MERDEKA FINANCIAL SERVICES GROUP LIMITED
（萬德金融服務集團有限公司*）

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of Merdeka Financial Services Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *For identification purpose only*

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of Merdeka Financial Services Group Limited, I am pleased to present the 2016 annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016. During the year, the Group is principally engaged in financial services business, trading business and information technology business. Financial services business, including the finance lease business, the securities business, and the money lending business. Trading business continued to grow healthily, however, the information technology business remained challenging.

BUSINESS REVIEW AND OPERATION REVIEW

It is obvious that commencing from the establishment of the money lending business to the acquisitions of 恒河融資租賃(上海)有限公司 (Heng He Finance Lease (Shanghai) Company Limited*) ("Heng He") and Merdeka Capital Limited (萬德資本有限公司) (formerly known as Xiaxin Securities (HK) Limited ("Xiaxin")) ("Merdeka Capital"), the Company is putting more weight on the financial services business.

On 26 April 2016 the Company held an extraordinary general meeting to approve, confirm and ratify a capital injection agreement dated 14 December 2015 entered into by the Company with 上海市巽離股權投資管理有限公司 (Shanghai Xunli Equity Investment Management Limited*) ("Shanghai Xunli") and the transactions contemplated thereunder, to increase the registered capital of Heng He from RMB170 million to RMB300 million, in order to cope with the significant growth in its business operation and the increasing demand for finance lease arrangement in the People's Republic of China (the "PRC").

Following the Company's further injection of the sum of approximately RMB20.28 million (approximately HK$23.59 million) in cash into Heng He as its registered and paid capital, the Company's interest in Heng He increases to 64.71% accordingly with effect from 26 July 2016.

During the year under review, Heng He continuously earns interest income and has been liaising and negotiating new contracts in order to further explore new clients as well as expanding its finance lease business in more provincial markets within the PRC. However, in light of the expecting transaction size and the prevailing economic environment in the PRC, such progress is slow in pace. Information in respect of the finance lease contracts is disclosed in the below section "FINANCE LEASE CONTRACTS".

** For identification purpose only*

On 22 January 2016, Heng He signed and executed certain necessary documents in relation to the formation of a PRC joint venture company, namely 萬德徵信有限公司 (Merdeka Credit Information Limited*) ("Merdeka Credit"), in which Heng He holds 70% shareholding interests, with 坤艮股權投資基金管理(上海)有限公司 (Kun Gen Equity Investment Fund Management (Shanghai) Limited*) ("Kun Gen") and 上海華皓財務管理有限公司 (Shanghai Hua Hao Financial Management Limited*) ("Hua Hao"). Merdeka Credit is expected to be principally engaged in the provision of various kinds of credit information services to local and overseas institutional investors, financial institutions, regulatory authorities, government departments and economic research houses. Upon its establishment, Merdeka Credit has been accounted for as a subsidiary of the Company and their results will be consolidated into the financial statements of the Group.

Since commencing its money lending business with a valid money lenders licence granted, the Company is able to develop the money lending business as one of its principal lines of business by providing loans in a systematic and repetitive nature in its ordinary course of business, subject to compliance with the requirements in the Money Lenders Ordinance. The Group has been approached by potential borrowers for provision of loans from time to time but management is cautious in making provision of loan to avoid possible bad debts.

Following the completion of the acquisition of Merdeka Capital, a corporation licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO, on 15 July 2016, after the approval granted by the Securities and Futures Commission to become the substantial shareholder of it, the Company has further expanded and diversed into the financial services, subsequently, on 30 August 2016, Xiaxin has officially changed its name to Merdeka Capital.

During the year under review, Merdeka Capital, besides in developing its securities brokerage business, has concluded two transactions in taking up the role as a book-runner as well as a lead manager in respect of issuance of debts listed in Europe. The Group anticipates that this direction would furnish Merdeka Capital with more opportunities in developing a higher returns and, in turn, a more profitable business.

Trading business continues to provide a stable source of revenue to the Group during the year under review and as the business is running steadily but competitive, the Group is expanding its trading business into more variety of consumer products and into more geographical markets within the PRC. The Group's trading outlet is located in Sheung Shui, at where, it is nearer to its customers. The variety of the Group's trading products has been enlarged to confectioneries and pharmacy products. The Group sourced locally and from Japan and other Asia countries in respect of its trading products. Furthermore, after registered as a food importer/food distributor under the Food Safety Ordinance, the Group in the first quarter of 2016 has commenced OEM products from Asia countries that include Japan, Korea and Malaysia. With complimentary effects from the Group's mobile and cloud information technology centre in Mian Yang, a city of Sichuan Province, the PRC, the Group's trading arm, Source Easy Limited ("Source Easy") has been expanding its customer base in the PRC.

** For identification purpose only*

The Group's information technology business remained challenging during the year under review, mainly because of the keen competition and the rapid change in project cycles of the customers. However, the Group is consolidating different acquired entities into a single stream of income and shifting the weight to its 60% owned subsidiary, 綿陽恒達信息科技有限公司 (Mian Yang Heng Da Information Technology Limited*) ("Heng Da"). Currently, Heng Da has been developing mobile and cloud based application software and operating related e-commence platform to trade the Group's consumer products in the PRC for Source Easy's trading products.

During the last quarter of the year under review, Heng Da has franchised a mobile game licence from a provider to market and ran exclusively a mobile game platform in the Mian Yang city of Sichuan, the PRC. This is a small but meaningful step for Heng Da as it would get hold of the hand-on technology and experience in the mobile game industry in the PRC based on its own development on the mobile and cloud based application software.

FINANCE LEASE CONTRACTS

As at 31 December 2016, Heng He had the following major finance lease contracts in the aggregate amount of RMB1,704.5 million. Details of the finance lease contracts are as follows:

	Principal Amount *(RMB'000)*	**Date**	**Tenor**	**Interest rate per annum**
Customer A *(Note 1)*	45,000	3 January 2014	3 years	11.00%
Customer B *(Note 2)*	35,000	3 January 2014	3 years	11.00%
Customer C *(Note 3)*	460	31 March 2015	5 years	11.00%
Customer D *(Note 4)*	200,000	14 August 2015	3 years	6.67%
	200,000	31 August 2015	3 years	6.38%
Customer E *(Note 5)*	44,000	31 August 2015	3 years	11.00%
Customer F *(Note 6)*	1,000,000	1 August 2016	2 years	5.12%
Customer G *(Note 7)*	65,000	18 August 2016	3 years	6.18%
Customer H *(Note 8)*	115,000	20 October 2016	3 years	5.10%

Notes:

1. A company located in Shanghai which is principally engaged in embroidery processing in the PRC.

2. A company located in Shanghai which is principally engaged in manufacturing of metallic mechanical and electrical products in the PRC.

3. A company located in Shanghai which is principally engaged in the provision of auditing, taxation and business advisory services in the PRC.

4. A company based in the PRC which is principally engaged in the construction of port and transportation infrastructure in Asia, Africa and Europe.

5. A company based in Shanghai which is principally engaged in property development business in the PRC.

6. A company incorporated in the PRC which is a prime contractor company specialized in offshore engineering, construction, repair and conversion.

7. A company incorporated in the PRC which engages in digital networking and information technology development.

8 A company incorporated in the PRC which specialized in the provision of heat supply and industrial use steam.

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Apart from the equity fund raising activity mentioned below, the Company had not conducted any other equity fund raising activities in the past 12 months immediately preceding the date of this report:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
14 March 2016 and 31 March 2016	Placing of up to 125,000,000 new Shares at HK$0.119 per Share under general mandate	HK$14.00 million	(i) as to not less than HK$11.20 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the finance lease business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC; and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debt	Approximately HK$12.00 million has been used for the capital injections into Heng He, the remaining has been utilized as intended
8 June 2016	Placing of up to 270,000,000 new Shares at HK$0.092 per Share under general mandate	HK$23.90 million	(i) as to not less than HK$19.14 million for the capital injection into Heng He as its general working capital to facilitate the expansion of the finance lease business, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC; and (ii) the remaining for the strengthening of the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities or any future needs in repaying its outstanding debt	Approximately HK$20.00 million has been used for the capital injection into Heng He. The remaining is deposited in bank and will be applied as intended

OUTLOOK

Looking forward to year 2017 and after, the Group will continue to focus on the development of financial services business in both PRC and Hong Kong.

The Directors believe that the acquisition of Hang He allowed the Group, without setting up a new financing company, to further develop its financing related business in the PRC through a direct working capital injection, and subsequently to enjoy the benefits of the capital leverage in Heng He. Furthermore, in view of the growth potential of the finance lease industry in the PRC, the Directors consider that this acquisition will enhance the performance of the Group and the return to the Shareholders as a whole.

It is anticipated that more transactions would be concluded in the future by Heng He after the Company and its effort in adapting to the required disclosure as required by and set forth in the GEM Listing Rules.

During its business process, Heng He had developed its credit rating system that was compatible to those used by the other financial institutions, including banks, and government organizations. As a results, it is sensible for it to invest and explore and diverse into the formation of Merdeka Credit, which is to carry out a business to be principally engaged in the provision of various kinds of credit information services to local and overseas institutional investors, financial institutions, regulatory authorities, government departments and economic research houses. The Directors considered that it would be in the interests of the Company and its Shareholders as a whole for Heng He to expand into business that is relating to its own finance lease business, which in turn will be beneficial to the Group by increasing its revenue and profits. The Directors expect that the establishment of Merdeka Credit will bring to Heng He a new source of income and in turn benefit the Company and its Shareholders as a whole in the longer term.

Regarding the money lending business, the Company continuously receives enquiries from various customers, however, the Company is cautious in concluding the transactions in order to control the risk in money-laundering as well as, the risk of bad debt. It is expected that the income from money lending business will grow steadily and healthily.

After the completion of the acquisition of Merdeka Capital, the Company has further expanded and diversified into the financial services by having a 100% indirect owned subsidiary in securities business.

To build on its success in the debt financing business in Europe, Merdeka Capital also taking advantage in the Group's appearance in the PRC by co-operation with the debt financing and issuance experts in listing debts issued by the PRC corporations on the stock exchanges worldwide. Merdeka Capital would continuously focusing on the role of book-runner and lead managers on these financing exercise of the significant sizes PRC corporations.

To cope with the Group's strategy in exploring the China market, the Board is studying the possibilities for Merdeka Capital to apply for the certificate of Hong Kong service suppliers which is the first step in applying for the preferential treatment under Mainland and Hong Kong closer economic partnership arrangement ("CEPA"). Under CEPA, it is anticipated that Merdeka Capital may enjoy preferential treatment when setting up business in its relevant sector in the Mainland China and is vigorously planning to establish strategic partnership co-operations with certain Mainland financial institutes of relevant business in sharing commercial resources in the extensive areas, including products and customer paths, for mutual developments.

In order to complement the Type 1 regulated activity currently undertaken by Merdeka Capital and to explore the opportunities in the asset management business to potential overseas clients through the overseas network of the Group in the near future, on 7 February 2017 (after trading hours), the Group, through, a wholly-owned subsidiary, entered into a sale and purchase agreement to acquire 51% of the issued share capital of Heng Asset Management Limited ("Heng"), a company principally engages in the provision of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

The Directors consider that the participation in Heng by acquiring 51% of its share capital would enable the Group to further provide more comprehensive financial services through direct investment in and hands-on management and operation of Heng. The Board observes that the current condition in the investment advisory market is highly competitive but at the same time there are promising opportunities in the market. This is evidenced by continuous increasing number of Type 4 and Type 9 licensed corporation application to the SFC. If the acquisition is completed, the Group is expected to take advantage of the future growth in capital markets and continuous products development, by diversifying its business further within the financial services sector, in particular the asset management business and to broaden the Group's revenue base.

Furthermore, to enjoy the competitive advantages of the Group in the information technology as well as in the mobile application, Merdeka Capital is going to build, basing on its existing online financial services, an ultimately computerized automatic trading platform with mobile application supports as well as a professional information announcing and broadcasting platform for Hong Kong stocks and the stock market, so as to promote its business everywhere in Hong Kong as well as in the China market.

Trading business is expected to continuously providing a stable source of revenue to the Group and it is anticipate that the Group is continuously expanding its trading business into more variety of consumer products and into more geographical markets within the PRC. The Group is also commencing to OEM its trading products from various Asian countries including Japan, Korea and Malaysia.

For the information technology business, revenue would be mainly driven by the additional contribution from the consolidation of different acquired entities into a single stream of income. Complementing the trading business with its information technology business, the Group intends to commence trading consumer products into the PRC through its customers there by developing mobile and cloud based application software and operating related e-commence platform in the PRC. Another opportunity to complement the business of the Group lied on the development of mobile and cloud based applications in relation to the financial services provided or to be provided by the Group, in terms of, namely, finance lease, money lending and securities business in accordance with the permission under the laws of Hong Kong and the PRC.

CONVERTIBLE BONDS

Further to the 2017 CBs which was issued by the Company on 12 August 2008 as part of the consideration for the acquisition of forest concessions in Papua, Indonesia, upon the completion of the acquisition of the entire issued share capital of Blossom Height, the Company issued 2018 CBs in the principal amount of HK$40 million to the vendor, Yihua Enterprises Limited as part of the relevant consideration.

As at 31 December 2016, the Company had outstanding 2017 CBs of aggregate principal amount of approximately HK$124.1 million convertible into 335,681,818 Shares and 2018 CBs of aggregate principal amount of HK$40 million which will be compulsorily converted into 173,913,043 Shares.

Furthermore, on 20 January 2017 (after trading hours), the Company and the bondholders of the 2017 CBs entered into the third supplemental deed, for (a) extending the maturity date of the 2017 CBs for 3 years from 12 August 2017 to 12 August 2020; (b) amending the conversion price of the 2017 CBs from HK$0.3696 per Share to HK$0.095 per Share; and (c) inclusion of the following adjustment events to the conversion price: (i) issue of Shares for subscription by way of rights, or a grant of options or warrants to subscribe for Shares, at a price which is less than 80% of the market price per Share to the shareholders of the Company; (ii) issue wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for Shares, if in any case the total effective consideration per Share receivable is less than 80% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% of such market price; and (iii) issue of Shares being made wholly for cash at a price less than 80% of the market price per Share.

The Board is pleased to announce that the proposed resolution in respect of the above mentioned Third Supplemental Deed and the transactions contemplated thereunder was duly passed by the Shareholders by way of poll at an extraordinary general meeting of the Company held on 7 March 2017. Accordingly a maximum of 1,305,978,947 Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding 2017 CBs (now also known as the "2020 CBs" from here onwards, where applicable) in full at the conversion price of HK$0.095 per Share.

PROMISSORY NOTES

The Group had an outstanding principal of promissory notes of approximately HK$52,600,000, which consists of two promissory notes. The promissory note issued pursuant to the agreement in relation to the acquisition of Ever Hero Group Limited in 2014 with an outstanding principal of approximately HK$23,600,000 is charged at interest rate of 2% per annum and the settlement date is 4 April 2017. The promissory note issued pursuant to the agreement in relation to the acquisition of Blossom Height Ventures Limited in 2015 with an outstanding principal of approximately HK$29,000,000 is non-interest bearing and the settlement date is 21 April 2018.

LITIGATION

On 22 January 2015, the Company announced that a writ of summons was issued in the Court of First Instance of the High Court of Hong Kong by Au Kai To Karel, as the plaintiff claiming against (i) End User Technology Limited, an indirect wholly-owned subsidiary of the Company, as the 1st Defendant; (ii) the Company, as the 2nd Defendant; and (iii) Lau Chi Yan Pierre, the managing director and executive director of the Company, as the 3rd Defendant for, inter alia, (1) specific performance of an agreement dated 2 May 2013 in relation to a discloseable transaction of the Company (details of which were disclosed in the announcement of the Company dated 2 May 2013); or (2) alternatively, the damages in the sum of HK$8,000,000 in lieu of specific performance; and (3) the interest; (4) further and/or other relief; and (5) the costs. The Company have instructed legal representative to handle the matter, and was advised that the claim does not have merits as the agreement had been duly and completely performed. The three defendants, namely the Company, its subsidiary and Mr. Lau Chi Yan, Pierre have filed the relevant statements of defence and counterclaim with the High Court accordingly. On 3 August 2016, the parties attended the mediation as ordered by court, but the mediation failed. Formal trial will be held in late 2017.

PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF BLOSSOM HEIGHT VENTURES LIMITED

On 21 April 2015, the Group completed the acquisition of the entire issued capital of Blossom Height Ventures Limited, investment of which is primarily in the shareholding interests in Hang He, and in accordance with the terms of the relevant acquisition agreement dated 31 October 2014, the Vendor has given to and for the benefit of the Purchaser a profit guarantee that the consolidated net profit after taxation and any extraordinary and exceptional items for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than HK$10 million.

DISCLOSEABLE TRANSACTION IN RELATION TO THE FINANCE LEASE AGREEMENT

As disclosed in the Company's announcement dated 20 January 2017 (the "FL Announcement"), on 20 January 2017 (after trading hours), Heng He, entered into a finance lease agreement (the "Finance Lease Agreement") with 上海長城電腦繡花有限公司(Shanghai Zhang Cheng Computerized Embroidery Company Limited*) (the "Lessee"), pursuant to which Heng He conditionally agreed to purchase the Leased Assets (as defined therein the FL Announcement) from the Lessee at a total consideration of RMB25 million (approximately HK$27.50 million), which would be leased back to the Lessee at the aggregate lease receivables of approximately RMB28.85 million (approximately HK$31.73 million) for a term of 3 years, commencing on the date of payment of the consideration for the Leased Assets.

As one or more of the applicable percentage ratios calculated under the GEM Listing Rules in respect of the Finance Lease Agreement exceed 5% but are less than 25%, the transaction contemplated under the Finance Lease Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

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THE PROPOSED ACQUISITION OF 51% OF THE ISSUED SHARES IN HENG

On 7 February 2017 (after trading hours), the Company through a wholly-owned subsidiary entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to acquire 51% of the issued share capital of Heng (the "Acquisition") at a consideration of HK$10,000,000 which will be settled by the allotment and issue of the consideration Shares by the Company to the vendor or its nominee upon completion of the transaction.

As the applicable ratios under Chapter 19 of the GEM Listing Rules exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules.

An extraordinary general meeting will be convened and held on 24 March 2017 for the purpose of considering and, if thought fit, approving, the sale and purchase agreement and the transactions contemplated thereunder including the grant of the specific mandate to allot and issue the consideration Shares. A circular containing, among other things, (i) further details of the sale and purchase agreement; and (ii) a notice convening the extraordinary general meeting, was despatched to the Shareholders by the Company on 8 March 2017.

DISPOSAL OF SUBSIDIARIES

On 30 November 2016, the Company entered into a sale and purchase agreement (the "Agreement") to the disposal of 100% equity interest in Merdeka Timber Group Ltd. together with its subsidiaries (the "Disposal Group") (the "Disposal").

The Disposal Group is principally engaged in the forestry and plantation businesses. Following the Disposal, the Company will cease to have a shareholding interest in the Disposal Group.

As the percentage ratios as defined under the GEM Listing Rules in respect of the Disposal are less than 5%, it did not constitute a notifiable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

As explained in the annual report of the Company dated 11 March 2016, the Group's forestry project in Indonesia was suspended with no revenue generated from it. It is expected that the Disposal, will enable the Group to concentrate its resources in its other existing business segments, including finance lease, securities and money lending, and/or other higher return potential investment to enhance the value of the Company and the Shareholders as a whole.

CHANGE OF DIRECTORSHIP AND COMMITTEE MEMBERS

Mr. Yip Kat Kong, Kenneth, due to his need in concentrating in the development of his own business, has resigned as an independent non-executive director of the Company with effect from 27 February 2017, and accordingly, his appointment as a member of the nomination committee, a member of the remuneration committee and as a member of the audit committee of the Company has been revoked with effect from 27 February 2017.

Mr. Au-yeung Sei Kwok was appointed as an independent non-executive director of the Company with effect from 27 February 2017 and he was also appointed as a member of the nomination committee, a member of the remuneration committee and as a member of the audit committee of the Company with effect from 27 February 2017.

The Board welcomes Mr. Au-yeung in joining the Company and thanks Mr. Yip for his contributions to the Company and the Group during his tenure of office.

APPRECIATION

I would like to express my gratitude to our management team and all staff for their hard work in the execution of the Group's strategies and operations during the past year. As approved by the shareholders in the annual general meeting held on 3 May 2012, the Company adopted a share option scheme, which could provide incentives and rewards to eligible participants for their contribution to the Group. Last but not the least, I wish to thank all shareholders, customers, suppliers, business partners, bankers, government authorities for their continuous support and confidence in the Group.

Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong
10 March 2017

ANNUAL RESULTS

The Board is pleased to announce that the consolidated annual results of the Group for the year ended 31 December 2016, together with the comparative figures for the previous year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
REVENUE	*4*	**256,232**	131,398
Cost of sales		**(229,411)**	(112,685)
Gross profit		**26,821**	18,713
Other income, other gains and losses	*4*	**(7,679)**	(206)
Operating expenses		**(22,191)**	(15,247)
Administrative expenses		**(12,824)**	(9,603)
Impairment of forest concessions		**–**	(29,000)
Impairment of trade receivables		**(3)**	(1,671)
Impairment of goodwill		**–**	(37,159)
Written off of bad debts		**(117)**	(2,233)
Written off of inventories		**(435)**	(1,249)
Equity-settled share option expenses		**–**	(26,400)
Loss from operations		**(16,428)**	(104,055)
Finance costs	*5*	**(19,782)**	(16,518)
Share of results of an associate		**–**	1,185
LOSS BEFORE TAX	*6*	**(36,210)**	(119,388)
Income tax	*7*	**(3,938)**	(4,004)
LOSS FOR THE YEAR		**(40,148)**	(123,392)
Loss for the year attributable to:			
Owners of the Company		**(42,617)**	(124,944)
Non-controlling interests		**2,469**	1,552
		(40,148)	(123,392)
LOSS PER SHARE			
Basic and diluted	*9*	**(HK$0.026)**	(HK$0.124)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(40,148)**	(123,392)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translating of financial statements of overseas subsidiaries	**(14,689)**	(5,512)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(54,837)**	(128,904)
Total comprehensive loss attributable to:		
Owners of the Company	**(51,098)**	(129,024)
Non-controlling interests	**(3,739)**	120
	(54,837)	(128,904)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**4,664**	5,841
Statutory deposit		**510**	–
Intangible assets		**2,805**	–
Available-for-sale investments		**1,475**	10,036
Finance lease receivables	*10*	**1,869,445**	530,520
Total non-current assets		**1,878,899**	546,397
Current assets			
Inventories		**2,726**	3,952
Trade receivables	*11*	**6,867**	4,854
Loan receivables	*12*	**3,300**	7,451
Prepayments, deposits and other receivables		**62,853**	13,790
Finance lease receivables	*10*	**31,873**	488,077
Bank balances -Trust accounts		**5,206**	–
Bank balances and cash - general accounts		**63,347**	52,839
Total current assets		**176,172**	570,963
Total assets		**2,055,071**	1,117,360
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*13*	**1,620**	1,225
Reserves		**1,681**	14,454
		3,301	15,679
Non-controlling interests		**88,039**	68,015
Total equity		**91,340**	83,694

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Contineud)
As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Deferred tax liabilities		**463**	–
Convertible bonds		–	100,205
Promissory notes		**24,238**	47,627
Finance lease obligation due more than one year		**1,026**	1,968
Bank borrowings due more than one year	*14*	**1,691,649**	477,600
Total non-current liabilities		**1,717,376**	627,400
Current liabilities			
Bank borrowings due within one year	*14*	**4,036**	374,224
Finance lease obligation due within one year		**942**	899
Convertible bonds		**114,400**	–
Promissory notes		**26,164**	–
Trade payables	*15*	**40,425**	19,869
Other payables and accruals		**57,299**	7,772
Tax payables		**3,089**	3,502
Total current liabilities		**246,355**	406,266
Total liabilities		**1,963,731**	1,033,666
Total equity and liabilities		**2,055,071**	1,117,360
Net current (liabilities) / assets		**(70,183)**	164,697
Net assets		**91,340**	83,694

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Issued capital	**Share premium account**	**Contributed surplus**	**Equity component of convertible bonds**	**Share option reserve**	**Capital reduction reserve**	**Exchange fluctuation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		*	*	*	*	*	*	*			
As at 1 January 2015	30,643	810,692	66,710	22,728	963	132,931	(54)	(1,051,679)	12,934	(9,472)	3,462
Changes in equity for 2015											
Loss for the year	–	–	–	–	–	–	–	(124,944)	(124,944)	1,552	(123,392)
Other comprehensive loss	–	–	–	–	–	–	(4,080)	–	(4,080)	(1,432)	(5,512)
Total comprehensive loss	–	–	–	–	–	–	(4,080)	(124,944)	(129,024)	120	(128,904)
Issue of new shares upon placing	76	8,868	–	–	–	–	–	–	8,944	–	8,944
Issue of offer shares	766	65,272	–	–	–	–	–	–	66,038	–	66,038
Acquisition of subsidiaries	–	–	–	30,387	–	–	–	–	30,387	77,367	107,754
Capital reduction of issued shares	(30,260)	–	–	–	–	30,260	–	–	–	–	–
Grant of share options	–	–	–	–	26,400	–	–	–	26,400	–	26,400
As at 31 December 2015 and 1 January 2016	1,225	884,832	66,710	53,115	27,363	163,191	(4,134)	(1,176,623)	15,679	68,015	83,694
Changes in equity for 2016											
Loss for the year	–	–	–	–	–	–	–	(42,617)	(42,617)	2,469	(40,148)
Other comprehensive loss	–	–	–	–	–	–	(8,415)	(66)	(8,481)	(6,208)	(14,689)
Total comprehensive loss	–	–	–	–	–	–	(8,415)	(42,683)	(51,098)	(3,739)	(54,837)
Issue of new shares upon placing	395	38,271	–	–	–	–	–	–	38,666	–	38,666
Forfeiture of share options	–	–	–	–	(35)	–	–	35	–	–	–
Distribution of reserves	–	–	–	–	–	–	–	–	–	(6,666)	(6,666)
Non-controlling interests contribution for formation of a subsidiary	–	–	–	–	–	–	–	–	–	18,036	18,036
Disposal of subsidiaries	–	–	–	–	–	–	54	–	54	12,393	12,447
As at 31 December 2016	1,620	923,103	66,710	53,115	27,328	163,191	(12,495)	(1,219,271)	3,301	88,039	91,340

* These reserve accounts comprise the consolidated reserves of approximately HK$1,681,000 (2015: (HK$14,454,000)) in the consolidated statement of financial position.

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The adoption of new and revised HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in Note 2.

The consolidated financial statements have been prepared under historical cost convention except for certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2. NEW AND REVISED HKFRSS APPLIED

The Group has adopted the following revised standards for the first time for the current year's financial statements.

a) Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The Company is not an investment entity. Also, given that the Company is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

b) Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The amendments also require that a joint operator to disclose the relevant information required by HKFRS 3 and other standards for business combinations. The amendments require prospective application; prospectively in annual periods beginning on or after 1 January 2016. The Group did not have any such transactions in the current year and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

c) Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material (even if the HKFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasize that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As required by the amendments, the share of other comprehensive income of associates and joint ventures had been separately presented and had been separated into (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. Other than such a change in presentation, the application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

d) Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue-based amortisation is not an appropriate basis for amortisation of an intangible asset. The amendments states that such a presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or

- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

With regard to the Group's property, plant and equipment and intangible assets, the Group did not use revenue-based depreciation method and hence the amendments have not have any impact on the Group's financial position and financial performance. Rather, the Group has been using the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

e) Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments define a bearer plant that is a living plant that:

a) is used in the production or supply of agricultural produce;

b) is expected to bear produce for more than one period; and

c) has a remote likelihood of being sold as agricultural produce except for incidental scrap sales.

The amendments require that biological assets that meet the definition of a bearer plant should be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

f) Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarized below.

Firstly, the amendments to HKFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply.

Secondly, the amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Thirdly, the amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the Group's consolidated financial statements.

3. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on its products and services and has the reportable operating segments as follows:

(a) the trading business segment is engaged in the trading of goods, components and accessories;

(b) financial services business segment is engaged in provision of finance lease services, provision of money lending services and provision of securities services;

(c) the information technology business segment is engaged in distributorship of information technology products and the provision of relevant technical support services; and

(d) other business segment is engaged in servicing business, such as training course provision.

During the year ended 31 December 2016, the forestry business segment had been ceased upon the disposal of subsidiary. Executive directors of the Company, who are the chief operating decision makers, monitor the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit / loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit / loss before tax except that interest income, finance costs, equity-settled share option expenses, as well as head office and corporate expenses are excluded from such measurement.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arose from the depreciation or amortisation of assets attributable to those segments.

Segment assets include non-current assets and current assets with the exception of certain assets unallocated to an individual reportable segment.

Segment liabilities include non-current liabilities and current liabilities with the exception of tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

For the year ended 31 December 2016

HK$'000	Trading business	Financial services business	Information Technology business	Others	Total	Unallocated	Group Total
Segment revenue:							
Revenue from external customers	175,290	80,274	628	40	256,232	–	256,232
Segment profit/(loss)	(675)	11,694	(1,774)	(28)	9,217	(493)	8,724
Interest income	–	67	1	–	68	23	91
Finance costs	(191)	(1)	–	–	(192)	(19,590)	(19,782)
Loss on disposal of subsidiaries	–	–	–	–	–	(10,370)	(10,370)
Other expenses	–	–	–	–	–	(14,873)	(14,873)
Profit/(loss) before tax	(866)	11,760	(1,773)	(28)	9,093	(45,303)	(36,210)
Addtions to non-current assets	15	1,032	–	–	1,047	20	1,067
Impairment of trade receivables	–	–	–	(3)	(3)	–	(3)
Written off of inventories	(435)	–	–	–	(435)	–	(435)
Written off of bad debts	–	–	(109)	–	(109)	(8)	(117)
Depreciation of property, plant and equipment	(96)	(689)	(70)	–	(855)	(1,306)	(2,161)

For the year ended 31 December 2015

HK$'000	Trading business	Financial services business	Information Technology business	Others	Total	Unallocated	Group Total
Segment revenue:							
Revenue from external customers	93,141	32,214	5,535	508	131,398	–	131,398
Operating profit/(loss)	(4,330)	10,019	(38,914)	(13)	(33,238)	(29,000)	(62,238)
Interest income	–	20	1	–	21	79	100
Gain from bargain purchase arising on acquisition of subsidiaries	–	–	–	–	–	2,231	2,231
Finance costs	–	–	–	–	–	(16,518)	(16,518)
Share of result of an associate	–	1,185	–	–	1,185	–	1,185
Equity-settled share option expenses	–	–	–	–	–	(26,400)	(26,400)
Other expenses	–	–	–	–	–	(17,748)	(17,748)
Profit/(loss) before tax	(4,330)	11,224	(38,913)	(13)	(32,032)	(87,356)	(119,388)
Additions to non-current assets	182	1,156	120	–	1,458	1,485	2,943
Impairment of forest concessions	–	–	–	–	–	(29,000)	(29,000)
Impairment of trade receivables	(1,671)	–	–	–	(1,671)	–	(1,671)
Impairment of goodwill	–	–	(37,159)	–	(37,159)	–	(37,159)
Impairment of inventories	(113)	–	–	–	(113)	–	(113)
Written off of inventories	(1,249)	–	–	–	(1,249)	–	(1,249)
Written off of bad debts	(2,233)	–	–	–	(2,233)	–	(2,233)
Depreciation of property, plant and equipment	(67)	(148)	(64)	–	(279)	(1,552)	(1,831)

As at 31 December 2016

HK$'000	**Trading business**	**Financial service business**	**Information Technology business**	**Other business**	**Total**	**Unallocated**	**Group Total**
Segment assets	14,738	2,019,819	4,942	289	2,039,788	–	2,039,788
Cash and cash equivalents	–	–	–	–	–	2,171	2,171
Other assets	–	–	–	–	–	13,112	13,112
Total assets	14,738	2,019,819	4,942	289	2,039,788	15,283	2,055,671
Segment liabilities	(4,228)	(1,780,982)	(2,436)	–	(1,787,646)	–	(1,787,646)
Convertible bonds	–	–	–	–	–	(114,400)	(114,400)
Promissory notes	–	–	–	–	–	(50,402)	(50,402)
Other liabilities	–	–	–	–	–	(11,283)	(11,283)
Total liabilities	(4,228)	(1,780,982)	(2,436)	–	(1,787,646)	(176,085)	(1,963,731)

As at 31 December 2015

HK$'000	Trading business	Financial service business	Information Technology business	Other business	Total	Unallocated	Group Total
Segment assets	12,694	1,073,223	5,983	282	1,092,182	–	1,092,182
Cash and cash equivalents	–	–	–	–	–	18,118	18,118
Other assets	–	–	–	–	–	7,060	7,060
Total assets	12,694	1,073,223	5,983	282	1,092,182	25,178	1,117,360
Segment liabilities	(1,428)	(874,815)	(2,962)	(3)	(879,208)	(77)	(879,285)
Convertible bonds	–	–	–	–	–	(100,205)	(100,205)
Promissory notes	–	–	–	–	–	(47,627)	(47,627)
Other liabilities	–	–	–	–	–	(6,549)	(6,549)
Total liabilities	(1,428)	(874,815)	(2,962)	(3)	(879,208)	(154,458)	(1,033,666)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**177,414**	99,546
Mainland China	**78,818**	31,852
	256,232	131,398

The revenue information is based on the location of the customers.

(b) Non-current assets

property, plant and equipment

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**3,383**	4,851
Mainland China	**1,281**	990
	4,664	5,841

The non-current asset information above is based on the location of assets.

Information about major customers

Revenues from customers contributing 10% or more of the total sales of the Group are as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Customer A – revenue from trading business – Hong Kong	**110,836**	–
Customer B – revenue from financial services business – Hong Kong	**26,392**	–
Customer C – revenue from trading business – Hong Kong	**–**	19,411
	137,228	19,411

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, the value of services rendered and interest income from financial services business during the year. An analysis of revenue and other income is as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Revenue:		
Revenue from trading business	**175,290**	93,141
Revenue from information technology business	**628**	5,535
Revenue from financial services business	**80,274**	32,214
Others	**40**	508
	256,232	131,398
Other income, other gains and losses:		
Interest income on bank deposit	**91**	100
Investment income	**1,299**	–
Gain on bargain purchase arising from acquisition of a subsidiary	**–**	2,231
Loss on early redemption of promissory notes	**(493)**	(2,549)
Loss on promissory notes arising on set off against other financial assets	**–**	(464)
Loss on disposal of subsidiaries	**(10,370)**	–
Sundry income	**1,794**	476
	(7,679)	(206)

5. FINANCE COSTS

	Year ended 31 December 2016 HK$'000	2015 HK$'000
Imputed interest charge on convertible bonds *(note 1)*	**14,195**	12,402
Imputed interest charge on promissory notes	**4,810**	3,317
Coupon interest charge on promissory notes	**472**	658
Interest charge on bank borrowings	**57,971**	18,480
Interest charge on finance lease obligation *(note 2)*	**113**	141
	77,561	34,998
Less: interest charge on bank borrowings included in cost of sales for financial services business	**(57,779)**	(18,480)
	19,782	16,518

Notes:

(1) The charge represents the imputed interest on the liability component of the convertible bonds for the year.

(2) Interest on financing the acquisition of motor vehicles.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Year ended 31 December 2016 HK$'000	2015 HK$'000
(a) Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	**13,390**	9,019
Equity-settled share-option expenses	**–**	26,400
Pension scheme contributions	**218**	163
	13,608	35,582
(b) Other items:		
Auditors' remuneration – Audit services	**756**	720
Depreciation of property, plant and equipment	**2,161**	1,831
Operating lease payments in respect of office premises	**2,446**	2,384
Loss on disposal of property, plant and equipment	–	13
Impairment of inventories	**–**	113
Written off of inventories	**435**	1,249
Written off of bad debts	**117**	2,233

7. INCOME TAX

Hong Kong Profits Tax was calculated at 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong for both years. The PRC enterprise income tax has been provided at the rate of 25% (2015: 25%). Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong profits tax:		
– current year	**463**	–
– (over) / under provision in prior years	**(20)**	1,828
PRC enterprise income tax:		
– current year	**3,353**	2,176
– under provision in prior years	**142**	–
	3,938	4,004

The tax charge for the year can be reconciled to the loss before tax:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Loss before tax	**(36,210)**	(119,388)
Tax at the applicable tax rate	**(5,975)**	(19,699)
Income not subject to tax	**(1,451)**	(6,354)
Expenses not deductible for tax purpose	**2,454**	17,578
Tax losses not recognised	**7,404**	10,066
Effect of different taxation rates of other countries	**847**	585
Deferred taxation	**537**	–
Tax under provided	**122**	1,828
Tax charge at the Group's effective rate	**3,938**	4,004

As at 31 December 2016, the Group has unused tax losses of approximately HK$183,487,000 (2015: HK$138,776,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

8. DIVIDEND

No dividend has been paid or declared by the Company during the year (2015: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of basic and diluted loss per share is based on:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation	**(42,617)**	(124,944)
	Number of shares (thousands)	
Shares		
Weighted average number of ordinary shares in issue during the year	**1,457,526**	836,482
Effect of mandatorily convertible bonds	**173,913**	173,913
Weighted average number of ordinary shares for the purpose of calculating loss per share	**1,631,439**	1,010,395

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of the convertible bonds and share options outstanding had an anti-dilutive effect on the basic loss per share.

10. FINANCE LEASE RECEIVABLES

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current finance lease receivables	**31,873**	488,077
Non-current finance lease receivables	**1,869,445**	530,520
	1,901,318	1,018,597

Amount receivable under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**123,258**	521,179	**31,873**	488,077
In more than one year but not more than two years	**1,755,021**	31,628	**1,673,886**	110
In more than two years but not more than five years	**201,870**	561,942	**195,559**	530,410
	2,080,149	1,114,749	**1,901,318**	1,018,597
Unearned finance income	**(178,831)**	(96,152)	**N/A**	N/A
Present value of minimum lease payment	**1,901,318**	1,018,597	**1,901,318**	1,018,597

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The interest rates of the above finance leases range from 4.81% to 9.40% per annum (2015: 3.31% to 9.40%).

Finance lease receivable balances are secured over the equipment held by the lessee. The Group is not permitted to sell or repledge the collateral in the absence of default by the leasee.

The finance lease receivables as at 31 December 2016 and 31 December 2015 are neither past due nor impaired.

11. TRADE RECEIVABLES

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**6,867**	4,854

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures established to monitor credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**3,401**	1,577
31 to 60 days	**7**	33
61 to 120 days	**42**	977
Over 120 days	**3,417**	2,267
	6,867	4,854

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Not impaired	**6,867**	4,854

Receivables that were not impaired relate to customers for whom there were no recent history of default. The Group does not hold any collateral over these balances.

12. LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business during the year.

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by personal guarantees by the debtors/certain individuals. Overdue balances are reviewed regularly and handled closely by senior management.

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Repayable:		
Within 3 months	**3,300**	2,100
3 months to 1 year	**–**	5,351
	3,300	7,451

The aged analysis of the loan receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**900**	5,901
1 to 3 months past due	**2,400**	1,550
	3,300	7,451

The interest rate was fixed at the contract date. The average interest rate was at 1% to 2.5% per month as at 31 December 2016 (2015: 1% to 2.5% per month).

Loan receivables that were neither past due nor impaired relate to certain debtors for whom there was no recent history of default.

Loan receivables that were past due but not impaired relate to an independent debtor. The directors of the Company are of the opinion that no provision for impairment is necessary as the balance is considered fully recoverable.

13. SHARE CAPITAL

		Company	
		Number of shares	**Nominal values**
	Notes	*in '000*	*HK$'000*
Authorised:			
As at 1 January 2015			
Ordinary shares of HK$0.08 each		2,500,000	200,000
Share sub-division	*a(i)*	197,500,000	–
As at 31 December 2015, 1 January 2016 and 31 December 2016			
Ordinary shares of HK$0.001 each		200,000,000	200,000
Issued and fully paid:			
As at 1 January 2015			
Ordinary shares of HK$0.08 each		383,031	30,643
Capital reduction	*a(ii)*	–	(30,260)
Ordinary shares of HK$0.001 each		383,031	383
Issue of offer shares	*b*	766,063	766
Issue of shares under general mandate	*c*	76,000	76
As at 31 December 2015 and 1 January 2016			
Ordinary shares of HK$0.001 each		1,225,094	1,225
Issue of shares under general mandate	*d*	395,000	395
As at 31 December 2016			
Ordinary shares of HK$0.001 each		1,620,094	1,620

Notes:

(a) On 6 January 2015, the Company's proposal on the capital reorganization ("Capital Reorganisation") became effective. The Capital Reorganisation involved the following:

(i) each authorised but unissued share of the Company was subdivided into eighty shares so that the nominal value of each unissued share was reduced from HK$0.08 to HK$0.001 each; and

(ii) the paid up capital of each issued share was reduced from HK$0.08 to HK$0.001 by cancelling the paid up capital to the extent of HK$0.079 so as to form a new share with nominal value of HK$0.001 each.

(b) On 10 August 2015, the Company issued offer shares on the basis of two offer shares for every one existing share held on 16 July 2015, at the subscription price of HK$0.09 per offer share with nominal value of HK$0.001 each, resulting in net proceeds of approximately HK$66.22 million, which would be used for (i) as to not less than 80% for the capital injection into Heng He as its general working capital to facilitate the expansion of the finance lease business and (ii) the remaining net proceeds for strengthening the general working capital base of the Company to develop its existing information technology and trading businesses and/or to finance any future investment opportunities.

(c) On 17 August 2015, the Company entered into a General Mandate ("GM") placing agreement with a placing agent whereby the Company conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 76,000,000 Placing Shares, to not less than six placees at a price of HK$0.120 per GM placing share. The net proceeds of approximately HK$8.5 million from GM placing shares would be used for strengthening the general working capital to finance the business development and to finance any future investment opportunities of the Company.

(d) On 14 March 2016, the Company entered into a General Mandate ("GM") placing agreement with a placing agent whereby the Company conditionally agreed to place through the placing agent, on a best endeavour basis, up to 245,000,000 Placing Shares, to not less than six placees at a price of HK$0.119 per GM placing share. On 31 March 2016, the Company entered into a supplemental agreement with the placing agent to reduce the number of placing shares to 125,000,000. On 8 April 2016, 125,000,000 new shares were placed. The net proceeds of approximately HK$14.3 million would be used for the capital injections into Heng He and the remaining for general working capital.

And on 8 June 2016, the Company entered into another GM placing agreement with a placing agent whereby the Company conditionally agreed to place through the placing agent, on a best endeavour basis, up to 270,000,000 Placing shares, to not less than six placees at a price of HK$0.092 per GM placing share. On 24 June 2016, 270,000,000 new shares were placed. The net proceeds of approximately HK$24.3 million would be used for capital injection into Heng He and the remaining for general working capital.

14. BANK BORROWINGS

	Notes	As at 31 December 2016 HK$'000	2015 HK$'000
Fixed rate:			
Secured bank borrowings – repayable on demand	*a*	**206**	206
Secured bank borrowings – due within one year	*b*	**3,830**	374,018
		4,036	374,224
Secured bank borrowings			
– due more than one year, but not more than three years	*b*	**1,691,649**	477,600
		1,695,685	851,824

Notes:

a The bank borrowings were secured by a personal guarantee given by a former director of a subsidiary of the Company. The interest rate of this bank borrowing was charged at 0.88% flat per month.

b Bank borrowings obtained in the PRC were secured by the finance lease assets held by the leasee with the carrying value of approximately RMB1,858.1 million (equivalent to approximately HK$2,074.7 million), as at 31 December 2016 (2015: RMB802.1 million (equivalent to approximately HK$957.8 million)). The interest rate of the bank loans were ranged from 4.9% to 6.3% per annum (2015: 5.1% to 6.3% per annum).

Included therein, a general banking facility amounted to HK$7.0 million was secured by a time deposit of HK$4.0 million. The facility was utilised to the extent of approximately HK$3.8 million as at 31 December 2016 (31 December 2015: Nil). This general banking facility is subject to the fulfilment of covenants relating to certain of the security coverage ratios, as are commonly found in lending arrangements with financial institutions. If any of the security coverage ratios shall at any time fall below the level required, the Group shall provide additional security acceptable to the bank and/or reduce the outstanding of the facilities designated by the bank. The Group regularly monitors its compliance with these covenants.

15. TRADE PAYABLES

	As at 31 December	
	2016	2015
	HK$000	*HK$000*
Trade payable from trading business	373	1,057
Trade payable from information technology business	2,052	2,488
Trade payable from financial services business	29,906	16,324
Amount payable arising from the business of dealing in securities		
- Cash clients	6,120	–
- HKSCC	1,974	–
	40,425	19,869

An aged analysis of trade payables arising from business other than dealing in securities as at the end of reporting period based on the invoice date, are as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**29,931**	17,514
31 to 60 days	**–**	236
61 to 120 days	**4**	–
Over 120 days	**2,396**	2,119
	32,331	19,869

FINANCIAL REVIEW

Highlights on financial results

(HK$'000, except percentage figures)	**Year ended 31 December** **2016**	2015
Revenue	**256,232**	131,398
Gross profit	**26,821**	18,713
Gross profit margin	**10.5%**	14.3%
Operating expenses	**(22,191)**	(15,247)
Administrative expenses	**(12,824)**	(9,603)
Non-cash items:		
Depreciation of property, plant and equipment*	**(2,161)**	(1,831)
Impairment of inventories	**–**	(113)
Written off of inventories	**(435)**	(1,249)
Written off of bad debts	**(117)**	(2,233)
Impairment of forest concessions	**–**	(29,000)
Impairment of trade receivables	**(3)**	(1,671)
Impairment of goodwill	**–**	(37,159)
Equity-settled share option expenses	**–**	(26,400)
Loss on early redemption of promissory notes	**(493)**	(2,549)
Loss on promissory notes arising on set off against other financial asset	**–**	(464)
Finance costs of convertible bonds and promissory notes	**(19,005)**	(15,719)
Loss for the year	**(40,148)**	(123,392)
Loss excluding non-cash items**	**(17,934)**	(5,004)

* *In 2016 and 2015, all of the depreciation of property, plant and equipment were included in the operating and administrative expenses.*

** *Loss for the year less non-cash items stated.*

Discussion on financial results

For the year of 2016, the Group's reported revenue increased significantly approximately 95% to approximately HK$256.2 million on a year-on-year basis. The significant increase was contributed by two sources, firstly, the rapid growth in trading business by strengthening the direct sale channel with the bulk purchasers and the local pharmacies. Further, we also enhanced our product mix diversification by trading of more pharmaceutical and imported food products instead of focusing on cosmetic and dairy products in the past. Secondly, the acquisition of finance lease business completed in September 2015 also provided a significant impact to the Group.

The Group's gross profit increased approximately 43.3% to approximately HK$26.8 million on a year-on-year basis. However, the Group's gross profit margin decreased approximately by 3.8% from the year 2015. The increased turnover in the trading business came with lower gross profit margin was the main reason. The consolidation of finance lease business into the financial services business segment contributed approximately HK$22.5 million, representing approximately 8.8% to the Group's gross profit margin. The trading business segment also contributed approximately HK$3.8 million, representing approximately 1.5% to the Group's gross profit margin.

In light of the increasing operating activities carried out during the year, the overall operating and administrative expenses also increased correspondingly to approximately HK$22.2 million and HK$12.8 million respectively. The loss excluding non-cash items also increased approximately HK$12.9 million.

Analysis by business segment

	Year ended 31 December			
(HK$'000)	**2016**	2015	**2016**	2015
	Revenue		**Profit/(loss) before tax**	
Trading business	**175,290**	93,141	**(866)**	(4,330)
Financial services business	**80,274**	32,214	**11,760**	11,224
Information technology business	**628**	5,535	**(1,773)**	(38,913)
Other business	**40**	508	**(28)**	(13)
	256,232	131,398	**9,093**	(32,032)

For trading business, even though it continued to report loss for the year 2016, the loss reduced pretty much by approximately 80% from the reported loss before tax for the year 2015 to approximately HK$ 0.9 million. Also, the revenue increased approximately 88.2% on a year-on-year basis. The result was mainly attributable to increased turnover in dairy products and confectionery.

Since the acquisition of a finance lease services subsidiary in the second half of the year 2015, the financial services business keeps providing satisfactory result in terms of revenue and profit before tax. The reported revenue increased by approximately 149.2% from the reported revenue for the year 2015 to HK$80.3 million. The Group during the year 2016 disposed of a subsidiary which carries out forestry business, therefore no revenue and profit or loss before tax reported.

Continuing from the year 2015, the information technology business kept not performing well due to keen competition in the industry. The reported revenue dropped by approximately 88.7% on a year-on-year basis to approximately HK$0.6 million for the year 2016. As the business activities reduced, the loss before tax also decreased by approximately 95.4% on a year-on-year basis to approximately HK$1.8 million for the year 2016.

Analysis by geographical segment

	Year ended 31 December			
	2016		2015	
(HK$'000, except percentage figures)	**Revenue**	**Proportion**	Revenue	Proportion
Hong Kong	**177,414**	**69.24%**	99,546	75.76%
Mainland China	**78,818**	**30.76%**	31,852	24.24%
	256,232	**100%**	131,398	100%

Highlights on financial position

(HK$'000, except percentage figures)	**As at 31 December** **2016**	2015
Property, plant and equipment	**4,664**	5,841
Statutory deposit	**510**	–
Available–for–sale investments	**1,475**	10,036
Finance lease receivables	**1,901,318**	1,018,597
Trade receivables	**6,867**	4,854
Loan receivables	**3,300**	7,451
Bank balances and cash – general accounts	**63,347**	52,839
Bank borrowings	**(1,695,685)**	(851,824)
Convertible bonds – liability component	**(114,400)**	(100,205)
Promissory notes	**(50,402)**	(47,627)
Finance lease obligation	**(1,968)**	(2,867)
Non-controlling interests	**(88,039)**	(68,015)
Equity attributable to owners of the Company	**3,301**	15,679

Discussion on financial position

The decrease in property, plant and equipment was the net effect of depreciation charge more than addition in motor vehicles and office equipment during the year.

During the year, the Group acquired a subsidiary, which carries out securities business, that led to increase in Statutory deposit, Trade receivables, Bank balances and cash – general accounts.

Significant increase in finance lease receivables was mainly attributed to the three contracts entered into by Heng He during the year and the aggregate principal amount of these contracts was approximately RMB1,180.0 million.

During the year, non-controlling interests increased by approximately HK$20 million. It was mainly attributable to the formation of a PRC joint venture company, namely Merdeka Credit Information Limited with two minority PRC parties who own a total of 30% shareholding interests which led to an increase in non-controlling interests of approximately HK$18 million.

During the year, the Group early partial repaid approximately HK$3 million of the outstanding principal of the promissory note issued in the year of 2015 at cash consideration. The increase was mainly due to imputed interest charge on the two promissory notes was more than the decrease in the carrying amount.

Capital structure and gearing ratio

	Year ended 31 December			
	2016		2015	
	HK$'000	***Proportion***	*HK$'000*	*Proportion*
Total borrowings				
– Bank borrowings	**1,695,685**	**90.88%**	851,824	83.66%
– Convertible bonds (liability component)	**114,400**	**6.13%**	100,205	9.84%
– Promissory notes	**50,402**	**2.70%**	47,627	4.68%
– Finance lease obligation	**1,968**	**0.11%**	2,867	0.28%
	1,862,455	**99.82%**	1,002,523	98.46%
Equity attributable to owners of the company	**3,301**	**0.18%**	15,679	1.54%
Total capital employed	**1,865,756**	**100%**	1,018,202	100%

Significant increase in bank borrowings was in line with the growth of finance lease business during the year.

During the year ended 31 December 2016, there was no conversion or redemption of the convertible bonds. The increase in the convertible bonds was solely due to the addition of the imputed interest during the year. As such, the outstanding principal amount of the convertible bonds remained approximately HK$124.1 million for both years with the maturity date due on 12 August 2017.

There are 2 batches of promissory notes collectively referred as 2014 PN and 2015 PN respectively. As at 31 December 2016, the outstanding principal and coupon interest of the 2014 PN amounted to approximately HK$26.6 million (2015: HK$26.6 million) which will be matured in April 2017. In April 2015, the Company issued the principal amount of HK$32 million of 2015 PN as part of the consideration to acquire the 40% equity interests in Heng He. The 2015 PN will be matured in October 2018. During the year 2016, the Company early repaid partially the outstanding principal of the 2015 PN of approximately HK$3 million. The outstanding principal of 2015 PN amounted to approximately HK$29 million as at 31 December 2016.

Liquidity and financial resources

	As at 31 December	
(HK$'000)	**2016**	2015
Current assets	**176,172**	570,963
Current liabilities	**246,355**	406,266
Current ratio	**0.7**	1.4

As at 31 December 2016, most of the finance lease receivables were non-current assets. On the other hand, due to approaching to maturity in 2017 for the convertible bonds and the promissory note issued in the year of 2014, both were classified as current liabilities. As a result, the current ratio decreased to 0.7 from 1.4 in 2015.

As at 31 December 2016, the Group's bank balances and cash - general accounts amounted to approximately HK$63.3 million (31 December 2015: HK$52.8 million), approximately HK$51.7 million was denominated in RMB. Also, approximately HK$11.4 million, about 18.0% (31 December 2015: 41.5%) were bank balances deposited with credit worthy banks of high credit ratings in Hong Kong, and approximately HK$10.4 million (31 December 2015: 41.1%) was denominated in Hong Kong dollars.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2016, most of the Group's transactions were denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB"). The Group had exposure to the risk of exchange rate fluctuations for RMB on account of its cost of finance lease and information technology operations in the Mainland China. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

Contingent liabilities

As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: Nil).

Acquisition and disposal of subsidiaries and affiliated companies

Details of acquisition and disposal of subsidiaries during the year ended 31 December 2016 are disclosed in the notes to the financial statements of the Annual Report of the Company. Except for those disclosed in the Annual Report, the Group did not acquire or dispose of any material subsidiaries and affiliated companies during the year ended 31 December 2016.

Significant investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2016 (2015: Nil).

Pledge of assets

As at 31 December 2016, the finance lease assets held by the leasees with the carrying value of approximately RMB1,858.1 million (equivalent to approximately HK$2,074.7 million) had been pledged to the bank as security for the loan facilities of the Group (2015: RMB802.1 million (equivalent to approximately HK$957.8 million)).

Capital commitments

As at 31 December 2016, the Group did not have any significant capital commitments (2015: Nil).

Employees and remuneration policy

As at 31 December 2016, the Group employed 35 staff (2015: 35). The Group's remuneration policy is based on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage and performance related bonuses. A share option scheme is also established to reward and motivate the employees of the Group.

Events after the reporting period

(1) On 20 January 2017 (after trading hours), the Company and the bondholders of the 2017 CBs entered into the third supplemental deed, for (a) extending the maturity date of the 2017 CBs for 3 years from 12 August 2017 to 12 August 2020; (b) amending the conversion price of the 2017 CBs from HK$0.3696 per Share to HK$0.095 per Share; and (c) inclusion of the following adjustment events to the conversion price: (i) issue of Shares for subscription by way of rights, or a grant of options or warrants to subscribe for Shares, at a price which is less than 80% of the market price per Share to the shareholders of the Company; (ii) issue wholly for cash of securities convertible into or exchangeable for or carrying rights of subscription for Shares, if in any case the total effective consideration per Share receivable is less than 80% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% of such market price; and (iii) issue of Shares being made wholly for cash at a price less than 80% of the market price per Share.

The proposed resolution in respect of the above mentioned Third Supplemental Deed and the transactions contemplated thereunder was duly passed by the Shareholders by way of poll at an extraordinary general meeting of the Company held on 7 March 2017. Accordingly a maximum of 1,305,978,947 Shares will be allotted and issued upon exercise of the conversion rights attached to the outstanding 2017 CBs (also known as the 2020 CBs) in full at the conversion price of HK$0.095 per Share.

(2) On 20 January 2017 (after trading hours), Heng He, entered into a finance lease agreement (the "FL Announcement") with 上海長城電腦繡花有限公司 (Shanghai Zhang Cheng Computerized Embroidery Company Limited*) as the Lessee, pursuant to which Heng He conditionally agreed to purchase the Leased Assets (as defined therein the "FL Announcement") from the Lessee at a total consideration of RMB25 million (approximately HK$27.50 million), which would be leased back to the Lessee at the aggregate lease receivables of approximately RMB28.85 million (approximately HK$31.73 million) for a term of 3 years, commencing on the date of payment of the consideration for the Leased Assets.

(3) On 7 February 2017 (after trading hours), the Company through a wholly-owned subsidiary entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to acquire 51% of the issued share capital of Heng at a consideration of HK$10,000,000 which will be settled by the allotment and issue of the consideration Shares by the Company to the vendor or its nominee upon completion of the transaction.

FINAL DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 GEM Listing Rules:

** For identification purpose only*

Interests and short positions in the shares and the underlying shares of the share options and the convertible bonds of the Company as at 31 December 2016

(i) Long positions in the shares of the Company:

Name of directors	Personal	Number of the shares interested and nature of interest Founder of a discretionary trust	Total	Approximate percentage of the total issued share capital of the Company
Cheung Wai Yin, Wilson	557,814	98,437,500 *(note)*	98,995,314	6.11%
Lau Chi Yan, Pierre	3,984,375	–	3,984,375	0.25%

Note:

As at the Latest Practicable Date, 98,437,500 Shares were owned by Ivana Investment Limited ("Ivana"), a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung Wai Yin, Wilson ("Mr. Cheung") and the discretionary objects which are family members of Mr. Cheung (including Mr. Cheung himself). Accordingly, Mr. Cheung is deemed to be interested in the relevant Shares of the purpose of the SFO. Mr. Cheung is also personally interested in 557,814 Shares.

(ii) Long positions in the underlying shares of the share options granted under the share option scheme of the Company:

Name of directors	Date of grant of the share options	Exercise period of the share options	Exercise price per share *HK$*	Number of the share options outstanding	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company
Cheung Wai Yin, Wilson	19/8/2015	19/8/2015 - 18/8/2025	0.147	100,000,000	100,000,000	6.172%
Lau Chi Yan, Pierre	19/8/2015	19/8/2015 - 18/8/2025	0.147	20,000,000	20,000,000	1.235%
Yeung Mo Sheung, Ann	17/1/2013	17/1/2013 - 16/1/2023	2.130	16,483	16,483	0.001%
	19/8/2015	19/8/2015 - 18/8/2025	0.147	1,000,000	1,000,000	0.062%
Ng Kay Kwok	19/8/2015	19/8/2015 - 18/8/2025	0.147	1,000,000	1,000,000	0.062%
Yip Kat Kong, Kenneth (resigned on 27 February 2017)	19/8/2015	19/8/2015 - 18/8/2025	0.147	1,000,000	1,000,000	0.062%

(iii) Long positions in the underlying shares of the convertible bonds of the Company:

Name of the holder of the convertible bonds	**Principal amount of the convertible bonds** *HK$*	**Number of the total underlying shares**	**Approximate percentage of the total issued share capital of the Company** *(%)*
Cheung Wai Yin, Wilson	110,000,000	297,619,048	18.37

Note: These convertible bonds (originally due on 12 August 2011 and extended to 12 August 2017) were issued by the Company on 12 August 2008 as part of the consideration to acquire the forestry business. They are unlisted, interest-free and convertible into the shares of the Company at the adjusted conversion price of HK$0.3696 per share of the Company (subject to adjustment according to the terms of the convertible bonds). The interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects which are family members of Mr. Cheung (including Mr. Cheung himself).

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 and short position in the shares, underlying shares and 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 GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' Interests in Shares and Underlying Shares" and "Share Option Scheme" above, at no time during the year ended 31 December 2016 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, the following persons (not being the directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Long positions in the shares of the Company:

Name of shareholders	Capacity and nature of interest	Number of the shares interested	Approximate percentage of the total issued share capital of the Company (%)
Asiatrust Limited *(Note)*	Trustee	98,437,500	6.08
CW Limited *(Note)*	Controlled corporation	98,437,500	6.08
Ivana	Beneficial owner	98,437,500	6.08

Note: The interest is held by Ivana, a company incorporate in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

(ii) Long positions in the underlying shares of the convertible bonds of the Company:

Name of the holder of the convertible bonds	Nature of Interest	Principal amount of the convertible bonds *HK$*	Number of the total underlying shares	Approximate percentage of the total issued share capital of the Company *(%)*
Asiatrust Limited *(Note 1)*	Trustee	110,000,000	297,619,048	18.37
CW Limited *(Note 1)*	Controlled corporation	110,000,000	297,619,048	18.37
Ivana	Beneficial owner	110,000,000	297,619,048	18.37
Yihua Enterprise Limited	Beneficial owner	40,000,000	173,913,043	10.73
Cheng Jun *(Note 2)*	Controlled corporation	40,000,000	173,913,043	10.73
Gao Yun Feng *(Note 2)*	Controlled corporation	40,000,000	173,913,043	10.73

Note 1: The interest is held by Ivana, a company incorporate in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

Note 2: The interest is held by Yihua Enterprise Limited, a company incorporated in the British Virgin Islands owned as to 50% by Mr. Cheng Jun and 50% by Mr. Gao Yun Feng.

Save as disclosed above, the directors and chief executive of the Company are not aware that there is any party who, as at 31 December 2016, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by the shareholders of the Company in the annual general meeting of the Company held on 3 May 2012 and was effective from that date. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

As at 31 December 2016, there were 233,390,855 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 233,390,855, which represents approximately 14.41% and 14.41% of the total issued share capital of the Company as at 31 December 2016 and the date of this report respectively.

Details of the movements of the share options under the Share Option Scheme during the year were as follows:

	Number of share options									
Name	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ Lapsed During the period	Outstanding as at 31 December 2016	Date of grant of the share options	Exercise period of the share options	Price of the shares before the date of grant *(Note 2)* per share	Original exercise price of the share options *(Note 1)* per share	Adjusted exercise price of the share options after open offer *(Note 1)* per share
Executive director										
Cheung Wai Yin, Wilson	100,000,000	–	–	–	100,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147	–
Lau Chi Yan, Pierre	20,000,000	–	–	–	20,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147	–
Independent non-executive director										
Yeung Mo Sheung, Ann	16,483	–	–	–	16,483	17/1/2013	17/1/2013 - 16/1/2023	0.010	3.360	2.130
	1,000,000	–	–	–	1,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147	–
Ng Kay Kwok	1,000,000	–	–	–	1,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147	–
Yip Kat Kong, Kenneth	1,000,000	–	–	–	1,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147	–
Employees and other eligible participants										
Employees	42,367	–	–	14,126	28,241	30/5/2012	30/5/2012 - 29/5/2022	0.017	5.680	3.600
	40,000,000	–	–	–	40,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147	–
Other eligible participants	332,003	–	–	–	332,003	30/5/2012	30/5/2012 - 29/5/2022	0.017	5.680	3.600
	14,128	–	–	–	14,128	17/1/2013	17/1/2013 - 16/1/2023	0.010	3.360	2.130
	70,000,000	–	–	–	70,000,000	19/8/2015	19/8/2015 - 18/8/2025	0.147	0.147	–
	233,404,981	–	–	14,126	233,390,855					

Notes:

1. Pursuant to the terms and conditions of the Share Option Scheme, the number and the exercise price of the share options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital.

2. The price of the shares of the Company before the date of the grant of the share options is the closing price of the shares of the Company as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.

Save as disclosed above, at the date of this report, no other share options were exercised subsequent to the balance sheet date.

During the year ended 31 December 2016, no share option was granted by the Company.

The fair value of the share options granted during the year ended 31 December 2016 was HK$ Nil (2015: approximately HK$26,400,000) of which the Group recognised a share option expense of HK$ Nil (2015: approximately HK$26,400,000) during the year.

No other feature of the share options granted was incorporated into the measurement of fair value.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

The Group has commissioned itself to become a high-growth player in pursuing excellence in operations, at the same time we are dedicated to become a "Green Corporation" that explores business opportunities in this new and exciting sustainable world. We see no conflict in becoming a profit making entity simultaneously being a Green Corporation.

The Board understands that it is important to involve itself in preparing the environmental, social and governance ("ESG") report that summarises and reports the Group's ESG activities and performance in the year 2016 and it has extended its full support to the Secretary of the Company, who is reporting directly to the Board and is responsible for the task of compiling the ESG report which will be contained in and published together with our 2016 Annual Report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has always recognised the importance of the transparency and accountability to shareholders of the Company (the "Shareholders"). It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance in the interests of the Shareholders. Throughout the year ended 31 December 2016, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions under the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules, except for the following deviations from the code provisions of the Code:

Code Provision A.2.1

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

There is no separation of the roles of chairman and chief executive officer as set out in the Code Provision A.2.1.

Mr. Cheung Wai Yin, Wilson currently assumes the roles of both the chairman and chief executive officer of the Company. Traditionally, the chief executive officer of the Company also assumes the role of the chairman of the Company because it is believed that the structure of the Board ensures the balance of power and authority therefore no need to segregate the roles of the chairman and chief executive officer of the Company. Mr. Cheung Wai Yin, Wilson, has substantial experience that is essential to fulfilling the role of the chairman of the Company, at the same time, he has the appropriate management skills and business acumen that are the prerequisites for assuming the role of the chief executive officer of the Company in the day-to-day management of the Group.

The Board is currently composed of five directors including three independent non-executive directors with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the management of the Company's major operating subsidiaries are performed by the managing director and other individuals. The balance of power and authority is therefore ensured by the current structure of the Board. Whilst it does not believe that such role separation will improve the corporate performance, the Board, as well as the Company, intends to comply with this code provision by seeking and appointing suitable candidate with appropriate background, acknowledge, experience and calibre to assume the role as the chairman of the Company.

Code Provision A.4.2

The Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the articles of association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following AGM and shall then be eligible for re-election.

The Board considers that the Company is in compliance with paragraph 4(2) of Appendix 3 under the GEM Listing Rules and such a deviation is not material as casual vacancy is expected seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM is less than one year and is considered to be short.

Pursuant to the articles of association of the Company, the Chairman and the managing director of the Company shall not be subject to retirement by rotation or also not be taken into account in determining the number of directors to retire in each year. The Board considers that the continuity of the Chairman and the managing director and their leaderships will be essential for the stability of the key management of the Board. On the other hand, the Board will ensure that the directors of the Company other than the Chairman and the managing director will rotate at least once every three years in order to comply with the Code Provision A.4.2.

Model Code For Securities Transactions By the Directors

The Company has not adopted a code of conduct nor established written guidelines regarding the securities transactions by the directors and relevant employees of the Company but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors of the Company and the Company is not aware of any non-compliance with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2016.

Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") with specific written terms of reference in line with the code provisions under the Code. The Nomination Committee consists of five members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Au-yeung Sei Kwok, and two executive directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre. The chairman of the Nomination Committee is elected by the members who are present at the meeting.

Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference in line with the code provisions under the Code. The Remuneration Committee consists of five members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Au-yeung Sei Kwok, and two executive directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre. The chairman of the Remuneration Committee is elected by the members who are present at the meeting.

Audit Committee

The Company has established the Audit Committee in 2001 with specific written terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

The Audit Committee consisted of three members comprising three INEDs, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Au-yeung Sei Kwok, one of whom is a qualified accountant and has extensive experience in accounting and financial matters. The chairman of the Audit Committee is elected by the members who are present at the meeting. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to give advice on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2016, and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE COMPANY

Each of the INEDs of the Company has filed a written confirmation to the Company confirming his independence pursuant to Rule 5.09 of the GEM Listing Rules and has undertaken to inform the Stock Exchange and the Company as soon as practicable if there is any subsequent change in circumstances which may affect his independence. As at the date of this Announcement, the Board still considers the INEDs of the Company to be independent. All INEDs of the Company are appointed for a term of one year and are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the articles of association of the Company.

THE COMPANY SECRETARY

The Company has appointed and employed, on a full time basis, Mr. Lai Yau Hong, Thomson as the company secretary. He is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is an individual who, by virtue of his professional qualifications and relevant experience, is, in the opinion of the Board, capable of discharging the functions of company secretary. During the year ended 31 December 2016, the company secretary has taken over 15 hours of relevant professional training.

The company secretary is responsible not just for taking minutes of the Board's meetings but also for supporting the board by ensuring good information flow within the Board and that board policy and procedures are followed and for advising the Board through the Chairman and the CEO on governance matters and also for facilitating induction and professional development of directors.

The company secretary reports to the Chairman and the CEO while all directors have access to the advice and services of him to ensure that board procedures, and all applicable law, rules and regulations, are followed.

A physical board meeting is required to be held to discuss and approve any change in the company secretary.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2016.

PUBLICATION OF THE ANNUAL RESULTS, ANNUAL REPORT, ESG REPORT AND CORPORATE GOVERNANCE REPORT

The results announcement of the Company for the year ended 31 December 2016 will be published and remains on the website of the Company at http://www.merdeka.com.hk and will remain on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page for at least seven days from the day of its publication. The Company's annual report, ESG report and corporate governance report will be despatched to the Shareholders and made available on the websites of the Company and the Stock Exchange in due course.

ANNUAL GENERAL MEETING

The notice of the 2016 AGM of the Shareholders will be published and despatched to the Shareholders in the manner as required by the GEM Listing Rules in due course.

By Order of the Board of
Merdeka Financial Services Group Limited
Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong, 10 March 2017

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Mr. Cheung Wai Yin, Wilson *(Chairman and Chief Executive Officer)*
Mr. Lau Chi Yan, Pierre *(Managing Director)*

Independent Non-executive Directors:
Ms. Yeung Mo Sheung, Ann
Mr. Ng Kay Kwok
Mr. Yip Kat Kong, Kenneth

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page for at least seven days from the day of its publication and posting and will be published and remains on the website of the Company at http://www.merdeka.com.hk.