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Capital Finance Holdings Limited
首都金融控股有限公司

(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8239)

ANNUAL RESULTS ANNOUNCEMENT 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 established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Capital Finance Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL RESULTS

The board (the "Board") of Directors of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 together with comparative figures for the nine months ended 31 December 2015 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 31 December 2016**	Period from 1 April 2015 to 31 December 2015 (Restated)
		HK$'000	*HK$'000*
Continuing operation			
Revenue	*3*	**111,927**	103,395
Other income, and other gains and losses, net	*3*	**7,715**	5,410
Administrative and other expenses		**(52,845)**	(43,778)
Fair value gain on contingent consideration – consideration shares		**1,141**	25,574
Loss on early redemption of promissory notes		**(249)**	(735)
Impairment loss on goodwill	*12*	**(151,657)**	–
Impairment loss on intangible assets	*11*	**(149,000)**	–
Reversal of (Provision for) impairment loss on loans to customers	*13*	**1,810**	(1,797)
Finance costs	*5*	**(43,644)**	(32,463)
(Loss) Profit before income tax from continuing operation	*5*	**(274,802)**	55,606
Income tax credit (expense)	*6*	**21,374**	(12,734)

CONSOLIDATED INCOME STATEMENT (Continued)

	Note	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 (Restated) HK$'000
(Loss) Profit for the year/period from continuing operation		**(253,428)**	42,872
Discontinued operations			
Profit (Loss) for the year/period from discontinued operations	*8*	**1,654**	(22,271)
(Loss) Profit for the year/period		**(251,774)**	20,601
Attributable to:			
Owners of the Company		**(254,406)**	19,000
Non-controlling interests		**2,632**	1,601
		(251,774)	20,601
(Loss) Earnings per share attributable to owners of the Company	*9*		
From continuing and discontinued operations			
Basic (Hong Kong cents)		**(21.64)**	1.66
Diluted (Hong Kong cents)		**(21.64)**	1.65
From continuing operation			
Basic (Hong Kong cents)		**(21.78)**	3.62
Diluted (Hong Kong cents)		**(21.78)**	2.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2016 *HK$'000*	Period from 1 April 2015 to 31 December 2015 *HK$'000*
(Loss) Profit for the year/period	**(251,774)**	20,601
Other comprehensive loss for the year/period:		
Item that will be reclassified to profit or loss:		
– Reclassification adjustment of exchange reserve on disposal of interests in foreign operations	**3,654**	53
– Exchange differences on translation of financial statements of foreign operations	**(51,467)**	(47,290)
Total other comprehensive loss for the year/period, net of tax	**(47,813)**	(47,237)
Total comprehensive loss for the year/period	**(299,587)**	(26,636)
Attributable to:		
Owners of the Company	**(301,209)**	(27,361)
Non-controlling interests	**1,622**	725
	(299,587)	(26,636)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	*10*	**1,763**	3,734
Intangible assets	*11*	**–**	177,289
Goodwill	*12*	**–**	181,968
Available-for-sale financial assets		**7,815**	8,356
Deferred tax assets		**2,833**	3,879
Total non-current assets		**12,411**	375,226
Current assets			
Loans to customers	*13*	**376,056**	383,048
Trade receivables	*14*	**167**	1,442
Prepayment, deposits and other receivable		**6,019**	13,179
Cash and cash equivalents		**154,012**	119,091
Total current assets		**536,254**	516,760
Current liabilities			
Accrued expenses, other payables and deposits received		**15,087**	16,746
Tax payable		**2,085**	5,285
Interest-bearing borrowings		**11,834**	4,775
Total current liabilities		**29,006**	26,806
Net current assets		**507,248**	489,954
Total assets less current liabilities		**519,659**	865,180

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	2016	2015
	HK$'000	*HK$'000*
Non-current liabilities		
Promissory notes	**19,779**	34,360
Convertible bonds – liability component	**518,324**	476,450
Contingent consideration – consideration shares	**–**	27,382
Deferred tax liabilities	**–**	44,067
Total non-current liabilities	**538,103**	582,259
Net (liabilities) assets	**(18,444)**	282,921
Capital and reserves		
Issued capital	**11,812**	11,547
Reserves	**(45,435)**	256,039
Equity attributable to owners of the Company	**(33,623)**	267,586
Non-controlling interests	**15,179**	15,335
(Capital deficiency) total equity	**(18,444)**	282,921

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 April 2015 to 31 December 2015

		Reserves										
	Issued capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Capital reserve *HK$'000*	Exchange reserve (debit) *HK$'000*	Convertible bonds reserve *HK$'000*	Other reserve *HK$'000*	Statutory reserve *HK$'000*	Accumulated losses *HK$'000*	Equity attributable to owners of the Company *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
As at 1 April 2015	10,311	454,681	131,109	120,794	5,524	798,828	–	8,994	(1,281,093)	249,148	20,098	269,246
Profit for the period	–	–	–	–	–	–	–	–	19,000	19,000	1,601	20,601
Other comprehensive loss												
Item that will be reclassified to profit or loss												
Reclassification adjustment of exchange reserve on disposal of interests in foreign operations	–	–	–	–	53	–	–	–	–	53	–	53
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(46,414)	–	–	–	–	(46,414)	(876)	(47,290)
Total other comprehensive loss for the period	–	–	–	–	(46,361)	–	–	–	–	(46,361)	(876)	(47,237)
Total comprehensive loss for the period	–	–	–	–	(46,361)	–	–	–	19,000	(27,361)	725	(26,636)
Transfer to statutory reserve	–	–	–	–	–	–	–	4,942	(4,942)	–	–	–
Transactions with owners												
Recognition of the final settlement value of contingent shares upon fulfilment of guaranteed profit	–	–	–	–	–	–	9,544	–	–	9,544	–	9,544
Conversion of convertible bonds	943	68,180	–	–	–	(44,738)	–	–	–	24,385	–	24,385
Subscription of new shares	293	11,577	–	–	–	–	–	–	–	11,870	–	11,870
Dividends paid to non–controlling interests	–	–	–	–	–	–	–	–	–	–	(2,106)	(2,106)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(3,382)	(3,382)
Total transactions with owners	1,236	79,757	–	–	–	(44,738)	9,544	–	–	45,799	(5,488)	40,311
As at 31 December 2015	11,547	534,438	131,109	120,794	(40,837)	754,090	9,544	13,936	(1,267,035)	267,586	15,335	282,921

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2016

	Reserves											
	Issued capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve (debit)	Convertible bonds reserve	Other reserve	Statutory reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	*HK$'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 2016	11,547	534,438	131,109	120,794	(40,837)	754,090	9,544	13,936	(1,267,035)	267,586	15,335	282,921
Loss for the year	–	–	–	–	–	–	–	–	(254,406)	(254,406)	2,632	(251,774)
Other comprehensive loss												
Item that will be reclassified to profit or loss												
Reclassification adjustment of exchange reserve on disposal of interests in foreign operations	–	–	–	–	3,654	–	–	–	–	3,654	–	3,654
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	(50,457)	–	–	–	–	(50,457)	(1,010)	(51,467)
Total other comprehensive loss for the year	–	–	–	–	(46,803)	–	–	–	–	(46,803)	(1,010)	(47,813)
Total comprehensive loss for the year	–	–	–	–	(46,803)	–	–	–	(254,406)	(301,209)	1,622	(299,587)
Transfer to statutory reserve	–	–	–	–	–	–	–	2,848	(2,848)	–	–	–
Transactions with owners												
Issuance of new shares upon fulfilment of guaranteed profit	265	9,279	–	–	–	–	(9,544)	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,778)	(1,778)
Total transactions with owners	265	9,279	–	–	–	–	(9,544)	–	–	–	(1,778)	(1,778)
As at 31 December 2016	11,812	543,717	131,109	120,794	(87,640)	754,090	–	16,784	(1,524,289)	(33,623)	15,179	(18,444)

Notes:

1. ORGANISATION AND OPERATIONS

Capital Finance Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 30 November 2009, and its shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business has been changed from Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong to Unit 2613A, 26th Floor, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong with effect from 13 February 2017.

During the year ended 31 December 2016, the Company is principally engaged in investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of short-term financing services in the People's Republic of China (the "PRC") and Hong Kong ("Short-term Financing Services"). The Group was also engaged in development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC ("Development and Sales of Software") which was discontinued during the year ended 31 December 2016. During the prior financial period nine months ended 31 December 2015, the Group has engaged in (i) Short-term Financing Services; and (ii) Development and Sales of Software. The Group had also engaged in (i) property investments in Hong Kong; and (ii) coal trading between the PRC and Indonesia which were discontinued in the period from 1 April 2015 to 31 December 2015.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is same as the functional currency of the Company, and rounded to the nearest thousands unless otherwise stated.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impact of these amendments are described below.

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 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.

c) *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 and amortisation method, and hence the amendments have no impact on the Group's financial position and financial performance. Rather, the Group has been using the straight-line method for amortisation and depreciation for its intangible assets and property, plant and equipment.

d) 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 Group did not have any defined benefit scheme.

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

New and revised HKFRSs that are not mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative [1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [1]
HKFRS 9	Financial Instruments [2]
HKFRS 15	Revenue from Contracts with Customers [2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [2]
HKFRS 16	Leases [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[1] Effective for annual periods beginning on or after 1 January 2017

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for annual periods beginning on or after 1 January 2019

[4] Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 15 Revenue from Contracts with Customers and the clarifications to HKFRS 15

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

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

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

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments and hence the Directors do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The Directors anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to make disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide a number of guidance to help entities assess and estimate whether sufficient taxable profits will be available against which it can utilise a deductible temporary difference. The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Change of financial period end date

The Company changed its financial year end date from 31 March to 31 December in the last financial period in order to align with the financial year end date of the operating subsidiaries established in the PRC.

Accordingly, the current annual financial period covered a twelve-month period from 1 January 2016 to 31 December 2016 and the comparative period (except for the consolidated statement of financial position and related notes) covered a nine-month period from 1 April 2015 to 31 December 2015 and therefore, they may not be entirely comparable.

3. REVENUE, OTHER INCOME, AND OTHER GAINS AND LOSSES, NET

The Group's revenue represents the short-term financing services income, net of direct financing costs. An analysis of the Group's revenue, other income, and other gains and losses, net for the continuing operation is as follows:

	Note	**Year ended 31 December 2016** *HK$'000*	Period from 1 April 2015 to 31 December 2015 (Restated) *HK$'000*
Continuing operation			
Revenue			
Interest income from loans to customers		**83,055**	59,230
Financial consultancy income		**29,697**	45,525
Interest expense on funds for loans to customers	*5*	**(825)**	(1,360)
Short-term financing services income, net		**111,927**	103,395
Other income, and other gains and losses, net			
Bank interest income		**1,255**	540
Waive of interest expenses on promissory note		**1,600**	–
Loss on disposal of property, plant and equipment		**(15)**	(15)
Sundry income		**4,208**	1,371
Government grants		**667**	3,514
		7,715	5,410

4. SEGMENT INFORMATION

The Directors of the Company have been identified as the chief operating decision makers to evaluate the performance of the operating segments and to allocate resources to those segments.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

(a) The short-term financing services segment comprises pawn loan business, micro-financing business, entrusted loan business and financial consultancy business in the PRC and Hong Kong;

(b) Development and sales of software segment comprises development and sales of enterprise software and provision of software maintenance and support services for financial sectors in the PRC. The Group completed the disposal of development and sales of software business on 31 March 2016. Accordingly, the development and sales of software segment was classified as a discontinued operation, details of which are set out in Note 8(c);

(c) The coal trading segment comprised the business of coal trading between the PRC and Indonesia. The Group completed the disposal of coal trading business on 31 December 2015. Accordingly, the coal trading segment was classified as a discontinued operation, details of which are set out in Note 8(b); and

(d) The property investments segment comprised investment in various properties for rental income purposes. The Group completed the disposal of property investments business on 10 July 2015. Accordingly, the property investments segment was classified as a discontinued operation, details of which are set out in Note 8(a).

In determining the Group's geographical segments, revenue and results are based on the location in which the customers are located; assets and capital expenditure are attributed to the segments based on the locations of the assets.

Reportable Segments

(i) Business segments

For the year ended 31 December 2016, executive Directors have determined that the Group has only one single business component/ reportable segment (excluded all those classified as discontinued operations as detailed in note 8) as the Group is only engaged in the Short-term Financing services, which is the basis to allocate resources and assess performance.

(ii) Geographical segments

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets"):

	Revenue from external customers		**Specified non-current assets**	
	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015 (Restated)	**As at 31 December 2016**	2015 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operation				
Hong Kong	**–**	4,200	**484**	859
PRC	**111,927**	99,195	**1,279**	323,156
	111,927	103,395	**1,763**	324,015

(iii) Information about major customers

Revenue from external customers contributed to 10% or more of the Group's revenue is as follows:

The customer base in short-term financing services segment is diversified and two (period ended 31 December 2015: one) customers contributed to 10% or more of the Group's revenue for the year ended 31 December 2016 in the amounts of approximately HK$13,061,000 and HK$11,892,000 respectively (period ended 31 December 2015: approximately HK$15,507,000).

Other than as disclosed above, no other revenue from a single customer of the Group accounted for 10% or more of total revenue of the Group for the year/period presented.

5. (LOSS) PROFIT BEFORE INCOME TAX

The Group's (loss) profit before income tax for both continuing and discontinued operations is arrived at after charging (crediting) the following:

	Note	**Year ended 31 December 2016** *HK$'000*	Period from 1 April 2015 to 31 December 2015 (Restated) *HK$'000*
Finance costs			
Continuing operation			
Effective interest expenses on			
– convertible bonds		**41,874**	29,326
– promissory notes		**1,770**	3,137
Interest expense on funds for loans to customers		**825**	1,360
		44,469	33,823
Less: interest expense included in revenue	*3*	**(825)**	(1,360)
		43,644	32,463
Discontinued operations			
Interest on bank borrowings wholly repayable within five years	*8(b)*	**–**	216
		43,644	32,679
Other items			
Continuing operation			
Staff costs (excluding directors' emoluments)			
Salaries and wages		**16,128**	13,554
Pension scheme contributions		**6,063**	1,562
		22,191	15,116
Auditor's remuneration			
– Audit services		**841**	1,516
– Non-audit services		**120**	570
Depreciation of property, plant and equipment		**1,152**	856
Minimum lease payments under operating leases for land and buildings		**8,549**	6,064
Discontinued operations			
Staff costs (excluding directors' emoluments)			
Salaries and wages		**1,201**	3,077
Pension scheme contributions		**975**	1,676
		2,176	4,753
Cost of inventories sold	*8(b)*	**–**	27,522
Amortisation of intangible assets		**370**	913
Depreciation of property, plant and equipment		**123**	296
Minimum lease payments under operating leases for land and buildings		**184**	554

6. INCOME TAX (CREDIT) EXPENSE

(a) The amount of income tax (credit) expense in the consolidated income statement represents:

	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015 (Restated)
	HK$'000	*HK$'000*
Continuing operation		
Current tax		
PRC		
Current tax charge for the year/period	**15,251**	14,819
Under-provision in respect of prior years	**172**	30
Deferred tax credit	**(36,797)**	(2,115)
Income tax (credit) expense for continuing operation	**(21,374)**	12,734
Discontinued operations		
Current tax		
Hong Kong		
Current tax charge for the year/period	**–**	277
Deferred tax credit	**(71)**	–
PRC		
Current tax charge for the year/period	**–**	769
Deferred tax expense (credit)	**65**	(622)
Income tax (credit) expense for discontinued operations	**(6)**	424
Total income tax (credit) expense for continuing and discontinued operations	**(21,380)**	13,158

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015.

The subsidiaries of the Group established in the PRC are subject to enterprise income tax ("EIT") of the PRC at 25% (period ended 31 December 2015: 25%), except for Beijing Auto-serve Software Company Limited which is subject to EIT of the PRC at a preferential rate of 15% for high and new technology enterprises up to 2017.

Pursuant to the relevant laws and implementation rules announced by the People's Government of the Tibet Autonomous Region, a subsidiary of the Group, Lhasa Jiade Financial Consultant Company Limited ("Lhasa"), established in Tibet of the PRC is subject to the EIT of the PRC at 15% up to 2020, and based on the tax ruling announced by the PRC central tax authorities, the EIT rate of Lhasa is 9% for year 2015 to 2017 and from 2018 onwards, the EIT rate will resume to 15% if no further announcement of preferential tax treatment is made.

(b) The income tax (credit) expense for the year/period can be reconciled to the accounting (loss) profit before income tax from continuing operation as follows:

	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015 (Restated)
	HK$'000	*HK$'000*
Continuing operation		
(Loss) Profit before income tax	**(274,802)**	55,606
Tax calculated at the applicable rate	**(41,890)**	11,464
Tax effect on income not taxable for tax purpose	**(1,522)**	(4,703)
Tax effect on expenses not deductible for taxation purpose	**24,054**	8,350
Tax concession received	**(2,188)**	(2,407)
Under-provision in respect of prior years	**172**	30
Income tax (credit) expense for the year/period	**(21,374)**	12,734

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group entities operate against profit or loss before tax. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries.

For the preparation of the above reconciliation, the Directors consider the Group is no longer principally subjected to Hong Kong Profits Tax in the Group's continuing operation and therefore, the existing basis for the determination of the applicable tax rate is adopted with comparative information is restated for consistency purpose.

7. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2016 (period ended 31 December 2015: Nil).

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

8. DISCONTINUED OPERATIONS

(a) Property Investments Operation

On 9 June 2015, the Group entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of Foremost Star Investments Limited ("Foremost Star", together with its subsidiary are referred to as the "Foremost Star Group") to an independent third party at a consideration of HK$52,000,000. The Foremost Star Group carried out all of the Group's property investments operation. Accordingly, the Group's property investments operation was classified as a discontinued operation. The disposal was completed on 10 July 2015.

(b) Coal Trading Operation

On 14 July 2015, the Group entered into a disposal agreement to dispose of its entire equity interest and shareholder's loan of Star Coal International Investment Company Limited ("Star Coal", together with its subsidiaries are referred to as the "Star Coal Group") to an independent third party at a consideration of HK$54,000,000. The Star Coal Group carried out all of the Group's coal trading operation. Accordingly, the Group's coal trading operation was classified as a discontinued operation. The disposal was completed on 31 December 2015.

(c) Development and Sales of Software Operation

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto-serve Software Company Limited ("Beijing Auto") and entire issued share capital of Vibrant Youth Limited ("Vibrant Youth") (collectively referred to as the "Auto-serve Group") at an aggregate consideration of HK$26,208,000 to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation. Accordingly, the Group's development and sales of software operation was classified as a discontinued operation. The disposal was completed on 31 March 2016.

The results of the abovementioned discontinued operations have been presented separately in the consolidated income statement. Comparative figures have been restated to reflect the discontinued operations in the consolidated income statement.

	Note	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015 (Restated)			
		Development and Sales of Software	Coal trading	Property investments	Development and Sales of Software	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue		**4,730**	29,093	–	17,510	46,603
Cost of sales	*5*	**(1,384)**	(27,522)	–	(2,772)	(30,294)
Gross profit		**3,346**	1,571	–	14,738	16,309
Other gains and losses, net		**403**	305	–	1,811	2,116
Selling and distribution expenses		**–**	(285)	–	–	(285)
Administrative and other expenses		**(4,134)**	(20)	(146)	(11,152)	(11,318)
Impairment loss on goodwill	*12*	**–**	–	–	(33,878)	(33,878)
Impairment loss on trade receivables		**–**	–	–	(593)	(593)
Finance costs	*5*	**–**	(216)	–	–	(216)
Operating (loss) profit		**(385)**	1,355	(146)	(29,074)	(27,865)
Gain on disposal of subsidiaries		**2,033**	4,373	1,645	–	6,018
Profit (Loss) before income tax		**1,648**	5,728	1,499	(29,074)	(21,847)
Income tax credit (expense)		**6**	(277)	–	(147)	(424)
Profit (Loss) for the year/period		**1,654**	5,451	1,499	(29,221)	(22,271)

The cash flow information of the abovementioned discontinued operations was as follows:

	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015 (Restated)			
	Development and Sales of Software	Coal trading	Property investments	Development and Sales of Software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash (used in) generated from operating activities	**(2,031)**	10,726	(10)	53	10,769
Net cash used in investing activities	**(296)**	–	–	(1,961)	(1,961)
Net cash used in financing activities	**–**	(12,133)	–	–	(12,133)
Net decrease in cash and cash equivalents	**(2,327)**	(1,407)	(10)	(1,908)	(3,325)

The earnings (loss) per share information of the discontinued operations was as follows:

	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015 (Restated)
	HK$'000	*HK$'000*
Earnings (Loss) per share for the discontinued operations attributable to owners of the Company:		
Basic (Hong Kong cents)	**0.14**	(1.96)
Diluted (Hong Kong cents)	**0.14**	(0.76)

The basic and diluted earnings (loss) per share for the discontinued operations are calculated by dividing the profit (loss) for the year/period from the discontinued operations attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. The denominators used are the same as those detailed in Note 9.

9. (LOSS) EARNINGS PER SHARE

The calculations of basic (loss) earnings per share for the current year and prior period are based on the (loss) profit for the year/period attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015.

The calculations of diluted (loss) earnings per share for the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015 are based on the (loss) profit for the year/period attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015 and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the year ended 31 December 2016, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic (loss) earnings per share calculation for (i) continuing and discontinued operations, (ii) continuing operation and (iii) discontinued operations, the conversion of the above potential dilutive shares is not assumed in the computation of diluted (loss) earnings per share. Therefore the basic and diluted (loss) earnings per share for (i) continuing and discontinued operations, (ii) continuing operation and (iii) discontinued operations for the year ended 31 December 2016 are equal.

For the period from 1 April 2015 to 31 December 2015, the diluted earnings per share for (i) continuing and discontinued operations and (ii) continuing operation would reduce if the Company's outstanding convertible bonds were taken into account, as those convertible bonds had a dilutive effect to the basic earnings per share for (i) continuing and discontinued operations and (ii) continuing operation and hence the potential dilutive shares is assumed in the computation of diluted earnings per share. The computation of diluted loss per share for discontinued operations has included the effect of dilutive potential ordinary shares from conversion of convertible bonds, even though it is anti-dilutive. This is because the control number (profit from continuing operation attributable to ordinary equity holders of the Company, adjusted for effect of convertible bonds) was positive (i.e. profit, rather than loss).

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

	Continuing operation		Discontinued operations		Total	
	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015 (restated)	**Year ended 31 December 2016**	Period from 1 April 2015 to 31 December 2015 (restated)	**Year ended 31 December 2016**	Period from 1 April 2015 to 31 December 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Loss) Profit						
(Loss) Profit attributable to the owners of the Company, used in basic (loss) earnings per share calculation	**(256,060)**	41,379	**1,654**	(22,379)	**(254,406)**	19,000
Adjustment of (loss) profit attributable to the owners of the Company: Interest saving of the convertible bonds	**–***	29,326	**–**	–	**–***	29,326
(Loss) Profit attributable to the owners of the Company, used in the diluted (loss) earnings per share calculation	**(256,060)**	70,705	**1,654**	(22,379)	**(254,406)**	48,326

	Continuing operation		Discontinued operations		Total	
	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015	**Year ended 31 December 2016**	Period from 1 April 2015 to 31 December 2015	**Year ended 31 December 2016**	Period from 1 April 2015 to 31 December 2015
	'000	*'000*	***'000***	*'000*	***'000***	*'000*
Share						
Weighted average number of ordinary shares for basic (loss) earnings per share calculation	**1,175,685**	1,141,551	**1,175,685**	1,141,551	**1,175,685**	1,141,551
Effect of dilutive potential ordinary shares: Conversion of convertible bonds	**–***	1,785,028	**–***	1,785,028	**–***	1,785,028
Weighted average number of ordinary shares for diluted (loss) earnings per share calculation	**1,175,685**	2,926,579	**1,175,685**	2,926,579	**1,175,685**	2,926,579

* No adjustment/effect considered due to anti-dilutive effects

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost				
As at 1 April 2015	1,058	2,466	916	4,440
Additions	8	1,547	297	1,852
Disposal/Written off	–	(637)	–	(637)
Exchange realignments	–	(132)	(66)	(198)
As at 31 December 2015 and 1 January 2016	1,066	3,244	1,147	5,457
Additions	**–**	**772**	**–**	**772**
Disposal/Written off	**–**	**(236)**	**–**	**(236)**
Disposal through disposal of subsidiaries	**–**	**(1,584)**	**(385)**	**(1,969)**
Exchange realignments	**–**	**(71)**	**(47)**	**(118)**
As at 31 December 2016	**1,066**	**2,125**	**715**	**3,906**
Accumulated depreciation				
As at 1 April 2015	265	659	197	1,121
Disposal/Written off	–	(502)	–	(502)
Charge for the period	298	607	247	1,152
Exchange realignments	–	(24)	(24)	(48)
As at 31 December 2015 and 1 January 2016	563	740	420	1,723
Disposal/Written off	**–**	**(221)**	**–**	**(221)**
Disposal through disposal of subsidiaries	**–**	**(483)**	**(113)**	**(596)**
Charge for the year	**399**	**649**	**227**	**1,275**
Exchange realignments	**–**	**(8)**	**(30)**	**(38)**
As at 31 December 2016	**962**	**677**	**504**	**2,143**
Net carrying amount				
As at 31 December 2016	**104**	**1,448**	**211**	**1,763**
As at 31 December 2015	503	2,504	727	3,734

11. INTANGIBLE ASSETS

	The LOIs	Pawn Licences	Trademarks	Product Licences	System Software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
As at 1 April 2015	60,000	168,766	15,913	3,009	–	247,688
Additions	–	–	–	–	1,088	1,088
Disposal through disposal of subsidiaries	(60,000)	–	–	–	–	(60,000)
Exchange realignments	–	(9,449)	(891)	(169)	(38)	(10,547)
As at 31 December 2015 and 1 January 2016	–	159,317	15,022	2,840	1,050	178,229
Disposal through disposal of subsidiaries	**–**	**–**	**(15,128)**	**(2,861)**	**(1,057)**	**(19,046)**
Exchange realignments	**–**	**(10,317)**	**106**	**21**	**7**	**(10,183)**
As at 31 December 2016	**–**	**149,000**	**–**	**–**	**–**	**149,000**
Accumulated amortisation and impairment losses						
As at 1 April 2015	24,192	–	–	61	–	24,253
Amortisation	–	–	–	883	30	913
Disposal through disposal of subsidiaries	(24,192)	–	–	–	–	(24,192)
Exchange realignments	–	–	–	(34)	–	(34)
As at 31 December 2015 and 1 January 2016	–	–	–	910	30	940
Amortisation	**–**	**–**	**–**	**283**	**87**	**370**
Impairment losses	**–**	**149,000**	**–**	**–**	**–**	**149,000**
Disposal through disposal of subsidiaries	**–**	**–**	**–**	**(1,203)**	**(118)**	**(1,321)**
Exchange realignments	**–**	**–**	**–**	**10**	**1**	**11**
As at 31 December 2016	**–**	**149,000**	**–**	**–**	**–**	**149,000**
Net carrying amount						
As at 31 December 2016	**–**	**–**	**–**	**–**	**–**	**–**
As at 31 December 2015	–	159,317	15,022	1,930	1,020	177,289

The LOIs

The LOIs relate to the Coal Trading CGU (as defined in Note 12) and represented two separate legally binding master framework purchase agreements entered into between the CIFC Group (as defined in Note 12) and a customer and a supplier, which were acquired as part of the Group's acquisition of the CIFC Group in previous years. The useful lives of the LOIs were estimated by the Group to be indefinite as the LOIs are renewable automatically and unconditionally at no additional cost and the Directors consider that there is no foreseeable limit on the period of time over which the LOIs are expected to generate economic benefits to the Group.

The Group completed the disposal of coal trading business on 31 December 2015.

Pawn Licences

Pawn Licences represented the operating licences of the Pawn Broker Business (as defined in the Company's circular dated 30 May 2014), arising from the Short-term Financing Business acquired by the Group in prior years. The Directors are of the opinion that the Group would renew the Pawn Licences, at minimal cost, continuously and has the ability to do so. Therefore, the Pawn Licenses are considered by the Directors as having an indefinite useful life.

The impairment assessment of the Pawn Licences is included in the impairment assessment of the Short-term Financing CGU that includes goodwill (as defined in Note 12). As at 31 December 2016, the recoverable amount of the Short-term Financing CGU fell below its carrying amount, resulting in an impairment loss on the Pawn Licences of approximately HK$149,000,000 (31 December 2015: Nil) and goodwill of approximately HK$151,657,000 (31 December 2015: Nil) (see note 12). The impairment losses have been charged to profit or loss for the year, and the corresponding decrease in deferred tax liabilities is approximately HK$37,250,000.

Trademarks

Trademarks were acquired as a result of the acquisition of Auto-serve Group (as defined in Note 8(c)) in prior year and had a legal life of 10 years which are renewable at minimal cost. The Directors are of the opinion that the Group would renew the trademarks continuously and has the ability to do so. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life.

Product Licences

Product Licences was arising from the acquisition of Auto-serve Group in prior year and are amortised over 3 years under the straight-line method.

System Software

System Software was arising from the acquisition of Auto-serve Group in prior year which represented the expenditure incurred for the development of the system software and are amortised over 3 years under the straight-line method.

The impairment assessment of the intangible assets of the Auto-serve Group is included in the impairment assessment of goodwill (Note 12) under the Software CGU (as defined in Note 12). Auto-serve Group was disposed of during the year (Note 8(c)).

12. GOODWILL

	Coal Trading CGU	Short-term Financing CGU	Software CGU	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
As at 1 April 2015	24,425	711,696	64,512	800,633
Disposal through disposal of subsidiaries	(24,425)	–	–	(24,425)
Exchange realignments	–	(39,848)	(3,612)	(43,460)
As at 31 December 2015 and 1 January 2016	–	671,848	60,900	732,748
Disposal through disposal of subsidiaries	**–**	**–**	**(61,329)**	**(61,329)**
Exchange realignments	**–**	**(43,507)**	**429**	**(43,078)**
As at 31 December 2016	**–**	**628,341**	**–**	**628,341**
Accumulated impairment losses				
As at 1 April 2015	24,425	539,921	7,639	571,985
Disposal through disposal of subsidiaries	(24,425)	–	–	(24,425)
Impairment losses	–	–	33,878	33,878
Exchange realignments	–	(30,230)	(428)	(30,658)
As at 31 December 2015 and 1 January 2016	–	509,691	41,089	550,780
Disposal through disposal of subsidiaries	**–**	**–**	**(41,140)**	**(41,140)**
Impairment losses	**–**	**151,657**	**–**	**151,657**
Exchange realignments	**–**	**(33,007)**	**51**	**(32,956)**
As at 31 December 2016	**–**	**628,341**	**–**	**628,341**
Net carrying amount				
As at 31 December 2016	**–**	**–**	**–**	**–**
As at 31 December 2015	–	162,157	19,811	181,968

Goodwill arising in prior years related to the acquisitions of equity interest in (i) China Indonesia Friendship Coal Trading Company Limited ("CIFC", together with its 90%-owned subsidiary, China Energy Trading Company Limited ("China Energy"), are collectively referred to as the "CIFC Group") and was allocated to the coal trading cash generating unit (the "Coal Trading CGU"); (ii) Prima Finance Holdings Limited and its subsidiaries (collectively referred to as the "Prima Finance Group") and was allocated to the short-term financing CGU ("Short-term Financing CGU"); and (iii) the Auto-serve Group and was allocated to the software CGU ("Software CGU").

Goodwill acquired through business combinations in prior years has been allocated to the respective CGUs as follows for impairment test:

Coal Trading CGU

CIFC Group was disposed during the period from 1 April 2015 to 31 December 2015.

Short-Term Financing CGU

The Directors have engaged Greater China Appraisal Limited ("GCA"), an independent firm of professional valuers, to assist them in assessing the recoverable amount of the Short-term Financing CGU. The recoverable amount of the Short-term Financing CGU has been determined based on the higher of value in use and fair value less costs of disposal. The fair value of the Short-term Financing CGU was determined by using the income approach. GCA has assessed the fair value of the Short-term Financing CGU by considering the historical operation and financial performance of the Short-term Financing CGU and determined the methodologies and the key valuation parameters and reviewed business assumptions adopted by the management.

As at 31 December 2015, the Group determined that there were no impairment of intangible assets and goodwill in respect of the Short-term Financing CGU, as its recoverable amount based on fair value less costs of disposal exceeds its carrying value.

As at 31 December 2016, in light of unfavourable operating environment and keen competition of the short-term financing industry, including the relatively lower interest rate environment in the PRC and increasing number of competitors, that are expected to have a negative impact on the future cash flows that can be generated by the Short-term Financing CGU, the Directors have re-estimated the cash flows that can be generated from the Short-term Financing CGU. Based on the fair value less costs of disposal estimated using the revised cash flow projections and using the income approach, the Directors concluded that goodwill and Pawn Licenses allocated to the Short-term Financing CGU should be fully impaired in the current year by approximately HK$151,657,000 and HK$149,000,000 respectively.

The fair value less costs of disposal of the Short-term Financing CGU is based on the income approach, which has been determined from the calculations of fair value less cost of disposal based on cash flows projections derived from the financial budgets approved by the management covering a 3-year period, and are extrapolated for subsequent forth to tenth years to cash flows beyond such projected periods with the key assumptions stated below.

A 3-year financial budget is adopted for the Short-term Financing CGU because the management is confident on the predictability of the key inputs to the cash flow projection.

	2016	2015
Interest rates	**16.9% – 20.5%**	17.4% – 23.0%
Annual revenue growth rate on various service lines	**N/A**	N/A
Perpetual growth rate	**3.0%**	3.0%
Post-tax discount rate	**13.3% – 15.3%**	12.9% – 13.9%

Software CGU

The Directors engaged GCA, to assist them in assessing the recoverable amount of the Software CGU. The recoverable amount of the Software CGU has been determined based on fair value less cost of disposal. GCA has assessed the recoverable amount of the Software CGU by considering the historical operation and financial performance of the Software CGU and determined the methodologies and the key valuation parameters and reviewed business assumptions adopted by the management.

As at 31 December 2015, due to the continuous exacerbation of market condition and the implementation of new regulatory acts as announced by the State Council of the PRC regarding to peer-to-peer lending industry which lead to a significant increment of the Auto-serve Group's software development cost and an expected negative impact on the Auto-serve Group's revenue and growth rate, the recoverable amount of the Software CGU fell below its then carrying amount. Accordingly, the goodwill allocated to the Software CGU was impaired by approximately HK$33,878,000 which was charged to profit or loss for the period from 1 April 2015 to 31 December 2015.

Auto-serve Group was disposed of during the year ended 31 December 2016 (Note 8(c)).

The fair value less costs of disposal amount of the Software CGU as at 31 December 2015 is based on the income approach, which was determined from the calculations of fair value less cost of disposal based on cash flows projections derived from the financial budgets approved by the management covering a 5-year period, and are extrapolated to cash flows beyond such projected periods with the key assumptions stated below. A 5-year financial budget is adopted for the Software CGU because the management is confident on the predictability of the key inputs to the cash flow projection.

	2015
Interest rates	N/A
Annual revenue growth rate on various service lines	10.0% – 25.9%
Perpetual growth rate	3.0%
Post-tax discount rate	33.8%

Other information on fair value measurement of the CGUs

The quantitative information of the significant unobservable inputs and the description of valuation techniques used in the fair value measurement for the CGUs containing goodwill or intangible assets with indefinite useful life, including the sensitivity analysis to changes in unobservable inputs are as follow:

CGUs	**Fair value hierarchy**	**Valuation**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Short-term Financing CGU/Software CGU	Level 3	Income approach	Perpetual growth rate	The higher the perpetual growth rate, the higher the fair value
			Discount rate	The higher the discount rate, the lower the fair value

Except for the transfer of the contingent consideration – consideration shares from level 2 into level 3 at 31 December 2015, there were no transfers into or out of level 3 for the above fair value measurement of the CGUs during the year ended 31 December 2016 and the period from 1 April 2015 to 31 December 2015.

13. LOANS TO CUSTOMERS

	2016	2015
	HK$'000	*HK$'000*
Pawn loans	**255,935**	253,471
Micro-credit loans	**104,144**	102,600
Entrusted loans	**21,297**	34,514
Loans to customers, gross	**381,376**	390,585
Less:		
– Individually assessed	**(1,394)**	(4,211)
– Collectively assessed	**(3,926)**	(3,326)
	(5,320)	(7,537)
Loans to customers, net	**376,056**	383,048

The loans to customers are arising from the Group's pawn loans, micro-credit and entrusted loans services. The loan periods granted to customers are mainly ranging from one month to one year.

The loans provided to customers bore fixed monthly interest and administrative fee rates ranging from 0.4% to 4.5% per annum for the year ended 31 December 2016 (period ended 31 December 2015: 0.4% to 4.6% per annum). Loans to customers are all denominated in RMB.

Movements of impairment allowances are as follows:

	Year ended 31 December 2016			Period from 1 April 2015 to 31 December 2015		
	Individually assessed	**Collectively assessed**	**Total**	Individually assessed	Collectively assessed	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the reporting period	**4,211**	**3,326**	**7,537**	1,917	4,230	6,147
(Reversal of) Provision for impairment losses (credited) charged to profit or loss	**(2,663)**	**853**	**(1,810)**	2,488	(691)	1,797
Exchange realignments	**(154)**	**(253)**	**(407)**	(194)	(213)	(407)
At the end of the reporting period	**1,394**	**3,926**	**5,320**	4,211	3,326	7,537

Impairment provisions are recognised for financial reporting purposes only for losses that have incurred at the end of reporting period based on objective evidence of impairment.

Aging analysis

Aging analysis of loans to customers (after impairment allowances) prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2016	2015
	HK$'000	*HK$'000*
Less than 1 month	**138,666**	267,260
1 to 3 month(s)	**58,917**	23,340
4 to 6 months	**40,739**	46,284
7 to 12 months	**68,305**	34,084
Over 12 months	**69,429**	12,080
	376,056	383,048

Aging analysis of loans to customers (after impairment allowances) prepared based on contractual due date is as follows:

	2016	2015
	HK$'000	*HK$'000*
Not yet past due	**316,577**	325,758
Less than 1 month past due	**34,691**	35,516
1 to 3 month(s) past due	**7,293**	5,002
4 to 6 months past due	**5,768**	7,465
7 to 12 months past due	**4,272**	6,766
Over 12 months past due	**7,455**	2,541
	376,056	383,048

Loans to customers (net) that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Loans to customers (net) that were past due but not impaired relate to customers that have good track record with the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers/the party who provided guarantees and/or fair value of the collaterals obtained for each individual loan and the balances are still considered fully recoverable.

A summary of the principal of the collateralised and non-collateralised loans to customers (net) at the end of the reporting period is as follows:

	2016	2015
	HK$'000	*HK$'000*
Collateralised	**291,872**	294,465
Non-collateralised		
– With guarantor	**81,654**	88,388
– Without guarantor	**2,530**	195
	376,056	383,048

The fair value of collaterals of each individual customers of which the repayment date based on the respective loan agreements has been past due, as assessed by the management, is not less than the principal amount of the relevant loans.

14. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables from third parties	**167**	2,014
Impairment allowances	**–**	(572)
	167	1,442

The aging analysis of the Group's trade receivables (before impairment allowances) at the end of the reporting period, based on invoice date, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**–**	996
91 to 180 days	**–**	96
181 to 365 days	**–**	350
Over 365 days	**167**	572
	167	2,014

The Group normally allows an average credit term of 30 to 90 days (for the period ended 31 December 2015: 30 to 90 days).

Based on the management's assessment of the aging analysis, the subsequent settlement status of the Group's outstanding trade receivables, the past settlement patterns and the current credit quality of trade debtors, the Group recognised impairment allowances to reflect the risk on the recoverability of the amounts due.

	Year ended 31 December 2016 HK$'000	Period from 1 April 2015 to 31 December 2015 HK$'000
Impairment losses		
At the beginning of the reporting period	**572**	12,116
Provision for impairment	**–**	593
Disposal of subsidiaries	**(560)**	(12,116)
Exchange realignments	**(12)**	(21)
At the end of the reporting period	**–**	572

The aging analysis of trade receivables, net of impairment allowances, based on due day is as follows:

	2016 HK$	2015 HK$
Not yet past due	**–**	996
Less than 30 days past due	**–**	–
31 days to 90 days past due	**–**	96
91 days to 180 days past due	**–**	–
181 days to 365 days past due	**–**	350
Over 365 days past due	**167**	–
	167	1,442

Receivables that were neither past due nor impaired related to customers for which there is no recent history of default. The Group does not hold any collateral over the balances.

15. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 9 January 2017, convertible bonds at a conversion price of HK$0.35 per share with principal value of HK$42,000,000 have been converted into 120,000,000 new ordinary shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The financial year end date of the Company was changed from 31 March to 31 December starting from the financial year 2015. It should be noted that the 2016 financial information presented herein which covered the twelve months from 1 January 2016 to 31 December 2016 are being compared with the financial period which covered the nine months from 1 April 2015 to 31 December 2015. The difference in duration of the two financial periods should be considered when making year-on-year comparisons.

During the year ended 31 December 2016, the Group is principally engaged in short-term financing services in the PRC and Hong Kong. The Group was also engaged in (i) business of development and sales of enterprises software and provision of software maintenance and support services for financial sectors in the PRC which was discontinued during the year ended 31 December 2016; (ii) property investments in Hong Kong; and (iii) business of coal trading between the PRC and Indonesia which were discontinued in the last financial period from 1 April 2015 to 31 December 2015. Details are disclosed in Note 8 to the consolidated financial statements.

The Group recorded total revenue for the year ended 31 December 2016 of approximately Hong Kong dollar ("HK$") 111,927,000 (nine months ended 31 December 2015: approximately HK$103,395,000) from continuing operation representing a slight increase of approximately HK$8,532,000 as compared with last period.

The administrative and other expenses for the year ended 31 December 2016 from continuing operation has increased from approximately HK$43,778,000 for the nine months ended 31 December 2015 to approximately HK$52,845,000.

The loss attributable to the owners of the Company for the year ended 31 December 2016 was approximately HK$254,406,000 (nine months ended 31 December 2015: profit of approximately HK$19,000,000) was mainly attributable to the effect of non-cash impairment losses on goodwill and intangible assets, which amounted to approximately HK$151,657,000 and HK$149,000,000 respectively (nine months ended 31 December 2015: Nil) in relation to the short-term financing services cash generating unit.

The non-cash impairment losses arose mainly as a result of the downturn and keen competition of the PRC short-term financing industry, which are expected to have a negative impact on the Group's future expected revenue and growth rate of the short-term financing business.

CONTINUING OPERATION

Short-term Financing Services

During the year ended 31 December 2016, the revenue of short-term financing services was approximately HK$111,927,000 (nine months ended 31 December 2015: approximately HK$103,395,000). The operating results of the short-term financing services recorded a loss of approximately HK$218,695,000 (nine months ended 31 December 2015: profit of approximately HK$77,280,000). The substantial operating loss for the year ended 31 December 2016 when compared with the operating profit for the nine months ended 31 December 2015 was mainly attributable to non-cash impairment losses on goodwill and intangible assets discussed above.

Normalised reportable operating results

Should the non-cash impairment losses be excluded from the actual operating results to a normalised operating results under the best estimate by management, the operating loss/profit would be adjusted upwards by approximately HK$298,847,000 and HK$1,797,000 respectively to operating profits before tax of approximately HK$80,152,000 and HK$79,077,000 respectively for the year ended 31 December 2016 and nine months ended 31 December 2015 respectively.

	Short-term financing services	
	Year ended 31 December 2016	Period from 1 April 2015 to 31 December 2015
	HK$'000	*HK$'000*
The operating (loss) profit	**(218,695)**	77,280
Add back: Impairment loss on goodwill	**151,657**	–
Impairment loss on intangible assets	**149,000**	–
Provision for impairment loss on loans to customers	**–**	1,797
Less: Reversal of impairment loss on loans to customers	**(1,810)**	–
Underlying earnings before tax	**80,152**	79,077

DISCONTINUED OPERATION

Development and Sales of Software

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto and entire issued share capital of Vibrant Youth to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation. Accordingly, the development and sales of software operation was classified as a discontinued operation. Details of the disposal are set out in the Company's announcements dated 24 March 2016 and 31 March 2016. The disposal was completed on 31 March 2016.

During the year ended 31 December 2016, the Auto-serve Group recorded a revenue of approximately HK$4,730,000 (nine months ended 31 December 2015: approximately HK$17,510,000) and profit before income tax of approximately HK$1,648,000 (nine months ended 31 December 2015: loss before income tax of approximately HK$29,074,000). The increase in profit was mainly due to the recognition of gain on disposal of Auto-serve Group of approximately HK$2,033,000 during the year ended 31 December 2016 while the loss resulted for the nine months ended 31 December 2015 was mainly due to a non-cash impairment loss on goodwill of approximately HK$33,878,000 was recorded for the nine months ended 31 December 2015.

Prospects

Looking ahead to 2017, the global business environment is expected to be complex and continued to create challenging operating conditions for businesses. In the PRC, we expect that the industry competition in short-term financing services business will remain intense, while the regulatory environment continues to be challenging. Faced with these uncertainties, the Group still remain cautiously optimistic about its business prospect. The Group will continue to leverage on its competitive advantage, solidity and further develop and expand the scope of its short-term financing services. Apart from strengthening the present Beijing market, the Group will further expand its business in Shangyang, Lhasa, Hong Kong and others cities. At the same time, the Group will prudently explore new potential projects and new business opportunities in order to provide new and sustainable drivers for the Group's overall performance.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had total bank borrowings of approximately HK$11,834,000 denominated in Renminbi ("RMB") (31 December 2015: approximately HK$4,775,000 denominated in RMB) and other debts comprising promissory notes and liability component of convertible bonds of approximately HK$538,103,000 (31 December 2015: approximately HK$510,810,000). All the bank borrowings were obtained on secured basis. The Group will try to obtain future financing, and whenever possible and appropriate, raise fund via equity funding activities in order to further reduce the financing cost.

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$154,012,000 (31 December 2015: approximately HK$119,091,000) which were mainly denominated in HK$ and RMB. To manage liquidity risk, management monitors forecasts of the Group's liability position and cash and cash equivalent position on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

Save as the capital commitment of approximately HK$330,000 (31 December 2015: Nil) for addition of property, plant and equipment, the Group has no other material capital commitments as at 31 December 2016.

As at 31 December 2016, the gearing ratio for the Group was approximately negative 16.36 due to the Company's negative equity position (31 December 2015: approximately positive 1.93), calculated based on the total debts (comprising bank borrowings and other debts) of approximately HK$549,937,000 over shareholder's equity of approximately negative HK$33,623,000. The debt ratio was approximately 1.03 (31 December 2015: approximately 0.68), calculated as total liabilities over total assets of the Group.

CAPITAL STRUCTURE

The capital structure of the Group during the year ended 31 December 2016 is summarised as follows:

(i) Bank Borrowings

As at 31 December 2016, the bank borrowings denominated in RMB of approximately HK$11,834,000 (31 December 2015: approximately HK$4,775,000) bears a fixed interest rate of 6.0% (31 December 2015: 6.0%) per annum and is secured by a corporate guarantee given by an independent third party at a fee charged.

(ii) Promissory Notes

As at 31 December 2016, the Company had promissory notes issued as part of consideration for the acquisition of the Prima Finance Group outstanding. During the year ended 31 December 2016, an 8% promissory note in the principal amount of HK$15,000,000 issued on 6 February 2015 was early redeemed by the Company through use of the proceeds from the disposal of Star Coal Group. As at 31 December 2016, the Company had outstanding promissory notes in the principal amount of HK$20,000,000 issued on 6 February 2015. Summary of the promissory notes is as follows.

Date of issue	Principal amount *(HK$)*	Interest rate per annum	Principal repayment due date	Redeemed principal amount *(HK$)*	Outstanding principal amount *(HK$)*
6 February 2015	35,000,000	8%	6 February 2020	15,000,000	20,000,000

(iii) Convertible Bonds

As at 31 December 2016, the Company had 2 series of non-interest bearing convertible bonds issued as part of consideration of the acquisition of the Prima Finance Group outstanding. Summary of the convertible bonds is as follows.

Date of issue	Principal amount *(HK$)*	Maturity Date	Conversion Price per share	Amount converted into shares during the period *(HK$)*	Balance *(HK$)*	Number of Shares to be issued upon full conversion
25 June 2014	387,200,000	24 June 2019	HK$0.35	–	387,200,000	1,106,285,714
6 February 2015	236,000,000	5 February 2020	HK$0.35	–	236,000,000	674,285,714

USE OF PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The net proceeds from issue of new shares under the subscription agreement dated 12 June 2015 were approximately HK$11,870,000. Up to 31 December 2016, the Group has utilized the net proceeds as follows:

Date and particulars of the subscription	Net proceeds raised (approximately) *(HK$)*	Intended use of proceeds	Actual use of proceeds (approximately)
Subscription of 29,270,000 new shares under general mandate on 12 June 2015 at a subscription price of HK$0.41 per share	11,870,000	(i) Payment of interest which due on 25 June 2015 for the promissory note in principal amount of HK$4,000,000; and	(i) HK$320,000 had been used for the settlement of interest of the promissory note; and
		(ii) as general working capital of the Group.	(ii) HK$11,550,000 had been used as general working capital.

SIGNIFICANT INVESTMENTS AND DISPOSALS OF SUBSIDIARIES

Issue of Earn Out Consideration Shares for Auto-serve Group

References are made to the announcements of the Company dated 13 January 2015, 23 January 2015, and 13 March 2015 (collectively, the "Announcements") in relation to, among others, the acquisition of the Auto-serve Group, which involves the issue of consideration shares under general mandate. Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

On 2 March 2016, the Company received the auditors' certificate confirming that the Actual Aggregated Profit for the year ended 31 December 2015 is approximately RMB5,287,000, and the Adjusted 2015 Earn Out Consideration Shares to be approximately 26,512,000 shares of the Company. As disclosed in the Announcements, subject to the Actual Aggregated Profit of the Auto-serve Group for the year ended 31 December 2015, the Company should pay Vendor C and Vendor D (or their nominee(s)) the Earn Out Consideration Shares pursuant to the Agreement (as amended and supplemented by the Supplemental Agreement).

The Adjusted 2015 Earn Out Consideration Shares would be allotted and issued to the Vendor C and Vendor D (or their nominee(s)) within 10 Business Days from the issue of the audited financial statements of Beijing Auto and audited consolidated financial statements of Vibrant Youth for the year ended 31 December 2015.

On 16 March 2016, an aggregate of 26,512,494 Adjusted 2015 Earn Out Consideration Shares were allotted and issued.

Further details are set out in the announcement of the Company dated 2 March 2016.

Disposal of Auto-serve Group

On 24 March 2016, the Group entered into a disposal agreement to dispose of its entire equity interest in Beijing Auto and entire issued share capital of Vibrant Youth at a consideration of HK$26,208,000 to certain related parties of the Company. The Auto-serve Group carried out all of the Group's development and sales of software operation. Accordingly, the Group's development and sales of software operation was classified as a discontinued operation. The disposal was completed on 31 March 2016.

Details of the disposal are set out in the announcements of the Company dated 24 March 2016 and 31 March 2016.

Save as disclosed above, the Group did not have any other significant investments and disposals of subsidiaries during the year ended 31 December 2016.

CHARGE OF GROUP ASSETS

As at 31 December 2016 and 2015, the Group did not have any assets under charged.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 31 December 2016, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currency, i.e. RMB, used by the respective group entities.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2016, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

As at 31 December 2016, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

ADVANCE TO AN ENTITY

On 29 December 2015, the Group entered into an entrusted loan agreement with 北京銀行股份有限公司(Bank of Beijing Co., Ltd.*) (the "Lending Bank") and 北京建興泰建設科技有限責任公司 (Beijing Jianxingtai Construction and Technology Co., Ltd.*) (the "Borrower") pursuant to which the Group entrusted the Lending Bank with an amount of RMB76,000,000 (equivalent to approximately HK$90,721,000) for the purpose of lending the same to the Borrower for a period of 12 months at an interest rate of 17.4% per annum with interest payable on a monthly basis and the principal amount at the end of the loan period (the "Transaction"). On 26 August 2016, the total outstanding principal amount of RMB71,088,000 (equivalent to approximately HK$82,791,000) was repaid in full by the Borrower. As at 31 December 2016, no further advance was granted to the Borrower under the entrusted loan agreement. (As at 31 December 2015: RMB42,000,000 (equivalent to approximately HK$50,135,000) was drawn by the Borrower.)

CONTINGENT LIABILITIES

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

* *English name is for identification purpose only.*

EVENTS AFTER THE REPORTING PERIOD

On 9 January 2017, convertible bonds at a conversion price of HK$0.35 per share with principal value of HK$42,000,000 have been converted into 120,000,000 new ordinary shares of the Company.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2016, the Group employed a total of 102 employees (31 December 2015: 229). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees. Staff costs, excluding Directors' emoluments, for the year ended 31 December 2016 amounted to approximately HK$24,367,000 (31 December 2015: approximately HK$19,869,000).

The Company adopted the Share Option Scheme where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants under the Share Option Scheme during the year ended 31 December 2016.

SHARE OPTION

No share option was granted, outstanding, lapsed, cancelled or exercised at any time during the year ended 31 December 2016.

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

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

CORPORATE GOVERNANCE

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets.

Throughout the year ended 31 December 2016, the Company had complied with all the code provisions set out in the Appendix 15 Corporate Governance Code and Corporate Governance Report (the "CG Code") of the GEM Listing Rules with the exception of the following deviation:

CODE PROVISION A.2.1

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

Mr. Zhang Wei was appointed as Chairman and chief executive officer of the Company (the "CEO") on 1 December 2015. Given the size and that the Company's and the Group's current business operations and administration have been stable, the Board is justified that the current structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time the need to separate the roles of the Chairman and the CEO if the situation warrants it.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms equivalent to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group and recommended to the Board for approval. The Audit Committee has also considered selected accounting, internal control, risk management and financial reporting matters of the Group, in conjunction with the external auditor (if appropriate) of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this announcement, there is sufficient public float of the Company's issued shares as required under the GEM Listing Rules throughout the year ended 31 December 2016.

By Order of the Board
Capital Finance Holdings Limited
Mr. Zhang Wei
Chairman and Chief Executive Officer

Hong Kong, 13 March 2017

As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Ms. Li Wei and the independent non-executive Directors are Mr. Chen Yihua, Mr. Du Hui and Ms. Sze Sau Wan.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company's website at http://www.capitalfinance.hk.