms of the sales and purchase agreement for the acquisition, the deferred consideration ceased to become payable and, accordingly, the Group derecognised the deferred consideration at the carrying amount of HK$67,901,000 and it was recognised as other income in the profit or loss for the year.

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Effective interest on convertible notes	**584**	3,928
Imputed interest on deferred consideration	**5,912**	3,740
Interest on a margin securities account	**–**	11
Interest on bank loans	**6,247**	7,521
Interest on other loans	**3,597**	–
	16,340	15,200

8. INCOME TAX (CREDIT)/EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**3,732**	4,515
Over provision in prior years:		
PRC Enterprise Income Tax	**(3,775)**	–
Deferred tax:		
Current year	**–**	(1,080)
	(43)	3,435

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the years ended 31 December 2017 and 2016. No provision for Hong Kong Profits Tax has been made as its subsidiaries in Hong Kong have no estimated assessable profits for the years ended 31 December 2017 and 2016.

PRC Enterprise Income Tax ("EIT") is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiaries of the Company with certain tax concession, based on existing legislation, interpretation and practice in respect thereof.

Under the Law of the PRC on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group's PRC subsidiaries is 25% for both years.

9. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging the following items:

	2017	2016
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**729**	741
Amortisation of intangible assets (included in administrative and other operating expenses)	**1,132**	27
Auditor's remuneration		
– audit services	**1,000**	1,000
– other services	**1,130**	1,050
Cost of inventories recognised as expenses	**62,939**	35,621
Depreciation of property, plant and equipment	**10,815**	10,770
Legal and professional fees	**4,631**	11,773
Staff costs including directors' emoluments	**32,951**	23,446

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2017, nor has any dividend been proposed since the end of the reporting period (2016: HK$Nil).

11. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share	**26,020**	(970,550)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**–**	–
Earnings (loss) for the purpose of diluted earnings (loss) per share	**26,020**	(970,550)

	2017	2016
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**6,097,717**	4,269,411
Effect of dilutive potential ordinary shares:		
– Share options	**24,324**	–
– Convertible notes	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**6,122,041**	4,269,411

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for open offer that took place on 21 June 2017. Comparative figures for the weighted average number of ordinary shares for the year ended 31 December 2016 have been adjusted retrospectively.

The calculation of basic earnings (loss) per share is based on the profit (loss) attributable to owners of the Company, and the weighted average number of shares approximately 6,097,717,000 ordinary shares (2016: 4,269,411,000 (restated)) in issue.

The Company has dilutive potential ordinary shares on exercise of share options for the year ended 31 December 2017 and adjustment was made in calculating diluted earnings per share. No adjustment was made in calculating diluted earnings per share for the year ended 31 December 2017 as conversion of convertible notes would result in an increase in earnings per share.

Diluted loss per share for the year ended 31 December 2016 did not assume the exercise of the share options during the year since the exercise would have an anti-dilutive effect. No adjustment was made in calculating diluted loss per share for the year ended 31 December 2016 as conversion of convertible notes would result in a decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

12. GOODWILL

	2017	2016
	HK$'000	*HK$'000*
Cost		
Balance at beginning of the year	**123,612**	198,326
Arising on acquisition of subsidiaries	**42,160**	121,282
De-consolidation of subsidiaries	**–**	(195,996)
Balance at end of the year	**165,772**	123,612
Accumulated impairment losses		
Balance at beginning of the year	**–**	–
Impairment loss recognised for the year	**14,650**	–
Balance at end of the year	**14,650**	–
Carrying amounts		
Balance at end of the year	**151,122**	123,612

13. LOANS AND INTERESTS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Secured loans	**123,004**	82,619
Unsecured loans	**129,307**	16,862
	252,311	99,481
Less: impairment allowances	**(62,420)**	(62,420)
	189,891	37,061

An ageing analysis of the loans and interests receivables that are individually not considered to be impaired as at the end of the reporting period, based on the payment due date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor individually impaired	**181,461**	25,980
Less than 1 month past due	**8,430**	11,081
1 to 3 months past due	**–**	–
3 to 6 months past due	**–**	–
6 months to less than 1 year past due	**–**	–
	189,891	37,061

Loans receivables that were neither past due nor individually impaired relate to a number of diversified borrowers for whom there was no recent history of default.

In respect of the loans which have been past due for less than one month, the amounts mainly represent occasional delay in repayment and are not indication of significant deterioration of credit quality of these loans.

The movements in impairment allowance of loans and interests receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**62,420**	3,633
Impairment allowance recognised	**–**	62,420
Amounts written off during the year as uncollectible	**–**	(3,633)
Balance at end of the year	**62,420**	62,420

The impaired loans receivables relate to borrowers that were in default and the loans and interests receivables were not expected to be recoverable.

14. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables from:		
Business of dealing in securities: *(Note a)*		
– Cash clients	**483**	349
– Margin clients	**5,900**	4,754
– Clearing houses and brokers	**–**	1,513
Consultancy services *(Note b)*	**3,724**	377
Financial guarantee services *(Note c)*	**35**	–
Insurance brokerage business *(Note d)*	**471**	1,173
Asset management business *(Note e)*	**1,281**	55
Warehouse storage business *(Note f)*	**–**	392
General trading *(Note g)*	**–**	6,388
	11,894	15,001
Less: Impairment loss	**(405)**	(377)
	11,489	14,624
Other receivables	**27,487**	17,804
Less: Impairment loss	**(4,099)**	(1,049)
	23,388	16,755
Total trade and other receivables	**34,877**	31,379

Notes:

(a) For the trade receivables from cash clients, it normally takes two days to settle after trade date of securities transactions. These outstanding unsettled trades due from clients are reported as trade receivables from clients.

Trade receivables from margin clients amounting to HK$5,900,000 as at 31 December 2017 (31 December 2016: HK$4,754,000) are secured by clients' pledged securities with fair value of HK$9,196,000 (31 December 2016: HK$12,989,000). Management has assessed the market value of the pledged securities of each individual customer who has margin shortfall as at the year end. No impairment allowance is considered necessary for the remaining margin loans based on the Group's evaluation of their collectability.

Trade receivables from margin clients arising from the securities brokerage business are repayable on demand subsequent to settlement date.

(b) The normal settlement terms of trade receivables from consultancy services are within 30 days upon the contractual obligation is performed.

(c) The normal settlement terms of trade receivables from financial guarantee services are mainly within 60 to 90 days upon contractual obligation is performed.

(d) The normal settlement terms of trade receivables from product issuers arising from the provision of insurance brokerage services are mainly within 45 to 60 days upon the execution of the insurance policies and/or receipt of statements from product issuers.

(e) Credit terms with customers of asset management are within 30 days or a credit period mutually agreed between the contracting parties.

(f) The Group allows an average credit period of 30 days to its warehouse tenants.

(g) The Group allows an average credit period of 30 days to its trade customers.

No ageing analysis of margin loans is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

An ageing analysis of the remaining balance of trade receivables net of impairment loss as at the end of the reporting period, based on the trade date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**3,277**	9,801
31 – 60 days	**797**	69
61 – 90 days	**958**	–
Over 90 days	**557**	–
	5,589	9,870

An ageing analysis of the remaining balance of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**4,471**	9,849
Less than 1 month past due	**1,051**	21
1 to 3 months past due	**1**	–
3 to 6 months past due	**11**	–
6 months to less than 1 year past due	**55**	–
	5,589	9,870

The movements in impairment loss on trade receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**377**	–
Amounts recognised during the year	**–**	377
Exchange realignment	**28**	–
Balance at end of the year	**405**	377

The movements in impairment loss on other receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,049**	614
Amounts recognised during the year	**2,971**	921
Amounts recovered during the year	**–**	(469)
Exchange realignment	**79**	(17)
Balance at end of the year	**4,099**	1,049

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Trade payables from:		
Business of dealing in securities: *(Note a)*		
– Cash clients	**467**	14,960
– Margin clients	**1,589**	2,204
– Clearing house	**1,777**	–
Insurance brokerage business *(Note b)*	**423**	1,031
Total trade payables	**4,256**	18,195
Accrued expenses	**8,758**	2,339
Deposits received	**921**	284
Receipts in advance	**3,175**	–
Other payables	**42,985**	23,689
Total other payables and accruals	**55,839**	26,312
Total trade payables, other payables and accruals	**60,095**	44,507

Notes:

(a) Trade payables to securities brokerage clients represent the monies received from and repayable to brokerage clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

The majority of the trade payables balance are repayable on demand except for certain balances relating to margin deposits received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The settlement terms of trade payables, except for margin clients, arising from the securities brokerage business are two days after trade date.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business.

(b) Trade payables to consultants arising from provision of insurance brokerage service, are generally settled within 30 days to 120 days upon receipt of payments from product issuers by the Group.

An ageing analysis of trade payables from insurance brokerage business at the end of reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**320**	990
31 – 60 days	**101**	41
61 – 90 days	**2**	–
Over 90 days	**–**	–
	423	1,031

16. SHARE CAPITAL

	Number of shares *'000*	Nominal amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	2,109,890,000	2,109,890
Preference shares of HK$0.001 each		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	110,000	110
Issued and fully paid:		
Ordinary shares of HK$0.001 each		
At 1 January 2016	3,234,353	3,234
Conversion of convertible notes *(Note a)*	498,990	499
Issue of new shares *(Note b)*	452,810	453
Issue of shares upon acquisition of subsidiaries *(Note c)*	194,061	194
At 31 December 2016 and 1 January 2017	4,380,214	4,380
Exercise of share options *(Note d)*	201,896	202
Issue of shares upon open offer *(Note e)*	2,287,947	2,288
At 31 December 2017	6,870,057	6,870

Notes:

(a) On 6 July 2016, upon the exercise of the conversion rights attached to the 2014 Convertible Note and 2015 Convertible Note in an aggregate principal amount of HK$119,758,000 at the conversion price of HK$0.24 per share, the Company allotted and issued 498,990,258 shares in aggregate to the noteholders.

(b) On 14 July 2016, the Company allotted and issued 452,810,000 new shares of HK$0.001 each at a subscription price of HK$0.27 upon completion of subscription of new shares

(c) Pursuant to the agreement in respect of the acquisition as disclosed in note to the consolidated financial statements, 194,060,671 shares of HK$0.001 each in the capital of the Company were issued and allotted to the vendor under the acquisition.

(d) On 9 February and 6 March 2017, upon the exercise of the share options at an exercise price of HK$0.232 per share, the Company allotted and issued 195,680,000 new shares of HK$0.001 each.

On 14 November 2017, upon the exercise of the share options at an exercise price of HK$0.187 per share (after adjusted upon open offer), the Company allotted and issued 6,215,753 new shares of HK$0.001 each.

(e) On 21 June 2017, the Company allotted and issued 2,287,947,000 new shares of HK$0.001 each at a subscription price of HK$0.100 per share upon completion of the open offer.

17. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of the Sino Wealth Group

On 20 October 2017, the Company had completed the acquisition of Sino Wealth Investment Co., Limited ("Sino Wealth") and its subsidiaries ("Sino Wealth Group"). Sino Wealth Group is principally engaged in provision of credit-based financing guarantee and related loan arrangement and consultancy services in the PRC. It had obtained a license issued from Beijing Municipal Bureau of Financial Work to provide financing guarantee to individuals and non-state-owned small to medium sized enterprises.

Pursuant to the sale and purchase agreement (as supplemented by supplemental letters dated 24 August 2017 and 13 September 2017) dated 28 July 2017, the assets to be acquired by the Company are the entire issued share capital of Sino Wealth and shareholder's loan owing by Sino Wealth Group to the vendor at the date of acquisition.

The aggregate consideration is HK$300,000,000 (subject to adjustment), which should be satisfied by a direct wholly-owned subsidiary of the Company (the "Purchaser") in cash. HK$253,000,000 of cash consideration was paid. The remaining cash considerations of HK$30,000,000, HK$11,000,000 (the "Second Instalment") and HK$6,000,000 (the "Third Instalment") are payable within five business days after the issue of audited consolidated financial statements of the Sino Wealth Group for the year ended 31 December 2017, years ending 31 December 2018 and 2019 respectively.

In addition, as part of the acquisition, if the actual audited net profit after tax of Beijing An Jia Shi Hang Financing Guarantee Company Limited ("AJSH") for year ended 31 December 2017, years ending 31 December 2018 and 2019 (the "Actual Profit"), is less than RMB10,000,000, RMB20,000,000 and RMB30,000,000 respectively (the "Target Profit"), the vendor will compensate the Company for the shortfall for an amount equivalent to the difference between the Target Profit and the Actual Profit multiplied by 1.2 times.

In such event, the Company shall have the right to deduct the shortfall from the respective cash considerations payable to the vendor for year ended 31 December 2017, years ending 31 December 2018 and 2019 (i.e. 2017: HK$30,000,000, 2018: HK$11,000,000; 2019: HK$6,000,000).

If the Second Instalment and the Third Instalment are not sufficient to offset the 2018 Shortfall and the 2019 Shortfall respectively, the vendor shall compensate the amount of difference in cash, in HK$ equivalent to the amount of RMB or the Purchaser has the right to deduct the amount of difference from the assets pledged to the Purchaser under the guarantee letter signed by the vendor guarantor.

Further details are set out in the Company's announcement dated 28 July 2017, 24 August 2017, 13 September 2017 and 20 October 2017 and circular dated 15 September 2017.

The following table summarises the consideration paid/payable for the acquisition of Sino Wealth Group, and the fair value of identified assets acquired and liabilities assumed at the acquisition date:

	HK$'000
Non-current assets	
Property, plant and equipment	776
Deferred tax asset	12,456
Current assets	
Trade receivables	1,661
Loan and interest receivables	96,221
Other receivables, deposits and prepayment	32,955
Amount due from related parties	1,591
Restricted bank deposits	8,866
Bank and cash balances	175,287
Current liabilities	
Accruals and other payables	(21,521)
Amount due to a shareholder	(238,610)
Liabilities from financial guarantees	(50,432)
Tax payables	(2,391)
Net identifiable assets at fair value	16,859
Shareholders' loan assigned to the Group	238,610
Goodwill arising from the acquisition	34,170
Total fair value consideration	289,639
Consideration satisfied by:	
Cash paid	220,000
Cash payable	33,000
Deferred consideration	42,404
Less: contingent consideration receivable	(5,765)
	289,639
Net cash outflow arising on acquisition:	
Cash consideration paid	220,000
Less: Cash and cash equivalent acquired of	(175,287)
	44,713

The directors of the Company have engaged an independent valuer to determine the fair value of the net tangible assets and intangible assets of Sino Wealth Group, in accordance with HKFRS 13.

Goodwill arising from the acquisition represents the excess of the fair value of the considerations to be paid/payable by the Group over the fair value of net identifiable assets acquired.

(b) Acquisition of the licensed corporation

Pursuant to the conditional sale and purchase agreement dated 7 March 2017, a direct wholly-owned subsidiary of the Company has conditionally agreed to acquire the entire issued share capital of Ulmus Creek Holdings Limited ("Ulmus") for a total cash consideration of the sum of HK$8,000,000.

A direct wholly-owned subsidiary of Ulmus is a corporation licensed and approved by the Securities and Futures Commission ("SFC") to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance ("SFO") in Hong Kong.

The acquisition was completed on 20 July 2017. The following table summarises the consideration paid and payable for the acquisition, and the identified assets acquired and liabilities assumed, at fair value on 20 July 2017:

	HK$'000
Non-current asset	
Property, plant and equipment	42
Current assets	
Trade receivables	93
Other receivables, deposits and prepayment	95
Bank and cash balances	249
Current liabilities	
Accruals and other payables	(452)
Amount due to a director	(17)
Amount due to the shareholders	(1,492)
Net liabilities assumed at fair value	(1,482)
Shareholders' loan assigned to the Group	1,492
Goodwill arising from the acquisition	7,990
Total fair value consideration	8,000
Consideration satisfied by:	
Cash paid	6,000
Cash payable	2,000
	8,000
Net cash outflow arising on acquisition:	
Cash consideration paid	6,000
Less: Cash and cash equivalent acquired of	(249)
	5,751

The directors of the Company have engaged an independent valuer to determine the fair value of the net tangible assets and intangible assets of Ulmus and its subsidiary, in accordance with HKFRS 13.

Goodwill arising from the acquisition represents the excess of the fair value of the considerations to be paid/payable by the Group over the fair value of net liabilities assumed acquired.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following are extracted from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2017.

"QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Opening Balance and Corresponding Figures

The consolidated financial statements of the Group for the year ended 31 December 2016, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, included disclaimer of opinion in view of the possible effect of the de-consolidation of subsidiaries in respect of the departure from Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10") and the compliance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Details of the disclaimer opinion was set out in the independent auditors' report dated 17 March 2017 which was included in the Company's annual report for the year ended 31 December 2016.

We were unable to obtain sufficient appropriate audit evidence to enable us to assess the possible effect of de-consolidation of subsidiaries for the year ended 31 December 2016. Any adjustments found to be necessary to the opening balances as at 1 January 2017 may affect the balance of accumulated loss as at 1 January 2017 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2016. The comparative figures showed in the consolidated financial statements may not be comparable with the figures for the current year."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in investment holding, industrial property development, general trading of consumable goods, securities brokerage, insurance brokerage, asset management and loan financing operation includes loan financing, financial guarantee services, loan referral and consultancy services.

Revenue and segment results of the Group for the year of 2017 are stated in the table below:

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Revenue from:		
Industrial property development	**6,518**	8,904
General trading	**64,182**	36,448
Securities brokerage	**3,436**	2,356
Insurance brokerage	**14,072**	4,581
Asset management	**1,323**	8
Loan financing	**41,121**	22,878
	130,652	75,175

	For the year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Segment (loss) profit from:		
Industrial property development	**(11,905)**	(7,637)
General trading	**1,605**	1,035
Securities brokerage	**(545)**	(1,217)
Insurance brokerage	**(6)**	111
Asset management	**(704)**	1
Loan financing	**27,755**	(43,568)
	16,200	(51,275)

Industrial Property Development

The revenue from industrial property development segment mainly represented the rental income generated from the warehouse operation. The warehouse of the Group is located in Taicang, Jiangsu Province, the PRC and the total rentable areas of which is approximately 48,600 square meters divided into 6 units for rental.

Revenue from the warehouse operation recorded a decrease of HK$2,386,000 to HK$6,518,000 for the year ended 31 December 2017 (2016: HK$8,904,000) and a segment loss of HK$11,905,000 was resulted (2016: HK$7,637,000). During the first half of 2017, certain warehouse spaces were vacant upon expiry of the lease agreement, resulting in a drop of income. New lease agreements have been signed in the second half of the year and hence revenue started picking up gradually. However, 2 units of the warehouse are being repaired due to leakage issue and thus the overall rentable areas were reduced, affecting the revenue and the segment loss for the year.

The repair and maintenance works are expected to complete by mid 2018 and the Group will continue to seek potential business partners for the vacant warehouse space. At the same time, we are also looking into other possible ways to increase the overall income generated by the warehouse operation including but not limited to the leasing of outdoor areas of the warehouse to suitable business partners.

General Trading

The co-operation with a major distribution agent of Moutai (i.e. a reputable distilled Chinese liquor) and the Group to sell Moutai and other popular Chinese liquors established in the second half of 2016 continued. The revenue generated from the liquors trading amounted to HK$64,182,000 (2016: HK$36,448,000), resulting in segment profit of HK$1,605,000 (2016: HK$1,035,000).

Due to the stable and continued growth in the demand of Chinese liquors, especially Moutai, the Group will continue the operation of this segment and further develop the sales network to increase its volume and profitability.

Securities Brokerage

The securities brokerage operation continues to provide a variety of securities related services including securities brokerage, securities trading, margin financing, underwriting and placements in Hong Kong. Revenue from the segment was HK$3,436,000 (2016: HK$2,356,000) and segment loss of HK$545,000 (2016: HK$1,217,000) was resulted.

Due to the keen competition in the securities brokerage operation, the profit margin on regular brokerage and securities trading is very slim. The Group will strengthen the sales team in order to increase the number of new clients and at the same time will further develop the margin financing business should opportunity arises.

Insurance Brokerage

Greater China Wealth & Risk Management Limited ("**GCWRM**"), an insurance broker, is a member of Professional Insurance Brokers Association and a principal intermediary for carrying on MPF regulated activities. It engages in the insurance and MPF scheme brokerage business and provides a comprehensive professional insurance and financial planning services to satisfy clients' needs. GCWRM provides tailor-made financial solutions to its clients and independent advisory services in connection with insurance products. It operates long term (including linked long term) and general insurance business plus MPF regulated activities.

GCWRM develops business relationship with the insurance companies by entering into the distribution agreements after an in-depth due diligence process. It provides financial planning services to clients through licensed representatives. A majority of its business is being generated from referrals and direct marketing activities.

Revenue from insurance brokerage was approximately HK$14,072,000 with net loss HK$6,000 for the year ended 31 December 2017 compared to 2016 with revenue of HK$4,581,000 and net profit of HK$111,000. It is the result from the GCWRM team adding different insurance products and partners in diversified product varieties to steadily grow the revenue of insurance business. However, the performance was affected by challenging marketing competition and other policy change. The PRC government has repeatedly tighten restrictions on mainland residents from coming to Hong Kong to purchase insurance products, including restrictions on credit card for premiums payment and setting the amount of insured limit. Nonetheless, we will continue to diversify our business varieties and widen our recurring income stream. In addition, general insurance will be another income stream to bring the steady growth of the business in the coming future.

Asset Management

The Group has completed the acquisition of a company under a license to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO together with its investment team at a consideration of HK$8 million and the result of which has been consolidated to the Group in the second half of 2017. Revenue of HK$1,323,000 and segment loss of HK$704,000 was noted during the year. The fund under management is called "Spruce Light Absolute Return Fund" which is a hedge fund and the asset under management is approximately US9 million.

Despite the severe global stock market fluctuation in 2017, the fund is managed to achieve a promising annualized return in this first year of launch. We believe that with an experienced investment and research team, we are well positioned to meet the demand and needs of the high net worth clients in asset management services.

In the year ahead, we will continue to develop and expand our asset management division and develop different investment fund to meet the needs of different clients.

Loan Financing

Loan financing segment includes the provision of financing guarantee services, loan financing, financing consultancy and loan referral services in both Hong Kong and the PRC.

The segment revenue generate from loan financing for year ended 31 December 2017 was HK$41,121,000 with segment profit of HK$27,755,000, compared to the segment revenue of HK$22,878,000 and segment loss of HK$43,568,000 for the year ended 31 December 2016. The increase in segment revenue and profit was mainly contributed by the newly acquire PRC financing consultancy and loan referral service business in late 2016. As at 31 December 2017, the balance of the loans and interest receivables was approximately HK$189,891,000. Interest rate of the loans ranged from 6.6% to 18% (2016: 12% to 36%) per annum.

Greater China Financing Limited, an indirect wholly-owned subsidiary of the Company, was obtained the Money Lenders Licence in early 2016 to start money lending business in Hong Kong. As the Hong Kong Monetary Authority has been implementing tight controls on lending activities of the financial institutions under its surveillance, our money lending business is positioned as an alternative to licensed banks by providing mortgage loans, securities financing and other secured loan services, with the competitiveness of diversified financing and loan arrangements and quick response to the market.

Hong Kong residential property prices continue to waft skywards, despite the government's efforts to keep the property price within the affordability range of the private household income. Market watchers have started looking at the top of the market. Our loan financing operations in Hong Kong for the year ended 31 December 2017 focused on mortgage financing. The Group will continue to implement a prudent strategy and maintain its focus on high net worth customers. On top of the established stringent internal loan management system, including credit assessment and risk management, we will cooperate closely with external professionals for property valuation, credit check and legal counsel.

In October 2017, the Group acquired a business which provides financing guarantee and financing consultancy services ("**Sino Wealth Group**") in the PRC at a consideration of HK$300,000,000. The consideration is to be settled as follows:

(i) as to HK$40,000,000 was settled after the date of signing the sale and purchase agreement;

(ii) as to HK$180,000,000 was settled at completion;

(iii) as to HK$33,000,000 was settled on 31 December 2017;

(iv) as to HK$30,000,000 (subject to the adjustment) shall be settled in cash within 5 business days after the issue of the audited consolidated financial statements of Sino Wealth Group for the year ending 31 December 2017;

(v) as to HK$11,000,000 (subject to the adjustment) shall be settled in cash within 5 business days after the issue of the audited consolidated financial statements of Sino Wealth Group for the year ending 31 December 2018; and

(vi) as to HK$6,000,000 (subject to the adjustment) shall be settled in cash within 5 business days after the issue of the audited consolidated financial statements of Sino Wealth Group for the year ending 31 December 2019.

The vendor agreed to provide a guarantee of audited net profit after tax of RMB10,000,000, RMB20,000,000 and RMB30,000,000 of 北京安家世行融資擔保有限公司(Beijing An Jia Shi Hang Financing Guarantee Company Limited) for the year 31 December 2017, 2018 and 2019 respectively.

Our PRC loan financing team will strive to open up new sources of fund, such as bank financing and P2P platform in order to match with the financial needs for our customers. On the other hand, we will perform stringent due diligence and credit check procedures as we explore new customers in different business segment, such as agriculture sector and wine sector. Following the completion of the acquisition in October 2017, the new operation has contributed positively to the results of the loan financing segment as well as the performance of the Group as a whole.

FINANCIAL REVIEW

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consists of the operating expenses of each of industrial property development, general trading, loan financing, securities brokerage and insurance brokerage as well as the overall administrative expenses including but not limited to the office utilities and administration, legal and professional fee, operating lease payments, employee benefit expenses, depreciation and amortization, etc. Administrative and other operating expenses amounted to approximately HK$99,800,000 during the year under review, which is increased by HK$17,600,000 as compared to last period. The increase mainly resulted from acquisition of a financing guarantee operation in Beijing and the asset management operation, the increase in staff salary and overall expenses as a consequence of the growth in different operation of the Group.

Finance Costs

Finance costs were increased from approximately HK$15,200,000 in 2016 to approximately HK$16,340,000 in 2017. The increase in the finance costs was the increase in other loan interest expenses on the loan financing business and the inclusion of the imputed interest of the deferred consideration in cash payable to the vendor of the financing guarantee operation acquired in 2017.

Liquidity and Financial Resources

The Group follows the policy of prudence in managing its working capital. The operation of the Group was primarily financed by internally generated cashflow and external financing.

As at 31 December 2017, the shareholders' fund and net current assets of the Group amounted to approximately HK$714,829,000 (31 December 2016: HK$421,227,000) and HK$464,442,000 (31 December 2016: HK$174,950,000) respectively. On the same date, the Group's bank balances and cash amounted to HK$410,117,000 (31 December 2016: HK$240,969,000) and the current ratio was 3.03 (31 December 2016: 1.88).

As at 31 December 2017, the Group's total borrowings amounted to approximately HK$159,093,000 (31 December 2016: HK$113,066,000) in which approximately HK$66,039,000 is repayable within 1 year, approximately HK$9,005,000 is repayable between 1 to 2 years, approximately HK$36,021,000 is repayable between 2 to 5 years and approximately HK$48,028,000 is repayable over 5 years. The gearing ratio, measured on the basis of total borrowings over net assets, was 22% as at 31 December 2017 (31 December 2016: 27%).

There is no capital commitment in respect of the acquisition and construction of property, plant and equipment for the period under review (31 December 2016: nil).

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are mainly in Hong Kong dollars & Renminbi. Therefore the Group did not use any financial instruments for hedging purposes.

Capital Structure

In February and March 2017, upon the exercise of the share options at an exercise price of HK$0.232 per share, 195,680,000 new shares of HK$0.001 each were issued.

In Jun 2017, 2,287,947,142 new shares of HK$0.001 each were allotted and issued upon completion of an open offer on the basis of 1 offer share for every two existing shares of the Company at a subscription price of HK$0.10 per offer share.

In November 2017, upon the exercise of the share options at an exercise price of HK$0.187 per share (after adjusted upon open offer), 6,215,753 new shares of HK$0.001 each were issued.

Charges on Assets

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	31.12.2017	31.12.2016
	HK$'000	*HK$'000*
Property, plant and equipment	**102,527**	102,882
Prepaid lease payments	**25,040**	23,994
Bank deposits	**–**	27,918
	127,567	154,794

Contingent Liabilities

There are no significant contingent liabilities noted.

Employees and Remuneration Policy

As at 31 December 2017, the Group has approximately 138 employees. Remuneration is determined by reference to their respective qualifications and experiences and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "**2018 AGM**") is scheduled to be held on Wednesday, 6 June 2018. For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Friday, 1 June 2018 to Wednesday, 6 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order for a shareholder of the Company (the "**Shareholder**") to be eligible to attend and vote at the 2018 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 31 May 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions (the "**Code Provision(s)**") as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange, except for the following deviations:

– Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

  Mr. Liu Kequan ("**Mr. Liu**") was elected as the chairman of the Board and chief executive officer of the Company in June 2016. The Board considers that Mr. Liu has extensive management experience and is responsible for the overall corporate strategies, planning and business development of the Company. As he is under the supervision by the Board which is comprised of four independent non-executive Directors, representing more than half of the members of the Board, the Board considered that the interests of the Shareholders are adequately and fairly represented.

– Code Provision A.5 stipulates that a nomination committee should be established to make recommendations to the Board on the appointment and reappointment of Directors and succession planning for Directors.

  The Board as a whole is responsible for the appointment of its own members. The chairman of the Board is responsible for identifying appropriate candidates and proposing qualified candidates to the Board for consideration. The Board will review profiles of the candidates recommended by the chairman and make recommendation of the appointment, re-election and retirement of the Directors. Candidates are appointed to the Board on the basis of their skill, competence and experience that they can contribute to the Company.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2017.

SCOPE OF WORK OF HLM CPA LIMITED

The work performed by HLM CPA Limited in this respect did not constitute an 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 HLM CPA Limited on the preliminary result announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2017.

By order of the Board of
Greater China Financial Holdings Limited
Liu Kequan
Chairman

Hong Kong, 13 March 2018

As at the date of this announcement, the Board comprises Mr. Liu Kequan and Mr. Zhang Peidong as executive Directors; Mr. Kwan Kei Chor, Dr. Lyu Ziang, Dr. Rui Mingjie and Mr. Zhou Liangyu as independent non-executive Directors.