華 億 金 控 集 團 有 限 公 司

SINOFORTUNE FINANCIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08123)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

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This announcement, for which the directors (the "Directors") of Sinofortune Financial Holdings Limited (the "Company", together with its subsidiaries, the "Group") 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, 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.

HIGHLIGHTS

The Group recorded a turnover of approximately HK$31,400,000 for the year ended 31 December 2017.

Loss for the year ended 31 December 2017 was approximately HK$136,300,000.

Loss attributable to owners of the Company for the year ended 31 December 2017 amounted to approximately HK$136,500,000.

Basic loss per share was 2.10 HK cents and diluted loss per share was 2.10 HK cents.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017.

FINAL RESULTS

The board of Directors of the Company (the "Board") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with the comparative audited figures for the corresponding period in 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017** ***HK$***	2016 *HK$*
Revenue	*3*	**29,186,397**	8,896,415
Other income and loss, net	*5*	**(35,919,256)**	(91,656,382)
Changes in inventories of finished good		**(17,821,020)**	(625,819)
Other direct costs		**(228,682)**	(259,715)
Employee benefits expenses		**(19,954,591)**	(17,854,403)
Depreciation of property, plant and equipments		**(5,380,884)**	(6,709,566)
Amortization of intangible assets	*10*	**–**	(17,362,183)
Impairment of refundable earnest money paid for proposed business acquisition in prior year		**(23,052,000)**	–
Impairment of intangible assets	*10*	**–**	(122,686,950)
Impairment of property, plant and equipment		**(966,460)**	–
Impairment loss of interests in associates	*11*	**(31,754,373)**	(1,028,594)
Finance costs	*6*	**(229,303)**	(289,184)
Other operating expenses		**(13,259,019)**	(18,873,125)
Change in fair value of contingent consideration receivable		**(13,441,448)**	140,880
Share of loss of associates		**(6,028,114)**	(9,474,111)
Loss before income tax	*7*	**(138,848,753)**	(277,782,737)
Income tax income	*8*	**2,545,494**	32,879,188
Loss for the year		**(136,303,259)**	(244,903,549)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Currency translation differences:			
– Group		**6,300,738**	(11,090,916)
– Share of translation reserve of an associate		**2,837,778**	(2,842,509)
Other comprehensive income/(loss) for the year, net of tax		**9,138,516**	(13,933,425)
Total comprehensive loss for the year		**(127,164,743)**	(258,836,974)

	Note	2017 HK$	2016 HK$
Loss attributable to:			
Owners of the Company	*9*	**(136,497,133)**	(244,075,407)
Non-controlling interests		**193,874**	(828,142)
		(136,303,259)	(244,903,549)
Total comprehensive loss for the year attribute to:			
Owners of the Company		**(127,211,846)**	(258,045,542)
Non-controlling interests		**47,103**	(791,432)
		(127,164,743)	(258,836,974)
Loss per share attributable to owners of the Company for the year			
Basic loss per share *(HK cents)*	*9*		
From loss for the year		**(2.10)**	(3.76)
Diluted loss per share *(HK cents)*	*9*		
From loss for the year		**(2.10)**	(3.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$	2016 HK$
Non-current asset			
Property, plant and equipments		**34,114,533**	35,787,878
Intangible assets	*10*	**104,500**	2
Statutory deposits and other assets		**505,001**	1,059,936
Interests in associates	*11*	**–**	34,944,709
Contingent consideration receivable		**–**	29,441,448
Rental and other deposit paid		**803,915**	940,607
		35,527,949	102,174,580
Current assets			
Inventories		**124,155,521**	2,590,324
Trade receivables	*12*	**9,424,160**	14,550,089
Loans and receivables		**597,960**	33,530,283
Financial assets at fair value through profit or loss	*13*	**34,275,830**	63,967,620
Prepayments, deposits and other receivables		**24,897,114**	28,242,860
Amounts due from former Directors	*14*	**–**	331,419
Bank balances and cash – trust accounts		**9,765,651**	14,075,403
Bank balances and cash – general accounts		**170,932,310**	240,921,035
		374,048,546	398,209,033
Total assets		**409,576,495**	500,383,613
Current liabilities			
Trade payables	*15*	**7,567,101**	14,817,698
Other payables and accruals		**7,401,511**	2,168,841
Current income tax payable		**59,704**	–
Borrowings	*16*	**54,392,813**	8,554,953
		69,421,129	25,541,492
Net current assets		**304,627,417**	372,667,541
Total assets less current liabilities		**340,155,366**	474,842,121

	2017	2016
	HK$	*HK$*
Non-current liabilities		
Deferred income tax liabilities	**3,290,066**	5,804,700
	3,290,066	5,804,700
Net assets	**336,865,300**	469,037,421
Capital and reserves		
Share capital	**64,989,582**	64,989,582
Share premium	**1,614,798,866**	1,614,798,866
Other reserve	**(16,000,000)**	–
Special reserve	**4,778,740**	4,778,740
Statutory reserve	**3,911,530**	3,911,530
Translation reserve	**(9,181,374)**	(18,466,661)
Share-based compensation reserve	**30,554,498**	30,383,874
Accumulated losses	**(1,371,889,661)**	(1,237,573,985)
Equity attributable to owners of the Company	**321,962,181**	462,821,946
Non-controlling interests	**14,903,119**	6,215,475
Total equity	**336,865,300**	469,037,421

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Special reserve	Statutory Reserve	Translation reserve	Share-based Compensation Reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance as at 1 January 2016	64,989,582	1,614,798,866	–	4,778,740	3,911,530	(4,496,526)	34,149,275	(994,422,010)	723,709,457	7,006,907	730,716,364
Loss for the year	–	–	–	–	–	–	–	(244,075,407)	(244,075,407)	(828,142)	(244,903,549)
Other comprehensive loss	–	–	–	–	–	(13,970,135)	–	–	(13,970,135)	36,710	(13,933,425)
Equity-settled share option arrangements	–	–	–	–	–	–	1,688,031	–	1,688,031	–	1,688,031
Reversal of share-based compensation reserve upon the forfeiture of share option	–	–	–	–	–	–	(4,530,000)	–	(4,530,000)	–	(4,530,000)
Transfer of share-based compensation reserve upon the lapse of share options	–	–	–	–	–	–	(923,432)	923,432	–	–	–
Balance as at 31 December 2016	64,989,582	1,614,798,866	–	4,778,740	3,911,530	(18,466,661)	30,383,874	(1,237,573,985)	462,821,946	6,215,475	469,037,421
Balance as at 1 January 2017	**64,989,582**	**1,614,798,866**	**–**	**4,778,740**	**3,911,530**	**(18,466,661)**	**30,383,874**	**(1,237,573,985)**	**462,821,946**	**6,215,475**	**469,037,421**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(136,497,133)**	**(136,497,133)**	**193,874**	**(136,303,259)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**9,285,287**	**–**	**–**	**9,285,287**	**(146,771)**	**9,138,516**
Capital contribution from non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,959,200**	**11,959,200**
Equity-settled share option arrangements	**–**	**–**	**–**	**–**	**–**	**–**	**877,444**	**–**	**877,444**	**–**	**877,444**
Shares retrieval from escrow arrangement	**–**	**–**	**(16,000,000)**	**–**	**–**	**–**	**–**	**–**	**(16,000,000)**	**–**	**(16,000,000)**
Reversal of share-based contribution reverse upon the lapse of share option	**–**	**–**	**–**	**–**	**–**	**–**	**(706,820)**	**706,820**	**–**	**–**	**–**
Deregistration of the subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(383)**	**(383)**
Transaction with non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,474,637**	**1,474,637**	**(3,318,276)**	**(1,843,639)**
Balance as at 31 December 2017	**64,989,582**	**1,614,798,866**	**(16,000,000)**	**4,778,740**	**3,911,530**	**(9,181,374)**	**30,554,498**	**(1,371,889,661)**	**321,962,181**	**14,903,119**	**336,865,300**

NOTES:

1. GENERAL INFORMATION

Pursuant to a special resolution passed by the Company's shareholders on 23 May 2017, the name of the Company was changed from "First China Financial Network Holdings Limited 首華財經網絡集團有限公司" to "Sinofortune Financial Holdings Limited 華億金控集團有限公司".

The Group is principally engaged in (i) provision of the precious metals spot trading and brokerage services in the PRC, (ii) provision of securities and futures contracts trading services in Hong Kong, (iii) trading and principal investments in the PRC and Hong Kong, (iv) research, exploration and development of the student safety network project and the electronic student card in the PRC, (v) provision of stock information and research services through the internet network in the PRC, and (vi) sales of motor vehicles and provision of agency services in the PRC.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at 16th Floor, CMA Building, No.64-66 Connaught Road Central, Hong Kong.

The Company's shares are listed on the GEM of the Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars, while the functional currencies of certain subsidiaries are Renminbi ("RMB"). The Company has selected Hong Kong dollar as its presentation currency as the functional currency of the Company is Hong Kong dollars and management considered it is more beneficial to the users of the consolidated financial statements. These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 20 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of Stock Exchange ("GEM Listing Rules") and by the applicable disclosure requirements of the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared under the historical cost convention, except for the recognition of certain financial assets and financial liabilities at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in below paragraphs.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

In the current year, the Group has applied for the first time the following amendments to HKFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2017:

- Amendments to HKAS 7 Disclosure Initiative;

- Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised losses; and

- Annual Improvements to HKFRSs, 2014-2016 Cycle

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference. The application of the amendments has not had any material effect on the consolidated financial statements.

Annual improvements to HKFRSs (2014-2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 Non-current Assets held for Sale and Discontinued operations, it is not required to disclose summarized financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 Disclosure of Interests in Other Entities. The application of the amendments has not had any material effect on the consolidated financial statement.

(b) New and amended Standards issued but not yet adopted

The Group has not applied any of the following new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to HKFRSs and new interpretations ("new and revised HKFRSs") that have been issued but are not yet mandatorily effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014-2016 Cycle[4]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective date not yet determined
4 For those amendments that will become effective for annual periods beginning on or after 1 January 2018
5 Effective for annual periods beginning on or after 1 January 2021

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.

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments 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. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that 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 instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognized in profit or loss, except that the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being 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 the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regards 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 the 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. This differs from the accounting treatment under HKAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in profit or loss.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the Group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognize loss allowance equal to the life time or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. HKFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by 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 the Group's risk management activities have also been introduced. HKFRS 9 will allow the Group when it applies the Standard for the first time to choose as its accounting policy to continue to apply the hedge accounting requirements of HKAS 39 Financial Instruments: Recognition and Measurement instead of the requirements in the Standard. If the Group chooses to do so, it should apply that policy to all of its hedging relationships.

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the Group when it applies HKFRS 9 in the year ending 31 December 2018.

The amendments to HKFRS 9 Prepayment Features with Negative Compensation mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the "solely payment of principal and interest" test.

The Group has reviewed its financial assets and liabilities as of 31 December 2017 and does not expect significant impact on the Group's investments currently classified as financial assets at fair value through profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the assets and the facts and circumstances. The Group expects that the application of the expected credit loss model may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation.

HKFRS 15 Revenue from Contracts with Customers

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, the Group will recognise 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 15 contains a number of transitional provisions as well as practical expedients to help preparers so through the transition. Please refer to HKFRS 15 for details.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) The management of the Company has performed a preliminary assessment of the effects of applying the new standard on the Group's consolidated financial statements and preliminary concluded that the application will not have a significant impact on the recognition of revenue based on the existing business model of the Group as at 31 December 2017.

(b) The Group intends to adopt the new standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained profits as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16 Leases

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

With regards 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 regards 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.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$8,679,980, the majority of which is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

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 of the Company 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 of the Company 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.

HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Estimated useful lives of intangible assets other than goodwill

The Group has significant intangible assets. The Group is required to estimate the useful lives of intangible assets, in order to ascertain the amount of amortization charges for each reporting period.

(d) Impairment of intangible assets other than goodwill

The Group periodically reviews internal or external resources to identify indications that the intangible assets other than goodwill have suffered any impairment in accordance with accounting policy. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the intangible asset is reduced to its recoverable amount. The assessment of the recoverable amount requires the use of estimates and assumptions.

(e) Impairment of trade and other receivables

The Group's management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of trade and other receivables at the end of the reporting period.

(f) Impairment of interests in associates

Determining whether interests in associates are impaired requires an estimation of the recoverable amounts of the interests in associates.

(g) Estimated useful lives and impairment of property, plant and equipment

The Group has significant property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry and economic trends. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(h) Income taxes

The Group is subject to income taxes in certain overseas jurisdictions and Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination are made.

(i) Fair value of contingent consideration receivable

The Directors of the Company use their judgment in selecting appropriate valuation techniques for contingent consideration receivable. The estimation of fair values of the contingent consideration receivables are derived after taking into account the Company's shares price and the probability the vendors will acquire the Company's shares by cash payments at the end of reporting period.

(j) Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group use a binomial model for new share options scheme to measure the fair value of equity-settled transactions with employees at the grant date.

(k) Determining the basis on impairment made on the interests in associates

The Group has made substantial investments in associates. The Group conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

During 2017, after reviewing the business environment and past performance of the investments, management considers to make the full impairment for two PRC associates of HK$31,754,373 (2016: HK$1,028,594) due to the continuing suspension of business of those associates during the year.

As the commodities trading policies review conducted by the government of Qianhai, there was a suspension on the business operation of 深圳前海首華國際商品交易中心有限公司 (transliterated as Shenzhen Qianhai First China International Commodities Exchange Centre Limited) ("Qianhai First China"), an associate of the Group, in prior year. The review was still not completed as at the end of the current reporting period and therefore the business operation of Qianhai First China has not yet resumed up to present. Due to the uncertainty in the timing of the new industry policies introduced, the management of the Group considers that it is appropriate to make full impairment on the interests in the associates.

(l) Determining the basis on impairment refundable earnest money paid for proposed business acquisition in previous year

The Group has paid the refundable earnest money of RMB20,000,000 (equivalent to HK$23,052,000) for the proposed acquisition for the entire registered capital of 民勤量子新能源有限公司 (transliterated as Minqin Quantum New Energy Co Ltd.) ("Minqin Quantum") in January 2015. The Group has received the collateral which are the entire shares of Minqin Quantum from the vendor. The proposed acquisition terminated in May 2015 and the Group filed an arbitration application to South China International Economic and Trade Arbitration Commission for the repayment of the overdue receivables.

Although the final judgment ordered the vendors to repay the refundable earnest money to the Group, the vendor did not return the said deposits to the Group. On 6 June 2017, the PRC legal adviser of the Company received the execution judgment issued by Intermediate People's Court (the "Court") of Suining City, Sichuan Province dated 25 April 2017. According to the execution judgment, the Court terminated the compulsory execution of repayment of the said deposits from the vendor and the Court concluded that the vendor owns no executable assets after he pledged his shares of Minqin Quantum to the Group. In addition, the Group may need to take up Minqin Quantum's significant existing and potential liabilities if the Group get possession of the pledged shares of Minqin Quantum. Based on the facts and circumstances described above, the management determined to make a full impairment of the said earnest money during the year.

(m) Revenue recognition in respect of new motor vehicles trading business

The Group assesses its business relationships with suppliers and customers of the motor vehicles trading business and determines that the Group acts as a principal in some arrangements and acts as agent in other arrangements. For the latter, the Group determines that it just provides sourcing services for its customers.

In determining whether revenue from trading of motor vehicles shall be recorded on net basis or gross basis, the Group has made reference to indicators and requirements stated in HKAS 18 "Revenue". Determining whether the Group is acting as a principal or an agent requires judgment and consideration of all relevant facts and circumstances, and the Group considers itself as an agent regarding the trading of purchased motor vehicles and as a principal regarding the trading of imported motor vehicles by assessing the following features:

- Whether the Group has the primary responsibility to provide motor vehicles to the customers (e.g. only after the quality inspection).

- Whether the Group has significant inventory risk. The Group has minimal inventory risk regarding trading of the "PRC purchased" motor vehicles as the Group only places purchase orders to suppliers only when receiving sales orders from customers and the risk and rewards or control of the motors are not transferred to the Company before the motors are transferred to the customers. The Group has significant inventory risk regarding trading of the imported motor vehicles as the Group did not receive any sale orders from customers before purchasing the imported motor vehicles.

- Whether the Group is exposed to significant credit risk. For trading of imported motor vehicles, the Group settles amounts due to suppliers before motor vehicles are sold to customers. On the contrary, the credit risk of the Group is minimal as customers are required to pay full amount to the Group before motor vehicles are delivered to them.

After assessing the above features, the management concluded that the Group acts as principal regarding the trading of imported motor vehicles and acts as an agent regarding the trading of "PRC-purchased" motor vehicles.

3. REVENUE

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

	2017	2016
	HK$	*HK$*
Commission income from securities and futures brokerage	**724,089**	659,425
Commission income from precious metals brokerage	**–**	1,028,710
Spot trading profits on precious metals contracts, net	**–**	511,054
Trading of electronic student cards and school safety products	**5,282,451**	5,175,956
Interest income from clients	**734,163**	745,406
Consultancy fee income	**839,364**	775,864
Sales of motor vehicles which the Group acts as principal	**19,202,360**	–
Agency fee income from trading of "PRC-purchased" motor vehicles	**2,403,970**	–
Revenue	**29,186,397**	8,896,415
Proceeds from trading of securities	**2,214,371**	37,995,615
Turnover	**31,400,768**	46,892,030

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors (the "Executive Directors") of the Company. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Operating segments were determined based on these reports.

In prior financial years, the Group was organized into five operating divisions and each of the operating divisions represented an operating and reportable segment: (1) provision of brokerage and securities margin financing services; (2) precious metals spot trading and brokerage; (3) trading of electronic student cards and school safety products; (4) trading and principal investments; (5) provision of stock information and research services. During the year ended 31 December 2017, the chief operation decision maker considered the new business of the sales of motor vehicles and provision of agency services as a new single operating and reportable segment. As a result, six operating and reportable segments were identified by the Executive Directors.

The segment information of the reportable segments for the year ended 31 December 2017 is as follows:

	Brokerage and securities margin financing services *HK$*	Precious metals spot trading and brokerage *HK$*	Trading of electronic student cards and school safety products *HK$*	Trading and principal investments *HK$*	Provision of stock information and research services *HK$*	Sales of motor vehicles and provision of agency services *HK$*	Total *HK$*
Segment revenue from external customers	1,458,252	–	5,282,451	–	839,364	21,606,330	29,186,397
Other income and loss, net by segment	93,289	(74,134)	32,228	(37,254,892)	612,905	76,549	(36,514,055)[1]
Segment results	(3,310,926)	(494,309)	(16,231,861)	(44,726,648)	(28,005,672)	2,853,774	(89,915,642)
Net unallocated expenses							(11,516,120)
Other income and loss, net							205,991[1]
Finance costs							(229,303)
Interest income							388,808[1]
Share of loss of associates							(6,028,114)
Impairment loss of interests in associates							(31,754,373)
Loss before income tax							(138,848,753)
Income tax income							2,545,494
Loss for the year							(136,303,259)

[1] *Equivalent to the total balances stated in Note 5*

The segment information of the reportable segments for the year ended 31 December 2016 is as follows:

	Brokerage and securities margin financing services *HK$*	Precious metals spot trading and brokerage *HK$*	Trading of electronic student cards and school safety products *HK$*	Trading and principal investments *HK$*	Provision of stock information and research services *HK$*	Total *HK$*
Segment revenue from external customers	1,404,831	1,539,764	5,175,956	–	775,864	8,896,415
Other income and loss, net by segment	100,957	92,974	354,944	(95,311,974)	2,448,383	(92,314,716)[1]
Segment results	(4,093,016)	(2,009,354)	(113,390,780)	(102,586,026)	(6,888,117)	(228,967,293)
Net unallocated expenses						(8,180,739)
Other income and loss, net						226,390[1]
Finance costs						(289,184)
Interest income						431,944[1]
Share of loss of associates						(8,928,647)
Impairment loss on interests in associates						(1,028,594)
Loss before income tax						(246,736,123)
Income tax expense						1,832,574
Loss for the year						(244,903,549)

[1] *Equivalent to the total balances stated in Note 5.*

The measure used for reporting segment profits or losses is adjusted losses before interest and taxes. To arrive at adjusted losses, the Group's losses are further adjusted for items not specifically attributed to individual segments, such as share of profits or losses of associates, impairment loss on interests in associates and head office or corporate administration costs.

In addition to receiving segment information concerning adjusted losses before interest and taxes, management is provided with segment information concerning revenue, interest income and finance costs from borrowings, share of profits or loss of the associates and impairment loss on interests in associates.

Other segment information for the year ended 31 December 2017 is as follows:

	Brokerage and securities margin financing services *HK$*	Precious metals spot trading and brokerage *HK$*	Trading of electronic student cards and school safety products *HK$*	Trading and principal investments *HK$*	Provision of stock information and research services *HK$*	Sales of motor vehicles and provision of agency services *HK$*	Unallocated *HK$*	Total *HK$*
Addition to property, plant and equipment	–	–	116,056	–	3,439,454	932,389	141,554	4,629,453
Depreciation and amortization	–	121,985	2,999,917	49,992	530,049	3,157	1,675,784	5,380,884
Impairment of property, plant and equipment	–	–	966,460	–	–	–	–	966,460
Change in fair value of contingent consideration receivable	–	–	13,441,448	–	–	–	–	13,441,448
Fair value losses on securities trading	–	–	–	34,756,990	–	–	–	34,756,990
Impairment of refundable earnest money paid for proposed business acquisition in prior year	–	–	–	–	23,052,000	–	–	23,052,000
Impairment loss of interests in associates	–	–	–	–	–	–	31,754,373	31,754,373

Other segment information for the year ended 31 December 2016 is as follows:

	Brokerage and securities margin financing services *HK$*	Precious metals spot trading and brokerage *HK$*	Trading of electronic student cards and school safety products *HK$*	Trading and principal investments *HK$*	Provision of stock information and research services *HK$*	Unallocated *HK$*	Total *HK$*
Addition to property, plant and equipment	–	235,824	2,640,371	–	54,003	60,022	2,990,220
Depreciation and amortization	–	718,418	21,299,187	279,800	271,693	1,502,651	24,071,749
Impairment of intangible assets	–	–	122,686,950	–	–	–	122,686,950
Change in fair value of contingent consideration receivable	–	–	140,880	–	–	–	140,880
Fair value losses on securities trading	–	–	–	30,108,514	–	–	30,108,514
Impairment loss of interests in associates	–	–	–	–	–	1,028,594	1,028,594

The segment assets and liabilities as at 31 December 2017 and 2016 are as follows:

Segment assets	**2017**	2016
	HK$	*HK$*
Brokerage and securities margin financing services	**34,832,881**	44,961,059
Precious metals spot trading and brokerage	**19,591,506**	18,646,616
Trading of electronic student cards and school safety products	**9,632,932**	41,886,646
Trading and principal investments	**53,328,020**	125,881,078
Provision of stock information and research services	**42,404,137**	72,197,138
Sales of motor vehicles and provision of agency services	**175,851,667**	–
	335,641,143	303,572,537
Interest in associates	**–**	34,944,709
Unallocated	**73,935,352**	161,866,367
Consolidated assets	**409,576,495**	500,383,613

Segment liabilities	**2017**	2016
	HK$	*HK$*
Brokerage and securities margin financing services	**7,750,081**	15,010,828
Precious metals spot trading and brokerage	**337,086**	301,625
Trading of electronic student cards and school safety products	**195,515**	368,761
Trading and principal investments	**36,760**	69,154
Provision of stock information and research services	**232,582**	323,271
Sales of motor vehicles and provision of agency services	**53,370,110**	–
	61,922,134	16,073,639
Unallocated	**10,789,061**	15,272,553
Consolidated liabilities	**72,711,195**	31,346,192

Segment assets consist primarily of property, plant and equipment, intangible assets, statutory deposits and other assets, contingent consideration receivable, inventories, trade and other receivables, deposits, loan receivables, financial assets at fair value through profit or loss and bank balances and cash.

Segment liabilities consists primarily of trade payables, other payables and accruals, current income tax payables and deferred income tax liabilities.

The Group mainly operates in Hong Kong and the PRC.

	2017	2016
	HK$	*HK$*
Revenue		
Hong Kong	**1,458,252**	1,404,831
The PRC	**27,728,145**	7,491,584
	29,186,397	8,896,415
Other income and loss, net		
Hong Kong	**(36,674,217)**	(94,933,943)
The PRC	**754,961**	3,277,561
	(35,919,256)	(91,656,382)

Revenue from external customers are allocated based on the geographic areas in which the customer is located.

	2017	2016
	HK$	*HK$*
Specified non-current assets		
Hong Kong	**29,341,908**	31,430,967
The PRC	**4,877,125**	41,302,165
	34,219,033	72,733,132

Interest in associates are allocated based on the location of operations, property, plant and equipments, intangible assets, statutory deposits, deposits paid and other assets are allocated based on where the assets are located.

Information about major customers

During the year, two of the customers located in the PRC accounted for 15.4% and 59.8% of the Group's revenue in amount of HK$4,517,263 and HK$17,459,632 respectively, which were from segments of trading of electronic student cards and school safety products and sales of motor vehicles and provision of agency service respectively.

During 2016, one of the customers located in the PRC accounted for 50.3% of total revenue of the Group in the amount of HK$4,475,784, which was from the segment of provision of stock information and research services.

5. OTHER INCOME AND LOSS, NET

	2017	2016
	HK$	*HK$*
Other income		
Central Clearing and Settlement System ("CCASS") fee income	**17,703**	16,703
Handling fee income	**52,906**	42,679
Interest income on bank deposits	**558,149**	558,706
Other interest income[1]	**197,387**	3,100,262
Dividend income from securities held for trading	**867,288**	6,146,271
Sundry income	**684,380**	828,632
	2,377,813	10,693,253
Other gain or loss, net		
Financial assets at fair value through profit or loss *(Note 13)*		
– Unrealised fair value losses on securities trading	**(34,756,990)**	(30,108,514)
– Realized losses on trading of securities	**(3,478,154)**	(71,729,841)
Exchange gain	**218,039**	226,392
Loss on disposal of property, plant and equipment	**(279,964)**	(240,536)
Written off of property, plant and equipment	**–**	(497,136)
	(38,297,069)	(102,349,635)
	(35,919,256)	(91,656,382)

[1] The other interest income of the Group are arising from the loan receivables from third parties.

6. FINANCE COSTS

	2017	2016
	HK$	*HK$*
Interest expenses on bank borrowings	**229,303**	289,184

7. LOSS BEFORE INCOME TAX

	2017	2016
	HK$	*HK$*
Loss before income tax has been arrived at after charging:		
Auditors' remuneration		
– audit services	**470,000**	450,000
– other services	**150,000**	70,000
Foreign exchange difference, net	**(218,039)**	(226,392)
Operating lease rentals in respect of rented premises	**1,770,705**	4,790,470
Legal and professional fee	**976,291**	4,038,529

8. INCOME TAX INCOME

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year (2016: Nil). PRC Enterprise Income tax has been provided at the rate from 15% to 25% (2016: 25%) on the assessable profits of the PRC subsidiaries arising in or derived from PRC for the year.

In accordance with the "Catalogue of Encouraged Industries in Western Region" approved by the State Council, as one of the subsidiaries engaged in an encouraged business in Chongqing, it enjoys the reduced PRC Enterprise Income tax rate of 15%.

	2017	2016
	HK$	*HK$*
Current income tax:		
Current tax on profits for the year		
– PRC Enterprise Income tax	**58,965**	–
Total current tax	**58,965**	–
Deferred tax income:		
Current year	**(2,604,459)**	(32,879,188)
Income tax income	**(2,545,494)**	(32,879,188)

Under the current general provision of the PRC enterprise income tax law and published tax circulars, deferred taxation has been provided for in the consolidated financial statements in respect of the withholding tax that would be payable on unremitted earnings of a PRC associate of the Group at the rate of 10%. As at 31 December 2016, the deferred taxation provided for the above-mentioned deferred tax of approximately HK$2,333,085. As the management determined to make full impairment on the interests in PRC associate in the current year, the deferred tax liabilities attributable to withholding tax on unremitted earnings of the PRC associate made previously had been fully reversed during the year.

As at 31 December 2017, the unrecognized temporary differences in respect of the unremitted earnings of a PRC associate attributable to the Group is RMB15,791,236.

No deferred tax liabilities have been recognized in respect of the unremitted earnings of PRC subsidiaries because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future. As at 31 December 2017 and 2016, the unrecognized temporary differences in respect of the unremitted earnings of the PRC subsidiaries attributable to the Group are RMB57,679,623 and RMB60,315,667 respectively.

The tax on the Group' loss before income tax differs from the theoretical amount that would arise using the tax rate applicable to losses of the consolidated entities as follows:

	2017	2016
	HK$	*HK$*
Loss before income tax	**(138,848,753)**	(277,782,737)
Tax calculated at company's domestic tax rate of 16.5% (2016: 16.5%)	**(22,910,044)**	(45,834,151)
Tax effects of:		
– Different tax rates of subsidiaries operating in other jurisdictions	**(3,075,400)**	(12,935,058)
– Income not subject to tax	**(8,214)**	(1,107,133)
– Expenses not deductible for tax purposes	**14,394,607**	7,503,549
– Others	**1,427,236**	22,417
– Unused tax losses not recognized	**9,014,491**	19,778,241
– Tax loss not allowable	**1,674,328**	1,343,972
– Prior year's tax losses utilized in this year	**(523,051)**	–
– Temporary differences not provided	**(116,537)**	–
– Reversal of withholding tax	**(2,422,910)**	(1,651,025)
Income tax income	**2,545,494**	(32,879,188)

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company are based on the following data:

	2017	2016
	HK$	*HK$*
Loss		
Loss for the purposes of basic and diluted loss per share	**(136,497,133)**	(244,075,407)

	2017	2016
Number of shares		
Issued ordinary shares at 1 January and 31 December	**6,498,958,120**	6,498,958,120
Weighted average number of ordinary shares in issue for calculating basic and diluted loss per share *(Note)*	**6,498,958,120**	6,498,958,120

	2017	2016
	HK$	*HK$*
Loss per share	**(0.0210)**	(0.0376)
Diluted loss per share	**(0.0210)**	(0.0376)

Note:

The computation of diluted loss per share for the years ended 31 December 2017 and 2016 did not assume the exercise of the Company's share options outstanding during the year ended 31 December 2017 and 2016 since their exercise would result in a decrease in loss per share.

10. INTANGIBLE ASSETS

	Software	Trading rights	Contractual customer relationship	Total
	HK$	*HK$*	*HK$*	*HK$*
As at 1 January 2016				
Cost	28,819,759	3,224,000	218,582,540	250,626,299
Accumulated amortization and impairment	(11,558,839)	(3,223,998)	(93,191,960)	(107,974,797)
Net book amount	17,260,920	2	125,390,580	142,651,502
Year ended 31 December 2016				
Opening net book amount	17,260,920	2	125,390,580	142,651,502
Currency translation difference	(314,888)	–	(2,287,479)	(2,602,367)
Amortization charge *(Notes (i, ii))*	(1,974,295)	–	(15,387,888)	(17,362,183)
Impairment *(Note (iii))*	(14,971,737)	–	(107,715,213)	(122,686,950)
Closing net book amount	–	2	–	2
As at 31 December 2016				
Cost	26,528,746	3,224,000	201,996,340	231,749,086
Accumulated amortization and impairment	(26,528,746)	(3,223,998)	(201,996,340)	(231,749,084)
Net book amount	–	2	–	2
Year ended 31 December 2017				
Opening net book amount	**–**	**2**	**–**	**2**
Addition	**100,713**	**–**	**–**	**100,713**
Currency transaction difference	**3,785**	**–**	**–**	**3,785**
Closing net book amount	**104,498**	**2**	**–**	**104,500**
As at 31 December 2017				
Cost	**26,633,244**	**3,224,000**	**201,996,340**	**231,853,584**
Accumulated amortization and impairment	**(26,528,746)**	**(3,223,998)**	**(201,996,340)**	**(231,749,084)**
Net book amount	**104,498**	**2**	**–**	**104,500**

The amortization charge for the year is presented in the consolidated statement of profit or loss and other comprehensive income separately.

Notes:

(i) As at 31 December 2017 and 2016, the software mainly represents 天星通定位服務平台軟件V2.0 (Registration No.: 2013SR144807), 天星通家校互動服務平台軟件V2.0 (Registration No.: 2013SR144929), 天星通定位服務網站軟件V2.0 (Registration No: 2013SR145090) and 2.4G 有源RFID激勵標簽嵌入式軟件 (Registration No: 2014SR037656) with the estimated useful life of 10 years.

(ii) The contractual relationships with customers were acquired through the acquisition of 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd) in year 2014. The management of the Group reviewed the expected useful life of the contractual customer relationships and determined that the useful life assessment is 8 years. The contractual customer relationships are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the said expected useful life of the customer relationships.

(iii) In prior year, for the purpose of impairment testing of the contractual relationships with customers and the software, those intangible assets have been allocated to a cash-generating unit ("CGU") representing the operating activities of 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd). An impairment test of these intangible assets was carried out by management based on value-in-use calculation and with reference to business valuation conducted by an independent professional valuer.

Based on the impairment test performed, an impairment of RMB92,750,000, which is equivalent to HK$107,715,213) on contractual relationships with customers was made during year 2016 due to unsatisfactory performance of the business.

As at 31 December 2016, the recoverable amount of the contractual relationships with customers and software are determined based on value-in-use calculations by preparing cash flow projections of the relevant CGU derived from the financial forecast approved by the management. The projected cash flows reflected the expected effects of the change of the navigating chips used in the products mentioned in above paragraph. The discount rate is the key assumptions used by the Group to determine the recoverable amount of the assets and CGU. The pre-tax discount rate applied to cash flow projections in year 2016 is 29.14%, which is arrived after the adjustment of the Weighted Average Cost of equity to pre-tax rate and cash flows beyond three years period are extrapolated without considering any growth rate. The discount rate used is based on market risk free interest rates adjusted for inflation differentials and also include the debt premium, market risk premium, specific risk on intangible assets, gearing corporate tax rate and asset beta.

As at 31 December 2017, the three-year-period profit guarantee specified in the acquisition agreement of 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd.) signed by the Group and the vendors could not be achieved.

(iv) The trading rights as at 31 December 2017 represent two (2016: two) trading rights on the Stock Exchange and one (2016: one) trading right on the Hong Kong Futures Exchange Limited ("HKFE").

11. INTERESTS IN ASSOCIATES

	2017	2016
	HK$	*HK$*
Share of net assets	–	34,944,709

Started from November 2015, there was a suspension on the business operation of the material associate, Qianhai First China due to the commodities trading policies review conducted by the government of Qianhai. Up to present, the review was still not completed as at the end of the current reporting period and therefore the business operation of Qianhai First China had not yet resumed. During the year, the management determined it is appropriate to make the full impairment on the interests in these associates because they do not expect the associate can resume its business activities in the foreseeable future.

Apart from the above, the accumulated impairment of interests in associates includes the full impairment on the investments in respect of 首華(遼寧)農產品交易中心有限公司 (transliterated as First China (Liaoning) Agricultural Products Trading Centre Company Limited) due to the continuing dormancy of the associate during the year. The management of the Company do not expect any active business of these associates in the foreseeable future.

During the year, the associate named 深圳中財贏通信息技術有限公司 (transliterated as Shenzhen Zhongcai Yingtong Information Technology Company Limited) had been suspended by the PRC authority. The interests in this associate had been fully impaired in previous year.

Details of the Group's associates as at 31 December 2017 are as follows:

Name	**Place of incorporation/ establishment and kind of legal entity**	**Principal activities**	**Particulars of issued shares capital/ registered capital**	**Interest held**
深圳前海首華國際商品交易中心有限公司 (transliterated as Shenzhen Qianhai First China International Commodities Exchange Centre Limited)	PRC, Limited liability company	Provision of trading platform for precious metal and provision of related consultancy services	Registered capital of RMB38,000,000 (of which RMB19,000,013 has been paid up as at 31 December 2017)	38%
首華(遼寧)農產品交易中心有限公司 (transliterated as First China (Liaoning) Agricultural Products Trading Centre Company Limited)	PRC, Limited liability company	Sale of agricultural products, provision of transportation services and e-commerce services	Registered capital of RMB225,000,000 (of which RMB2,000,000 has been paid up as at 31 December 2017)	45%

All of the above associates are accounted for using the equity method in the consolidated financial statements.

The above associates are private companies and there is no quoted market value available.

Commitments in respect of associates

The Group has the following commitments relating to its associates:

	2017	2016
	HK$	*HK$*
Commitment to provide capital funding for associates if called	**289,412,624**	268,588,526

Litigation in respect of associates

At 31 December 2017, there is no unresolved legal cases relating to the contracts disputed with some investors. All previous legal cases had been settled during the year. The associate has paid the compensation to some investors and the related litigation fee in accordance to the related court judgements.

Individually immaterial associates

Due to the suspension of the two associate's business, the management of the Group consider both associates to be immaterial associates. The Group has interests in two individually immaterial associates that are accounted for using the equity method.

Aggregate information of associates that are not individually material

	2017	2016
	HK$	*HK$*
Aggregate carrying amount after impairment of individually immaterial associates in the consolidated financial statements	**–**	34,944,709
Aggregate amounts of the Group's share of those associates		
– Loss from operations	**(16,027,413)**	(24,637,447)
Other comprehensive income/(loss) – translation reserve	**7,805,876**	(7,609,592)
Total comprehensive loss	**(8,221,537)**	(32,247,039)

12. TRADE RECEIVABLES

	2017	2016
	HK$	*HK$*
Amounts receivable arising from securities broking:		
Margin clients	**2,614,525**	5,888,186
Cash clients	**4,490,031**	5,820,001
Brokers and dealers	**6**	7
Hong Kong Securities Clearing Company Limited (net)	**487,628**	428,834
Other trade receivables	**1,831,970**	2,449,061
	9,424,160	14,586,089
Less: Provision for impairment loss	**–**	(36,000)
Trade receivables, net	**9,424,160**	14,550,089

Amounts receivable from margin clients are repayable on demand, bearing interest at prevailing market rates and are secured by clients' pledged securities which are listed on the Stock Exchange with a total market value of approximately HK$22,584,000 as at 31 December 2017 (2016: HK$25,580,000). No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts receivable arising from securities broking are one or two trade days after the trade execution date. Except for the amounts receivable from margin clients as mentioned above, these balances are aged within 30 days.

The trade receivables arising from the trading of electronic student card and from the trading of motor vehicles are due immediately from date of billing.

The following is an aged analysis of other trade receivables based on invoice date at the reporting period:

	2017	2016
	HK$	*HK$*
0-30 days	**1,831,970**	2,268,463
31-90 days	**–**	–
91-180 days	**–**	144,598
181-365 days	**–**	–
Over 365 days	**–**	36,000
	1,831,970	2,449,061

The maximum exposure to credit risk at the end of the reporting period is the carrying amounts of trade receivables. Other than the amounts receivable from margin clients, the Group does not hold any collateral as security in respect of its trade receivables. There is no recent history of default on the trade receivables.

As at 31 December 2017 and 31 December 2016, all other trade receivables, except for the impaired amounts indicated below, were not past due.

Movements on the provision of impairment of trade receivables are as follow:

	2017	2016
	HK$	*HK$*
At 1 January and at 31 December	**–**	36,000

As at 31 December 2016, the Group's trade receivables of HK$36,000 were individually determined to be impaired.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2017	2016
	HK$	*HK$*
Hong Kong dollars	**7,592,190**	12,137,028
RMB	**1,831,970**	2,413,061
	9,424,160	14,550,089

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$	*HK$*
Listed equity – held for trading		
Equity securities – Hong Kong	**23,512,550**	63,967,620
Financial asset designated as at fair value through profit and loss	**10,763,280**	–
	34,275,830	63,967,620

Stock code	Company name	No. of share held as at 31 December 2017	Approximately percentage of shareholding	Fair value as at 31 December 2017	Fair value loss on securities trading for 2017
				HK$	*HK$*
01335	Sheen Tai	75,238,000	3.06%	20,690,450	(33,480,910)
06898	China Aluminum	2,454,000	0.26%	2,822,100	(1,276,080)
Listed shares held for trading				23,512,550	(34,756,990)

The financial asset designated at fair value through profit and loss represents an amount of RMB9,000,000 invested in a fund known as 財富寶 (transliterated as Cai Fu Bao) which is managed by 南方基金管理股份有限公司 (transliterated as China Southern Asset Management Co., Limited) during the year. This investment fund provides the unguaranteed expected floating returns of approximately 4% per annum and can be refunded one day after instruction is given to the securities company.

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other income and loss, net" in the consolidated statement of profit or loss and other comprehensive income.

The fair value of all equity securities held in trading is based on their current bid prices in an active market.

The fair value of the financial asset designated as at fair value through profit or loss of the end of reporting period was determined based on purchase cost of fund which is close to the end of reporting period.

14. AMOUNTS DUE FROM FORMER DIRECTORS

	2017	2016
	HK$	*HK$*
Amounts due from former Directors	**–**	331,419

The Securities and Futures Commission ("SFC") has served a petition under the Securities and Futures Ordinance against the Company, three former Directors (Mr. Yin Yingneng Richard, Mr. Wang Wenming and Mr. Lee Yiu Sun) of the Company in November 2012. At that time, SFC was seeking disqualification orders against such Directors and an order that the Company should itself or otherwise procure Aceview International Limited, a wholly owned subsidiary of the Company, to bring court proceedings against Fame Treasure Limited and/or other parties at fault to recover the dividend of RMB18,692,000 (equivalent to HK$23,268,362) with the interest accruing at 1% above the prime rate published by the HSBC from 31 December 2008 to the date hereof and thereafter at the judgment rate until the date of payment to the Company. The amounts have been settled during 2017.

15. TRADE PAYABLES

	2017	2016
	HK$	*HK$*
Amounts payable arising from securities broking:		
Margin clients	**716,274**	90,320
Cash clients	**6,844,930**	14,721,481
Other trade payables	**5,897**	5,897
	7,567,101	14,817,698

Amounts payable to margin clients are repayable on demand. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts payable arising from securities broking are one or two trade days after the trade execution date. Except for the amounts payable to margin clients as mentioned above, these balances are aged within 30 days.

The following is an aged analysis of other trade payables based on invoice date at the end of each reporting period:

	2017	2016
	HK$	*HK$*
0-30 days	**–**	–
31-90 days	**–**	–
91-180 days	**–**	–
181-365 days	**–**	–
Over 365 days	**5,897**	5,897
	5,897	5,897

16. BORROWINGS

	2017	2016
	HK$	*HK$*
Secured borrowing included in current liabilities		
– bank borrowings	**6,556,013**	8,554,953
Unsecured borrowing included in current liabilities		
– related party	**47,836,800**	–
	54,392,813	8,554,953

Notes:

(a) The maturity of borrowings is as follows *(Note (b), (c))*:

	2017	2016
	HK$	*HK$*
On demand or within one year	**49,896,532**	1,998,932
In the second year	**2,122,380**	2,059,731
In the third to fifth year	**2,373,901**	4,496,290
	54,392,813	8,554,953

At 31 December 2017 and 2016, the bank borrowings of the Group were secured by the charges over the Group's land and buildings and corporate guarantees executed by the Company. At 31 December 2017 and 2016, the Group's bank borrowings are denominated in HK$, bearing floating interest rate of 3% (2016: 3%) per annum.

At 31 December 2017, the unsecured borrowing from related party are denominated in RMB40,000,000 (equivalent to HK$47,836,800) bearing interest rate of 8% (2016: Nil) per annum and repayable within one year.

The related party is controlled by the father-in-law of Mr. Wang Jiawei, the Company's director and is therefore a deemed connected person of the Company as defined in the GEM Listing Rules.

(b) The amounts due are based on the scheduled repayment dates set out in the loan agreements.

(c) The bank borrowings are shown under current liabilities as the loan agreement contains a repayment on demand clause.

17. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: Nil).

BUSINESS REVIEW

The Group for the year ended 31 December 2017 recorded total turnover of approximately HK$31.4 million, which was a decrease of approximately HK$15.5 million compared with the last corresponding year. It was due to a record of proceeds from trading of securities of approximately HK$2.2 million for the year ended 31 December 2017, compared with approximately HK$38.0 million for the previous year, representing a decrease of approximately HK$35.8 million. Moreover, there were no income recorded in commission income from precious metals brokerage and spot trading profits on precious metals contracts for the year ended 31 December 2017 and a total of approximately HK$1.5 million were recorded in those segments for the year ended 31 December 2016. On 2 August 2017, a subsidiary of the Group namely 重慶盛渝泓嘉國際貿易有限公司 (transliterated as Chongqing Sheng Yu Hong Jia International Trading Company Limited) was formed and established new segment of sales of parallel imported motor vehicles and provision of relevant agency services in the PRC. For the year ended 31 December 2017, sales of motor vehicles and agency fee income were recorded approximately HK$19.2 million and approximately HK$2.4 million respectively. There was no information recorded for the year ended 31 December 2016 since the subsidiary was formed in August 2017.

For proprietary stock trading, the Group recorded an unrealized loss of approximately HK$34.8 million and realized loss of approximately HK$3.5 million for the year ended 31 December 2017.

For electronic student card business, as there has been some technical issues that the Group needs to resolve on the change of navigating chips of electronic cards and devices of the school safety network, the segment of the trading of electronic student cards and school safety products recorded a revenue of approximately HK$5.3 million and incurred an operating loss of approximately HK$16.1 million for the year ended 31 December 2017. The said segment recorded revenue and operating loss of approximately HK$5.2 million and approximately HK$113.4 million respectively for the year ended 31 December 2016.

Due to the tightened policy of the People's Republic of China (the "PRC") Government on regulating the precious metals trading and brokerage business in the PRC, the Group did not have revenue incurred for the year ended 31 December 2017 in these principal activities and approximately HK$1.5 million was recorded for the year ended 31 December 2016.

As per the Company's announcement dated 13 June 2017, our PRC legal adviser received the execution judgement issued by Intermediate People's Court (the "Court") of Suining City, Sichuan Province in relation to the compulsory execution application for the repayment of the refundable earnest money. According to the execution judgement, the Court terminated the compulsory execution of repayment of the refundable earnest money from Yang Shunhong and the Court concluded that Yang Shunhong owns no executable assets after he pledged his shares of 民勤量子新能源有限公司 (transliterated as Minqin Quantum New Energy Co. Ltd.) ("Minqin Quantum") to 首華證券諮詢（深圳）有限公司 (transliterated as First China Securities Consultancy (Shenzhen) Co., Ltd.) ("Shenzhen First China") as collateral. As at the date of this announcement, all the issued share capital of Minqin Quantum are pledged to Shenzhen First China. In this respect, the Company has sought legal opinion from its PRC legal adviser on the execution judgment. The Company may apply to the Court for resuming the execution procedure anytime if any executable assets of Yang Shunhong are identified.

In June 2017, we resolved to change the name of the Company to Sinofortune Financial Holdings Limited 華億金控集團有限公司which would better reflect the current status of the Group's business development and its direction of future development.

On 4 July 2017, the Company and 深圳美麗生態股份有限公司 (transliterated as Shenzhen Ecobeauty Co., Ltd) ("Joint Venture Partner"), a limited liability company established in the PRC whose shares are listed on Shenzhen Stock Exchange under stock code 000010, entered into the joint venture agreement to establish the joint venture company, 重慶盛渝泓嘉國際貿易有限公司 (transliterated as Chongqing Sheng Yu Hong Jia International Trading Company Limited) ("Sheng Yu Hong Jia"), in Chongqing City, PRC which is 90% owned by the Company and 10% owned by the Joint Venture Partner.

On 2 August 2017, Sheng Yu Hong Jia was formed in Chongqing City, PRC and is licensed to carry out the businesses of sales of motor vehicles, motor vehicle parts and motor vehicle products; motor vehicles rental (excluding motor vehicles finance leasing, passenger vehicles transportation rental and road passenger and freight transport operations); international freight forwarding services; import and export businesses; motor vehicles information consultancy (excluding restricted items); motor vehicles repair and maintenance (for business items that require approval, shall only be carried out after obtain approvals) and agency for motor vehicles registration, transfer and scrap procedures for 50 years from 2 August 2017 until 1 August 2067.

Following the formation of Sheng Yu Hong Jia, the Company had made an initial capital contribution of RMB90,000,000 and the Joint Venture Partner had made its capital contributions to Sheng Yu Hong Jia of RMB10,000,000 pursuant to the joint venture agreement respectively. For the year ended 31 December 2017, the Group recorded the revenue of sales of motor vehicles approximately HK$19.2 million and an agency fee income approximately HK$2.4 million.

On 9 November 2017, the board of directors of Sheng Yu Hong Jia had resolved to increase the registered capital of Sheng Yu Hong Jia from RMB100,000,000 to RMB150,000,000. The Joint Venture Partner had indicated that it would forgo its right to subscribe for and contribute to its entitled 10% of the increased registered capital of Sheng Yu Hong Jia in the sum of RMB5,000,000 as a result the Company intends to make the proposed additional capital contribution and subscribe for the entire 100% of the increased registered capital of RMB50,000,000 of Sheng Yu Hong Jia.

The Directors consider that the proposed additional capital contribution will further increase the Company's equity interest in Sheng Yu Hong Jia from 90% to 93.33% and the additional capital contribution of RMB50,000,000 by the Company to Sheng Yu Hong Jia will significantly strengthen the capital base of Sheng Yu Hong Jia and will increase its trading capacity and competitiveness in the parallel import motor vehicle market of the PRC and is in the interests of the Company and the shareholders as a whole.

FINANCIAL REVIEW

Results of the Group

The Group recorded total turnover of approximately HK$31.4 million for the year ended 31 December 2017 as compared to total turnover of approximately HK$46.9 million for the previous year, representing a decrease of approximately HK$15.5 million or approximately 33.0%. The sharp decrease of turnover was primarily due to the decrease in sale proceeds from trading of securities which listed in Hong Kong.

The Group recorded a loss for the year amounted to approximately HK$136.3 million, compared with a loss of approximately HK$244.9 million for the corresponding year. The loss of the year encompassed the realized losses and unrealized fair value losses on securities trading of approximately HK$3.5 million and approximately HK$34.8 million respectively, compared with realized losses and unrealized fair value losses on securities trading of approximately HK$71.7 million and HK$30.1 million respectively for the previous year.

The loss also took in the fair value change in contingent consideration receivables, as the profit guarantee of acquisition of a subsidiary in 2014 could not be reached and the decrease in the Company's share price during the year, for approximately HK$13.4 million for the year under review.

Due to the continuing tightened policy of the PRC Government on regulating the precious metals trading and brokerage business in the PRC, the business operation of the Group has not resumed. The impairment of investment in one associate of approximately HK$31.8 million, no impairment needed for such associate in the previous year.

The loss also included the impairment of refundable earnest money paid for proposed business acquisition in 2015 of approximately HK$23.1 million for the year under review.

Liquidity and financial resources

The Group's current assets as at 31 December 2017 amounted to approximately HK$374.0 million compared with approximately HK$398.2 million as at 31 December 2016 and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 5.39 times, compared with 15.59 times for previous year. Among them, the financial assets at fair value through profit or loss were approximately HK$34.3 million (2016: approximately HK$64.0 million). The financial assets invested include the equity securities listed in Hong Kong and unlisted investment funds lodged in PRC. As at 31 December 2017, the Group's cash and bank balances were approximately HK$180.7 million (2016: approximately HK$255.0 million) of which approximately HK$9.8 million (2016: approximately HK$14.1 million) were held on behalf of clients in trust and segregated accounts.

As at 31 December 2017, the Group's total borrowing amounted to approximately HK$54.4 million (2016: approximately HK$8.6 million), of which, approximately HK$49.9 million (2016: approximately HK$2.0 million) was repayable within one year. The bank borrowings were secured by charges over the Group's land and buildings as well as corporate guarantee issued by the Company. The borrowing from related party was unsecured. Taking into account of the amount of liquid assets in hand, the Broad is of the view that the Group has sufficient financial resources for future development of the existing business of the Group and other business when investment opportunities arise.

The equity attributable to the owners of the Company amounted to approximately HK$322.0 million as at 31 December 2017, representing a decrease of approximately HK$140.9 million, or 30.4% from that of 31 December 2016. The decrease was mainly due to loss for the year attributable to the owners of the Company.

The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flow generated from business transaction locally. As at the end of the year, the Group did not have any material un-hedged foreign exchange exposure of interest rate mismatch.

Capital structure

As at 31 December 2017, the Company's issued share capital was 6,498,958,120 shares of HK$0.01 each.

Precious metals spot trading and brokerage

No commission income was received during the year under review, as compared to approximately HK$1.5 million for previous year. It was mainly attributable to the tightened policy of the PRC Government on regulating the precious metals trading and brokerage business in the PRC in which the Group operated. It reported an operating loss of approximately HK$0.5 million for the year ended 31 December 2017, as compared to an operating loss of approximately HK$2.0 million for the previous year.

Stock information and research services

This segment recorded approximately HK$0.8 million of revenue for the year under review compared with same revenue for previous year. It reported an operating loss of approximately HK$28.0 million, included an impairment of refundable earnest money paid for Yang Shunhong for approximately HK$24.0 million for the year (2016: loss of approximately HK6.9 million).

Trading of electronic student cards and school safety products

It recorded approximately HK$5.3 million of revenue for the year under review compared with approximately HK$5.2 million for the same period last year. It is principally engaged in development and exploration of various telecommunication technologies in the PRC, in particular, electronic student card for school safety network. For the year under review, the navigating chips of electronic student cards and devices needed to change to operate in coordination with the BeiDou System, a system preferred by the PRC Government. The Group is studying to modify the devices in order to deal with the power consumption issues. It led to a slowdown in the production of electronic student cards and devices and incurred an operating loss of approximately HK$16.2 million for the year, compared with loss of approximately HK$113.4 million for the last corresponding period.

Brokerage and securities margin financing service

Total revenue of this segment recorded approximately HK$1.5 million for the year ended 31 December 2017, compared with approximately HK$1.4 million for the same period last year. This segment loss reached approximately HK$3.3 million while loss of approximately HK$4.1 million for the last corresponding period.

Trading and principal investments

The securities trading recorded a realized loss of approximately HK$3.5 million while it recorded a trading loss of approximately HK$71.7 million in the previous year. It recorded a fair value losses of approximately HK$34.8 million for the year under review compared with fair value losses of approximately HK$30.1 million of the previous year. This assignment showed an operating loss of approximately HK$44.7 million for the year 31 December 2017 and it recorded a loss of approximately HK$102.6 million last year.

Sales of motor vehicles and provision of agency services

This segment commenced business from a newly company established in August 2017. It recorded approximately HK$21.6 million of revenue for the year under review. It is principally engaged in sales of motor vehicles business in PRC. Due to lying in the development stage, it recorded an operating profit of approximately HK$2.9 million for the year ended 31 December 2017.

OUTLOOK

Looking forward, the Group will continue to focus on improving the performance of our current businesses, such as (i) provision of securities and futures contracts trading services in Hong Kong, (ii) trading and sales of parallel imported vehicles and provision of relevant agency services in the PRC, (iii) research, exploration and development of the student safety network project and the electronic student card in the PRC, (iv) provision of stock information and research services through the internet network in the PRC, and (v) trading and principal investments in the PRC and Hong Kong.

The stock markets in the PRC and Hong Kong had seen significant gained and picked up in 2017 and the Group is optimistic about the prospect of the stock markets in the PRC and Hong Kong and will closely monitor the changes in these stock markets in order to improve performance of the Group in this segment of the Group’s businesses.

Sheng Yu Hong Jia, the subsidiary of the Group, was formed in Chongqing City because of its strategic location at the terminus of the Chongqing-Xinjiang-Europe International Railway which offers an alternative route of transporting goods from Europe into the PRC by land in addition to the traditional route of transporting goods from Europe into the PRC by sea as well as the favourable policies and incentives offered by the Chongqing City authorities to import and export businesses under the Silk Road Economic Belt and the 21st-century Maritime Silk Road, better known as the One Belt and One Road Initiative ("OBOR") proposed by the central government of the PRC.

Sheng Yu Hong Jia is located in the China (Chongqing) Pilot Free Trade Zone which offers a series of staggered subsidies policies. Moreover, Sheng Yu Hong Jia is also the only business within the motor vehicle import and export category under the Chongqing City Open-up Inland and Highland Development Trade Fair Project under which subsidies are offered by government authorities of various levels.

Moreover, under the "3 + N" Scheme, meaning "Government + State Owned Foreign Trade Groups + Banks" scheme run by the Chongqing City government as an incentive to promote import and export trade under OBOR, when Sheng Yu Hong Jia opens letter of credit to overseas manufacturer to import motor vehicles with banks participating the scheme, the banks will provide discount subsidies to Sheng Yu Hong Jia, hence, further reducing its cost.

We expect Sheng Yu Hong Jia can provide an opportunity for the Group to expand its business in the sales of motor vehicles in the PRC market which is the largest motor vehicles market in the world and there is still a huge growth potential for the market given the relatively lower vehicle per capita compared with other developed markets of the world such as the United States. The Company believes that Sheng Yu Hong Jia can expand the income base of the Group and diversify its business portfolio.

The Group will continue to develop other businesses and look for opportunities to expand the income sources in order to enhance the revenue of the Group.

CHARGES ON ASSETS

Property, plant and equipment of the Group with a carrying amount of approximately HK$29.2 million (2016 approximately HK$30.8 million) were pledged for banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any contingent liabilities (2016: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES/FUTURE PLAN FOR MATERIAL INVESTMENTS

On 2 August 2017, Sheng Yu Hong Jia was formed in Chongqing City, PRC which is 90% owned by the Company and 10% owned by the Joint Venture Partner, 深圳美麗生態股份有限公司 (transliterated as Shenzhen Ecobeauty Co., Ltd).

Following the formation of Sheng Yu Hong Jia, the Company had made an initial capital contribution of RMB90,000,000 and 深圳美麗生態股份有限公司 (transliterated as Shenzhen Ecobeauty Co., Ltd) had made its capital contributions to Sheng Yu Hong Jia of RMB10,000,000 pursuant to the joint venture agreement respectively.

On 9 November 2017, the board of directors of Sheng Yu Hong Jia had resolved to increase the registered capital of Sheng Yu Hong Jia from RMB100,000,000 to RMB150,000,000 and Sheng Yu Hong Jia had obtained approval for the increase of its registered capital from RMB100,000,000 to RMB150,000,000 from the relevant government authority of the PRC. The additional capital of RMB50,000,000 required by Sheng Yu Hong Jia was determined by the board of directors of Sheng Yu Hong Jia after due consideration of the market of imported motor vehicles in the PRC in general, the market segment targeted by Sheng Yu Hong Jia mentioned in the circular of the Company dated 19 March 2018 and the needs of Sheng Yu Hong Jia to increase its capital base in order to negotiate for better banking finance arrangements and other financing modes such as financial leasing.

深圳美麗生態股份有限公司 (transliterated as Shenzhen Ecobeauty Co., Ltd) had indicated that it would forgo its right to subscribe for and contribute to its entitled 10% of the increased registered capital of Sheng Yu Hong Jia in the sum of RMB5,000,000 as a result the Company intends to make the proposed additional capital contribution and subscribe for the entire 100% of the increased registered capital of RMB50,000,000 of Sheng Yu Hong Jia.

The Directors consider that the proposed additional capital contribution will further increase the Company's equity interest in Sheng Yu Hong Jia from 90% to 93.33% and the additional capital contribution of RMB50,000,000 by the Company to Sheng Yu Hong Jia will significantly strengthen the capital base of Sheng Yu Hong Jia and will increase its trading capacity and competitiveness in the parallel import motor vehicle market of the PRC and is in the interests of the Company and the shareholders as a whole.

For more details, please refer to the Company's announcement dated 4 July 2017, 17 October 2017 and 29 December 2017 and the Company's circular dated 19 March 2018.

Save as disclosed, there was no other material acquisition/disposal which would have been required to be disclosed under the GEM Listing Rules for the year under review and the Group has no concrete plans for other material investments.

EMPLOYEE INFORMATION

As at 31 December 2017, the Group had a workforce of 85 employees (2016: 80). The total staff costs, including directors' emoluments, amounted to approximately HK$20.0 million for the year ended 31 December 2017 (2016: approximately HK$17.9 million). The Group's remuneration policies are reviewed on an annual basis and commensurate with the industry pay level. The remuneration package includes basic salary, provident fund, medical benefits and discretionary bonus. The Group has also adopted a new share option scheme as an added incentive for its employees.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company's Directors have complied with such code of conduct and the required standard of dealings.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including providing and setting the Group's directions and strategies in the interests of the Group. It believes in good corporate governance and corporate governance practices that promote investor confidence, development of the Group, and transparency while having the long term interest of the Group and enhancement of shareholders' value as the ultimate objectives. It has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "Corporate Governance Code"). The Company has complied with the applicable code provisions of the Corporate Governance Code, except for the following deviation:

CODE PROVISION A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Wang Jiawei is the chairman and chief executive officer of the Company. In view of Mr. Wang has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Company. Under the supervision by the Board which is comprised of three independent non-executive Directors and two non-executive Directors, which represent more than half of the Board, the interests of the shareholders of the Company will be adequately and fairly represented.

AUDIT COMMITTEE

The Company has established an Audit Committee with specific written terms of reference. As at 31 December 2017, the Audit Committee consisted of three independent non-executive directors, Mr. Li Jianxing, Professor Zhang Benzheng and Mr. Chen Shu Wen. Mr. Li Jianxing, being an independent non-executive director, is the chairman of the Committee. The Audit Committee's role and function includes making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; develop and implement policy on the engagement of an external auditor to supply non-audit services; monitor the integrity of financial statements, annual reports and accounts, half-yearly and quarterly reports of the Company, and review significant financial reporting judgments contained in them; review the Company's financial controls, internal control and risk management systems; and review the Group's financial and accounting policies, procedures and practices.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2017 pursuant to the relevant provisions contained in the Corporate Governance Code And Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that such statements had complied with applicable accounting standards and that adequate disclosures had been made in respect thereof.

The Audit Committee held five meetings during the year and the attendance of its members was as follows:

Members	Attendance number of meetings attended/ Number of meetings during term of service
Li Jianxing	5/5
Zhang Benzheng	5/5
Chen Shu Wen	3/5

By order of the Board
Sinofortune Financial Holdings Limited
Wang Jiawei
Chairman

Hong Kong, 20 March 2018

As of the date of this announcement, the executive Directors are Mr. Wang Jiawei and Ms. Lai Yuk Mui, the non-executive Directors are Mr. Liu Runtong and Mr. James Beeland Rogers Jr. and the independent non-executive Directors are Professor Zhang Benzheng, Mr. Li Jianxing and Professor Chen Shu Wen.

This announcement will remain on the "Latest Company Announcements" page of the website of the GEM of The Stock Exchange of Hong Kong Limited at http://www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at http://www.sinofortune.hk.